Analysis of New Status of Emerging Economies in the Development of International Economy

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Abstract

Emerging economies refer to the booming economy of a country or region and become an emerging economic entity. At present, there is no very accurate definition in this field. According to the development potential and economic influence, the emerging economies are generally divided into two echelons. The first echelon is China, Brazil, India, Russia and South Africa, usually known as the "BRIC countries". The second echelon is the new country such as Mexico, Turkey, Egypt and South Korea. At present, the division of emerging economies is based on the overall economic strength of a certain country or region and the level of economic and trade industry development. The indicators of emerging economies can better reflect the overall development of a country's economy, and are very suitable for comparing the difference of economic development level between countries or regions. Therefore, it has different new status in the international economic development.

Keywords

Emerging economies; international economic development; new status; development.

1. Introduction

After entering the new century, the development, application and popularization of information technology have added more content to finance. The international economic development will also have more connotations, which will affect the trend of the international economic development of the emerging economies. The emergence of a large number of new financial instruments and new financial institutions will form a new financial structure. The emerging economies have to face the new international economic development situation. The financial markets of the emerging economies are unprecedentedly active [1]. The emerging economies are not the inventions of new financial instruments or trading methods. However, in the context of financial globalization, the development of the financial market is unprecedentedly active. The emerging economies will create a large number of new financial institutions [2]. The wide application of the Internet financial and business platform has led to a large number of new financial institutions. The emerging economies will use big data and cloud technology to guide the development of the international economy, and it will pay more attention to the changes in micro finance. The international economic development of the emerging economies will face new risks and challenges.

2. Related theory

2.1 Concept of emerging economies

The developing countries with middle income and high income are defined as emerging economies. Therefore, the total number of emerging economies is 133. The list of its economies also covers E11 countries (11 undeveloped members of G20, namely Argentina, Brazil, India, Indonesia, China, South Korea, Mexico, Russia, Saudi Arabia, South Africa and Turkey). Moreover, there are 34 developed economies in the remaining countries. There are 43 other developing economies [3].

2.2 Meaning of the rise of emerging economies

The rise of emerging economies has two meanings: The first is the continuous growth of the national economic strength of the group of emerging economies. Since twenty-first Century, the average annual growth rate of emerging economies is 4.61%, which is higher than the 2.6% of OECD developed countries. Since the end of the cold war, the proportion of emerging economies in the global economy has risen from 18.1% in 1991 to 35.8% in 2010. However, the developed economies have dropped from 81% to 63%. At the same time, other developing countries with low income have basically maintained a 1% proportion. The proportion of emerging economies is still growing. Secondly, the overall national strength of a single emerging economy has been enhanced by the growth of economic strength. With the improvement of economic strength, more and more countries with emerging economies have begun to play a more active role in international and regional affairs. The BRICs are the most representative parts [4].

2.3 Economic development of the emerging economies

Western economists are accustomed to dividing the stage of economic development in accordance with the industrial development of a country's economy [5]. Therefore, according to the historical process of the economic development of emerging economies, this paper divides them into the initial stage, the development stage and the post crisis stage of economic development [6]. Because of the different historical starting point of the political and economic development of various countries, there are also great differences in the historical period of the economic development stage of each country. In order to clearly define the division criteria of the various stages, it is necessary to unify the early stage of the economic development of the emerging economies [7]. In order to facilitate the analysis, the early stages of the economic development of the emerging economies are defined as the period that the emerging economies have obtained the right to self-determination from national self-determination to the initial establishment of the industrial system or the economic transition of the former Soviet and Eastern socialist countries [8]. The development stage is defined as the stage from basic realization of industrialization to 2008. The "post crisis" stage refers to the stage from the beginning of 2009 to that time.

