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REGIONAL AND LOCAL MACROECONOMIC POLICIES FROM THE PERSPECTIVE OF THE DEVELOPMENT OF EMERGING STATES

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Abstract: *This study examines the intricate relationship between regional and local macroeconomic policies and the development trajectories of emerging states within the context of an increasingly globalized world economy. The research posits that information and communication technology (ICT) serves as a critical determinant of economic progress, influencing a nation's capacity to adopt new technologies and integrate into global markets. Therefore, this study aims to elucidate the complex interplay between technological advancement, cultural values, and demographic attitudes in emerging economies. The paper explores how these factors, in conjunction with macroeconomic policies, shape the economic landscape of developing nations. Furthermore, it investigates the role of trade agreements, foreign direct investment, and the spillover effects from developed economies in fostering growth in emerging markets. This research contributes to the broader understanding of economic development disparities and provides insights into effective policy formulation for emerging economies in an era of rapid technological change and economic interdependence.*

Keywords: *globalization, economic development, macroeconomic policies, information and communication technology, emerging economies, trade agreements*

JEL classification: *F60, F63, O11, O33*

1. Introduction

We are currently identifying various perspectives and implications of globalization, making it essential to examine aspects of today's global reality. It is equally evident that global institutions have not met the global aspirations of all stakeholders. While globalization permeates economic, technological, social, political, and environmental spheres, it is certain that no immediate solution exists for all the challenges faced by the planet and its inhabitants.

Technology stands as a formidable force shaping societies, companies, and individuals, thereby exerting a significant socio-economic impact. Presently, more than half of households worldwide are connected to the Internet, surpassing the number of mobile phone subscriptions compared to the global population. Notably, WhatsApp, the world's leading mobile instant messaging service, experienced exponential growth from 200 million to 1,600 million users between 2013 and 2019 (Statista, 2019).

Conversely, innovations tailored to product and service production processes undergo substantial and enduring transformations, constituting a frequent phenomenon impacting the global economy. However, significant disparities exist between regions and countries.

These innovations wield a major positive influence on both corporate financial performance and the efficacy of the states in which they operate. Moreover, they influence the communication strategies of producing entities, leveraging communication technology to directly engage regional and global populations. Consequently, organizations that harness advanced technology and integrate innovative practices into their production processes significantly contribute to defining a state as developed or developing.

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Vol. 76, issue 2 Year 2024
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2. Regional and local macroeconomic policies

The dynamics of global states are shaped by technological progress and implicitly by the continuous globalization of economies, directly correlated with the utilization of technological products and services. However, while developed states, notably the United States of America, demonstrate evident positive effects, the effects are less pronounced in developing and emerging economies (Cruz-Cárdenas et al., 2019).

Therefore, accurately identifying the predictors of adoption and utilization of products and services based on advanced technology in developing and emerging countries is particularly crucial for companies and governments globally. Correct identification of these predictors is essential for initiatives aimed at bridging the technology utilization gap among countries (Boons and Bocken, 2018).

Equally significant in determining a state's level of development is the aspect related to cross-border commercial activities and purchases, more conspicuous in developed states compared to emerging or ongoing ones. However, emerging states demonstrate a positive response, significantly stimulating foreign investment and thereby progress (Bhagat et al., 2011).

Despite the positive determinants influencing the progress of the world's states and macroeconomic policies aimed at fostering innovation and technological implementation, significant gaps persist in economic growth between states and regions worldwide. This is attributed to various variables and characteristics influencing a country's status, including challenges in sustaining economic growth, modernizing the technological component or the added value of the economy, regional size disparities, and proximity to large consumer markets and pre-existing industrialization (Frick et al., 2019).a) economic growth is often difficult to sustain;

b) the attempt to modernize the technological component or the added value of the economy is often a challenge;

c) the size of regions or countries influences the economic growth process, with larger regions having a competitive advantage in terms of growth potential;

d) proximity of countries to large consumer markets as well as pre-existing industrialization also contribute to increasing the attractiveness and performance of regions and/or countries.

Hence, it comes as no surprise that a country's level of development correlates directly with its industrialization process and implicitly with its involvement in foreign trade, including its ability to access regional and global export markets. Trade remains indispensable for establishing a competitive position in both global and regional markets, particularly for certain goods and services, thereby shaping a country's brand image. This trend is notably evident in nations with robust global economies, where multinational and transnational corporations increasingly penetrate emerging and developing markets (Frick et al., 2019; Baldwin, 2013).

