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Activity 02

I. Identify the three most important factors that you believe drive the comeback of emerging economies.

II. Explain why you think they would have the greatest impact on the development, performance, and potential of the economic environment in a developed country such as Germany, Japan, or the United States.

I: Factors Driving Emerging Economies' Comeback

Three key factors driving the resurgence of emerging economies are technological innovation, political stability, and favorable demographics. These elements create a solid foundation for sustainable growth and attract foreign investment.

- **Technological Innovation:** The capability to implement and utilize the emerging technologies enables the emerging economies to skip the traditional development phases. This encompasses all the things, such as the introduction of mobile banking and e-commerce, and the application of renewable energy technologies. Through innovation, these countries will be able to enhance productivity, establish new industries, and compete on the international stage.

- **Political Stability:** A well-functioning government and foreseeable policy will lower the risk for investors, both local and international. Political stability of the country allows it to undertake long-term economic policies without worrying that the whole process will be interrupted due to civil unrest or coups in the country or that there will be a change in leadership every other moment. This confidence enables the development of the requisite infrastructure, standardized regulatory frameworks, and a stable legal system that is essential in the development of business.

- **Favourable Demographics:** A significant number of emerging economies have a very high population that is youthful and expanding. This demographic dividend offers a source of a big workforce, an increased consumer market, and a young entrepreneurial pool. This young population can drive economic growth and creativity over decades, unlike the aging population and declining labour force experienced in most developed countries.

II: Impact on Developed Countries.

The rise of emerging economies affects developed countries such as Germany, Japan, and the United States largely due to the growth in competition, new markets, as well as the breaking of world supply chains.

- **High Competition:** With the rise in emerging economies, they are becoming strong competitors. The developed countries can be challenged by their industries, which are often supported by the low labour costs and a good domestic market. This pushes firms in developed nations to be more innovative, more efficient, or lose market share. In the case of a country such as Vietnam emerging as a key electronics production centre, a country such as Japan, as a long-time leader in the same sector, is directly affected.

- **New Market Opportunities:** In the emerging economies, a growing middle-income population presents enormous new markets for products and services of the developed world. The higher the disposable income, the higher the likelihood that people in these countries will purchase all that, including luxury cars and high-tech gadgets, as well as education services and tourism packages. This is not only a major destination of the exports of the developed countries, but also provides new routes through which the multinational companies are able to grow and generate more profits.

- **Global Supply Chain Disruption:** As the emerging economies rise, the global economic environment may change, shifting the current supply chains. The developed economies have been accustomed to one particular chain of production and distribution. But as the emerging countries grow more self-reliant and technological, they can either contribute more to the production or even become the primary consumers of their products. This may cause an overhaul of the source and production location of their components, and the production of developed countries will affect their own economic performance and jobs. As an illustration, as one of them, such as China, advances its value chain, a U.S. company could have to seek new, less expensive manufacturing collaborators in different countries.