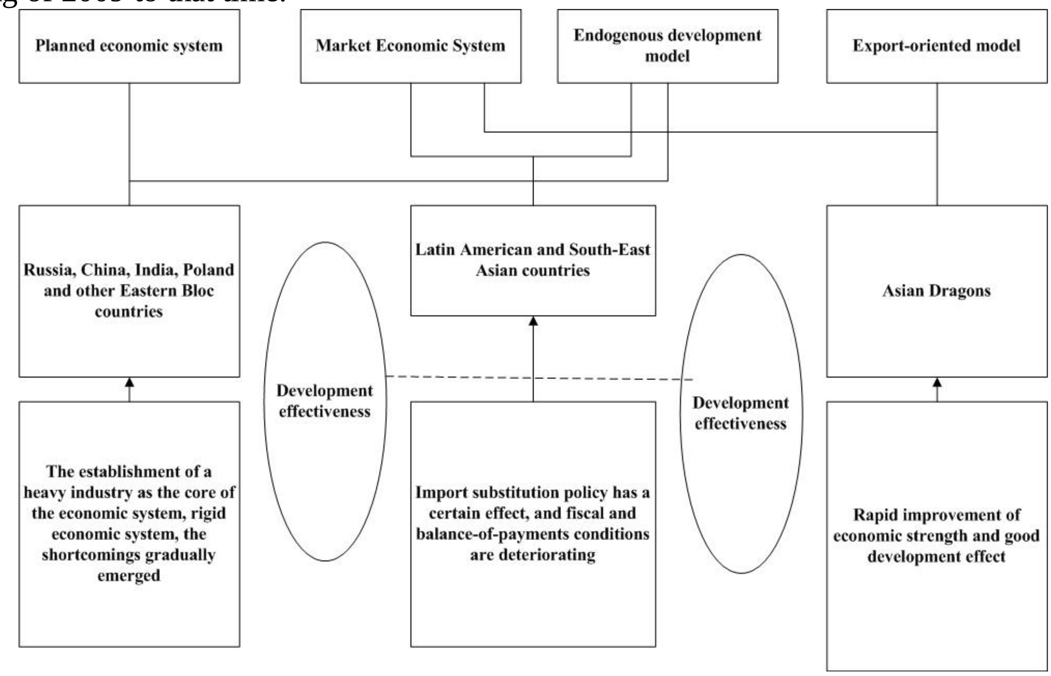

Figure 1 Sketch map of the early economic development of the major emerging economies

3. Method

3.1 A discussion on the relationship between international economic development in emerging economies and economic development

The development of international economy is generally reflected in the promotion of financial efficiency, including the improvement of financial efficiency, the symmetry of information and the reduction of financial repression. Its specific performance is the increase of money in the market. The increase of currency investment has stimulated the increase of investment. The increase in investment has further led to economic growth. In turn, economic growth spurs capital accumulation and increases financial capital. If there is no financial risk, the profits of the manufacturer can be realized and the channel is unimpeded. Conversely, the channel is blocked, the capital chain is broken and the economic development is stagnant. As shown in figure 2, in general, there is a close link between the international economic development of the emerging economies and the economic growth. However, this connection is seriously affected by the patency of the flow of funds.

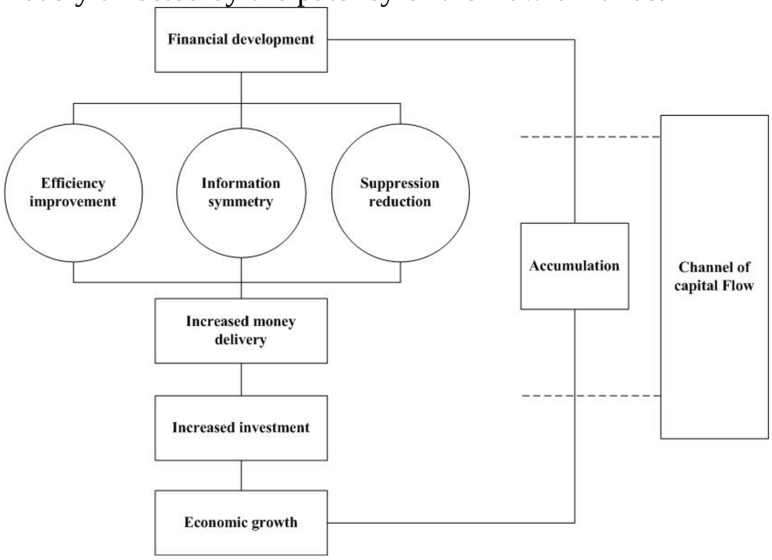

Figure 2 A schematic diagram of the relationship between international economic development and economic growth