Equally noteworthy is the impact of developed countries on the development levels of their neighboring counterparts. Emerging and developing nations can benefit from the spillover effects of economic growth, which positively influence their economic performance compared to more remote areas. Various factors, such as political stability, safety and security, fiscal policy, economic stability, inflation rate, unemployment, unskilled labor, and environmental issues, either facilitate or hinder this positive effect (Frick et al., 2019).

Additionally, macroeconomic, financial, and monetary policies pursued by governments significantly influence a country's status and development level, particularly in terms of trade, investments, and the presence of multinational and transnational companies. Trade agreements play a crucial role in this context, serving as commitment instruments for governments advocating liberal policies. However, these agreements may encounter challenges of consistency over time. Such macroeconomic policies are especially pertinent for many emerging economies, given their relatively smaller presence in global markets. This is particularly evident in emerging countries in Latin America, where economic growth conditions are significantly impacted by macroeconomic factors (Bown and Crowley, 2014; AboElsoud et al., 2020).

We also discern pertinent factors concerning the positioning of emerging nations within the global economy. Specifically, there persists a series of countercyclical relationships between

Vol. 76, issue 2 Year 2024
DOI: 10.56043/reveco-2024-0012

macroeconomic shocks and import restrictions, alongside fluctuations in bilateral real exchange rates. Consequently, the significance of macroeconomic policies and the institutional environment becomes paramount, particularly given ongoing changes in regional and global trade dynamics, which may impose restrictions on certain markets or goods and services (Bown and Crowley, 2014).

Moreover, within the realm of macroeconomic policy, we identify trade agreements as pivotal facilitators of diverse economic outcomes and national policy-making behaviors. These agreements wield considerable influence over trade, implicitly impacting GDP growth and the ratio between aggregate investments and GDP. However, to leverage existing macroeconomic policy agreements, countries must engage in continuous trade reform efforts and participate in various associations, such as the World Trade Organization (WTO), to address consistency issues in tariff setting.

Nevertheless, developing and emerging economies frequently exhibit variations in their trade policy commitments from at least two perspectives: 1) significant disparities exist between countries concerning the proportion of products subject to maximum tariff commitments; 2) variations exist between countries in the simple average tariff rate for all products, irrespective of the established mandatory maximum rate (Bown and Crowley, 2014).

The intricate nature of trade policy commitments assumed by emerging economies also reflects the utilization of policies involving temporary trade barriers, including anti-dumping measures, guarantees, and countervailing duties. These aspects signal transparency and stability in trade policy determination to the WTO. However, the escalating use of such import restrictions may suggest a regression from the fully liberal regime pledged by the WTO for its member countries (Regent, 2003; Kaiser and Prange, 2004). However, boosting trade for emerging economies is a necessity and a macroeconomic policy priority as they contribute more and more to the global economy. It finds that many emerging economies (Argentina, Brazil, China, India, Indonesia, Mexico, South Africa, and Turkey) have stepped up their actions to create and promote liberal/open trade policies, often exceeding the actions of high-income economies such as the United States and the European Union (Bown and Crowley, 2014).

It is crucial to underscore that the real economy of all economic regions exhibits a strong reaction to various shocks, as evidenced by the impact of the crisis in the USA. This underscores the pivotal role of highly developed countries such as the US in shaping the global economic cycle. Similar patterns are observed in response to changes in interest rates, oil prices, and other factors, necessitating robust integration of advanced economies with the global economy, including emerging states that play a crucial role in world trade through appropriate and effective macroeconomic policies.

Illustrating the effects of existing economic imbalances on developed countries' markets, the Central, Eastern, and South-Eastern European (CESEE) region experienced rapid economic growth leading up to the global financial crisis of 2008. This growth was accompanied by increasing commercial integration of these states into the European Union (EU). However, as the global financial crisis unfolded, growth abruptly halted, highlighting the vulnerability of the region to stress from the global economy, particularly due to strong economic ties with Western Europe. This underscores the importance of analyzing CESEE countries in a global context, allowing for the modeling of repercussions caused by the global economy (Jiménez-Rodríguez et al., 2010; Liu et al., 2011).

This situation underscores the varying degrees of vulnerability to external shocks among countries, with some, like Ukraine and the Baltic countries, being highly susceptible, while others, like Poland, have demonstrated resilience (Feldkircher, 2015).

The significance of emerging countries in the global economy is steadily increasing, evident in their growing contribution to world production. These nations have progressively integrated into the global economy, yet they remain largely reliant on the world market and employ various economic policy instruments such as monetary policy, fiscal policy, foreign economic policy, wage policy, etc. Consequently, the need for macroeconomic policy reform is glaring, emphasizing the crucial role of economic policies and national institutional frameworks in the economic development of countries. As outlined by Persson and Tabellini (1999) and Allsopp and Vines (2000), six essential elements of a

Vol. 76, issue 2 Year 2024
DOI: 10.56043/reveco-2024-0012

macroeconomic policy regime are identified: foreign economic policy, industrial policy, monetary policy, fiscal policy, wage policy, and the financial system.

