Emerging Markets and Digital Economy: Building Trust in the Virtual World

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ABSTRACT

This article provides an overview of the literature surrounding emerging markets and the global paradigm shift taking place towards the development of digital economies. It provides a review of recent practices in the government sector. The article promotes the concept of developing a government based identity management infrastructure to support the progress en route for building the digital economy. In light of increasing information security threats in today’s interconnected world, the article emphasizes that only through identification and authentication capabilities, emerging markets can maintain sustainability.

Keywords: Emerging Markets, Digital Economy, Digital Identity, Government Sector, Identity Management

1. INTRODUCTION

The world today is witnessing a huge shift in the economic power with the hitherto niche countries taking center stage, pushing the main players to the sidelines. The emerging markets have positioned themselves as knowledge based economies, working as the production houses and back office service providers for the current mature markets. We cannot but take cognizance of countries like China, India, Brazil, Korea, Malaysia and Resurgent Russia upstaging Euro Bloc countries and the US with their explosive growth figures. These emerging markets of today are fast set to become the main markets of tomorrow.

This defines the new order economy. The current mature markets are intricately integrated with the emerging markets in trade. The global integration is necessitated by a free flow information exchange and, in real time. Simply put, there are no alternatives but to become “more digital” with whatever assets are available (EIU, 2010). However, digital economy raises questions of security, privacy and trust. Computer and network security present great challenges to our evolving information society and economy (Cybenko et al., 2002), as global business will become ever more complex in the next three years, with more suppliers, more customers, and more digital payments (EIU, 2010).

Information networks aren’t the same as they were just a few years ago. The channels of information dissemination are just simply too many now to list for a discussion. Information

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flows through broadcast channels, podcasts, databases, telephone networks and now the converged channels of the Internet. The moot point here is to determine “how do we ensure that the right information is provided to the right person at the right time in the right manner to ensure right outcomes”. There is a clear need for a sound identity management and authentication strategy to support global business growth. This article explores this critical area of practice. It provides an overview of the importance for such infrastructure development to maintain sustainability in emerging markets.

This article is structured as follows. The first section provides an overview of emerging markets, what they stand for, and the key drivers behind their development. The second section sheds light on the striking feature of the emerging markets that has characterized their growth and provides a conceptual overview of the term digital economy. The following two sections discuss the challenge of securing information networks and the need for a government based identity management system to address trust requirements. This is followed by a discussion and reflection on key areas around the subject matter and the article is concluded.

2. EMERGING MARKETS

Emerging markets is a term referred to the bloc of countries that are setting a new world order in economics. These countries have demonstrated a high rate of industrialization and growth rates in GDP and prominent increase in their businesses; be it commercial or social. In general, about 40 nations across the globe make the cut. These are the countries that have a very high economic activity; akin to the advanced “developed” nations like the USA, UK, France, Germany etc, but not quite there. Nonetheless, they are considered to wield big economic power. These countries spread across three major continents as depicted in Figure 1. The different shades of colour represent the strength in economic activity. The red colour represents countries with larger economic growth and business activity, which are also defining the world trade today and influence global investment decisions.

Among the emerging markets, some of the nations have higher sustained growth rates than the rest; and they construct what is referred to as the big emerging markets (BEM). Four nations are forming the foundation for emerging markets, namely; Brazil, Russia, India, and China also referred to as the BRIC of the emerging markets. These countries have demonstrated a substantial domestic consumption along with high exports, which altogether contributed to rapid core industrialization and the growth of the service industry. Countries of Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa are considered to form the second bloc of emerging markets; also referred to as CIVETS.

Emerging markets are changing the way the world works by developing into global powerhouses. Holmes (2010) identified six key drivers for emerging markets and the effect they have on the economic vitality in these markets. These are presented in Figure 2.

The literature indicates that BRIC countries together will yield more economic power than the G6 Nations by 2040 (Wilson & Purushothaman, 2003). With scorching double digit growth for the last few years, China will overtake the US shortly and according to analysts it is set to become the world’s top economy in terms of world trade by 2015. India is expected to push the US further down to third place in a few more years to claim the second spot. Many Asian countries will follow suit flexing their surge in growth to become major economic powerhouses. Talking in numbers, world trade is expected to reach 371 Trillion USD in 2050 from the current 37 Trillion USD, with Asia expected to take as much as 46 percent of this according to a recent report by Citigroup (Butler & Rahbari, 2011). See also Figure 3.

This is consistent with the population growth expected in these countries and the continent. With nearly two thirds of the world living in Asia, these countries are bound to become major economic powerhouses, emerg-
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