3.2 Model setting and variable selection

According to the above analysis, in order to investigate the impact of the international economic development on the economic growth of the emerging economies, the following models are built:

$$\ln Growth_{it} = \beta_0 + \beta_1 \ln FD_{it} + \beta_2 \ln Export_{it} + \beta_3 \ln Fix_{it} + \varepsilon_{it} \quad (1)$$

In the formula, Growth represents the economic development. FD represents the international economic development indicator. Export represents the external demand index. Fix represents the investment indicators of new fixed assets. i represents different countries. t represents different years. E is the random perturbation term. β_0, β_1, β_2 and β_3 are the parameters to be estimated。

Economic growth is not a simple change in the total amount of the economy, and it is a capital deepening. To this end, the economic development speed index of this study will adopt per capita GDP growth index, that is, the ratio of current per capita GDP to previous per capita GDP. In this way, we can better observe the essence of economic capital deepening in different countries after eliminating the natural growth of the population.

4. Result and analysis

In order to explore the impact of the breadth of international economic development on economic growth in emerging economies, the relevant data are replaced in the model. As shown in table 1, the effect of the international economic development breadth index on economic growth is measured by the mixture, fixed effect and random effect model.

Table 1 Data analysis of the impact of international economic development breadth on economic growth in emerging economies

	Mixed regression model	Fixed effect model	Random effect model
C		5.236** (17.871)	4.509*** （46.774）
InFD	-0.1251*** (-3.234)	-0.038 （-0.999）	0.001 (0.009)
InExport	0.165*** (4.992)	-0.175*** （-4.757）	-0.021 (-1.631)
InFix	1.456*** (38.182)	0.056 (0.993)	0.069** (2.149)
R2	-4.663	0.392	0.027
F	-146.985***	5.281***	3.282**
D.W.	0.436	1.865	1.898
Sample number	360	360	360

****** represent a significant test that pass the 10%, 5%, and 1% level, respectively, and the data in parentheses are t value.

As shown in table 2, the related data of international economic development efficiency is substituted into the econometric model. The mixed regression, fixed effect and random effect model are applied to measure the impact of financial development efficiency on economic growth.

Table 2 Data analysis of the impact of the development efficiency of emerging economies on economic growth

	Mixed regression model	Fixed effect model	Random effect model
C	4.748*** （83.596）	5.616*** (17.977)	4.775*** （69.578）
InFD	-0.009 (-0.742)	-0.062*** （-0.2.657）	-0.015 (-1.135)
InExport	-0.001 (-0.096)	-0.073* （-1.725）	-0.009 (-0.625)
InFix	-0.012 (-0.806)	0.138** (-2.352)	-0.009 -0.517
R2	0.005	0.426	0.009
F	0.483	5.136***	0.791
D.W.	1.741	1.974	1.861
Sample number	270	270	270

The results show that the index of international economic development efficiency in the fixed effect model has passed the significant test. The symbol is negative and is consistent with the hypothesis expectation. In addition, the overall condition of the fixed effect model is better, and the indexes such as the goodness of fit, the F statistics and the D.W. value are acceptable. Thus, it is shown that the proportion of emerging economies in the international economic development is increasing.

5. Conclusion

The rise of emerging economies is an important part of the process of globalization. In this process, human beings have formed a community of fate. The emerging economies have not only accepted the international economic norms, but also made great progress in social economic norms, such as human rights protection and environmental protection. A series of international treaties and international organizations in the international system ensure that the value norms in the international order can be widely accepted by the countries in the world, which provides developing space for the growth of emerging economies. At the same time, it provides a reasonable system design to resolve the potential conflicts between the emerging economies and the developed countries.

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