To accurately capture the distinctive features of emerging countries, as noted by Xu and Meyer (2013), several key elements are delineated below:

a) "markets are less efficient due to information asymmetries and higher monitoring and enforcement costs. These characteristics may result from infrastructural and institutional weaknesses, including limited legal protection against fraud and intellectual property theft.

b) governments and government-related entities do not just set the rules, they are active actors in the economy.

c) markets are less efficient, but also reflect local tradition.

d) risk and uncertainty are high due to the high volatility of key economic, political and institutional variables".

The literature (Child et al., 2019) identifies six key elements that are analyzed by companies wishing to operate in an emerging economy, as follows:

1) Country risk. This raises questions such as: Are the imposed foreign investment conditions likely to change? What approach will be required for government relations and company management?

2) The partnership economy: How will the financing take place and how will the capital be allocated? What financial regulations apply? Has the profit repatriation process been defined?

3) Human resources: Will suitable local employees be available? Are the alliance's HRM practices in compliance with local labor laws and procedures?

4) Governance and control: Are there differences in governance standards and business practices between partners that need to be reconciled? Are there regulations to protect intellectual property?

5) Cultural differences: Are the implications of cultural differences really understood? Is religion a significant factor in business in the region?

6) Strategic issues: Can the local partner help your company adapt its products and services to fit the local market? Are local policies and commercial requirements affecting your business model and competitiveness?

It is noteworthy to emphasize the emergence of numerous acronyms in the early 2000s aimed at delineating subgroups within emerging countries. Notably, the relatively recent establishment of the E7 group (signifying "Emerging 7") highlights seven nations whose combined GDP was projected to surpass that of the G7 by 2020. This group comprises the four BRIC countries (Brazil, Russia, India, and China), along with Mexico, Indonesia, and Turkey (or alternatively South Korea). In 2017, this collective accounted for 35% of global GDP, in contrast to the 28% attributed to G7 members.

Despite a robust rebound in the global economy during 2021 and 2022 following the adverse effects of the COVID-19 pandemic, substantial disparities persist among regions and individual economies. Advanced economies and Asian countries have demonstrated robust growth, whereas certain regions, such as Latin America and the Caribbean, have experienced more modest performance. Furthermore, the global economic landscape is influenced by factors including fiscal and monetary policies, labor conditions, sustainable resource management, and other aforementioned aspects, all of which may shape the trajectory and pace of future economic growth.

From various perspectives, criteria such as unemployment rates, vulnerability, debt levels, and the size of financial markets can underscore distinctions between emerging and developed states. Nonetheless, certain emerging market countries often exhibit superior indicators in specific aspects compared to certain advanced countries; for instance, they may exercise greater control over external debt management.

Economically, an emerging country can be defined as a nation with a GDP per capita and Human Development Index (HDI) lower than that of developed countries, yet experiencing rapid economic expansion with socio-economic, political, and structural characteristics converging towards those of developed nations. Additionally, an emerging country is characterized by an open economy, undergoing structural and institutional development, and displaying substantial growth potential. On the other hand, it is universally recognized that a developing country is one whose economy is not sufficiently

Vol. 76, issue 2 Year 2024
DOI: 10.56043/reveco-2024-0012

developed. However, emerging countries are known as "emerging economies". Currently there are several bodies that measure the status of a country in terms of development, the International Monetary Fund, being the one that permanently monitors economic development around the world and more than that provides monetary assistance to developing countries.

In the year 2024, among the countries exhibiting the most rapid development are Brazil, Turkey, Russia, India, and China. Additionally, the cohort of emerging nations encompasses oil-rich countries including Bahrain, Saudi Arabia, Iran, Kuwait, United Arab Emirates, Qatar, Oman, and Iraq. While these nations are presently considered wealthy due to their oil exports, they lack a well-developed sector. Consequently, their economies are highly dependent on a single resource - oil - and a downturn in oil prices could precipitate economic underdevelopment across multiple levels (IMF, 2024).

Another cluster of emerging countries resides in Eastern Europe, within the former Soviet Union, comprising Latvia, Romania, Bulgaria, the Czech Republic, Hungary, Slovenia, and Slovakia. These nations are less developed than their Western European counterparts and are still in the developmental phase. Against this backdrop, the European Union endeavors to promote equity among European nations and enhance their economic performance and quality of life.

On a global scale, numerous other emerging countries exist, such as Algeria, Tunisia, Morocco, and South Africa in Africa; Indonesia, Sri Lanka, and Bangladesh in South Asia; and Argentina, Chile, and Colombia in South America, as well as nations in the South Pacific.

Furthermore, a significant concern pertains to the subpar results these nations often achieve in terms of human rights, with economic growth frequently prioritized at the expense of people's well-being.

The Human Development Index (HDI), established by the United Nations Development Program (UNDP), serves as an indicator ranging from 0 to 1, with higher values indicating superior human development within a country. This index takes into consideration various indices to determine a nation's human development status:

1) The health and longevity of residents, calculated by life expectancy at birth and which is directly influenced by the satisfaction of essential material needs, access to healthy food, safe drinking water, decent housing, hygiene and medical care;

2) Knowledge or level of education, which is measured by the average duration of schooling for adults over 25; it reflects the ability to participate in decision-making at work or in society;

3) The standard of living which through per capita income in terms of purchasing power parity is related to elements of the quality of life.

From this perspective, "Advanced countries" typically exhibit an HDI surpassing 0.8. This category encompasses two distinct types of nations: the "developed market economies" that emerged during the latter half of the 20th century (such as the United States of America, Western Europe, and Japan), and the former "newly industrialized countries" of Asia (comprising South Korea, Taiwan, and Singapore). Additionally, it includes "Economies in Transition," which comprise Eastern European nations like Russia, Ukraine, and Poland. These countries are occasionally classified as developed or emerging nations.

"Developing countries," on the other hand, generally possess an HDI below 0.8 and encompass various types of nations. This category includes newly industrialized and emerging countries (such as China, Brazil, India, and Mexico), oil-exporting nations (like Saudi Arabia and Qatar), intermediate countries (comprising North African nations), as well as "Least Developed Countries" and sub-Saharan African countries (Amundi Asset Management, 2019).

3. Conclusions

The analysis of regional and local macroeconomic policies in the context of emerging states reveals a complex tapestry of factors influencing economic development. While a universally accepted definition of an emerging economy remains elusive, this study has identified several key characteristics and dynamics that shape their developmental trajectories.

Vol. 76, issue 2 Year 2024
DOI: 10.56043/reveco-2024-0012

Firstly, the research underscores the decisive role of information and communication technology (ICT) in driving economic progress. The adoption and utilization of technology-based products and services emerge as crucial predictors of a nation's capacity for growth and integration into the global economy. This technological dimension is intrinsically linked to demographic attitudes and cultural values, highlighting the need for nuanced, context-specific approaches to technology-driven development strategies.

Secondly, the study emphasizes the significance of macroeconomic policies, particularly those related to trade and foreign investment, in shaping the economic landscape of emerging nations. Trade agreements, while serving as instruments for liberal policy commitment, often face challenges in consistency and implementation. The research reveals that emerging economies, particularly in regions like Latin America, are significantly impacted by macroeconomic factors, necessitating careful policy formulation and execution.

Thirdly, the paper illustrates the interconnectedness of global economies, demonstrating how shocks in developed economies reverberate through emerging markets. This is evidenced by the experiences of Central, Eastern, and South-Eastern European countries during the 2008 global financial crisis, underscoring the vulnerability of emerging economies to external economic perturbations.

Furthermore, the study identifies key elements that characterize emerging economies, including sustained GDP growth exceeding global averages, increasing GDP per capita, enhanced foreign trade expansion, substantial foreign investment presence, and the capability to invest overseas. These factors, coupled with economic diversification and political stability (albeit not necessarily democratic), contribute to the unique position of emerging economies in the global landscape.

The research also highlights the importance of human development, as measured by the Human Development Index (HDI), in providing a more comprehensive assessment of a nation's progress beyond mere economic indicators. This comprehensive approach to evaluating development aligns with the complex nature of emerging economies, where economic growth often occurs alongside challenges in areas such as human rights and quality of life.

In conclusion, this study contributes to the broader understanding of economic development in emerging states by elucidating the intricate relationships between technological advancement, macroeconomic policies, global economic dynamics, and cultural factors. The findings underscore the need for tailored approaches to economic development that consider the unique characteristics and challenges of emerging economies. Future research should focus on developing more nuanced models of economic growth that incorporate these multifaceted aspects, potentially leading to more effective policy formulation and implementation in emerging markets. As the global economic landscape continues to evolve, understanding and addressing the specific needs and potentials of emerging economies will be crucial for fostering inclusive and sustainable global economic growth.

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Vol. 76, issue 2 Year 2024
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