

Emerging markets and financial regulation

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Emerging Markets and Financial Regulation Question 2 The actions of global investors such as Peter Monaco are determined by the expectation to make huge returns from their investments. Markets that are characterized by huge domestic consumption and limited trade barriers offer huge returns to such investors, as they are able to invest huge amounts of capital to finance various business enterprises (Romain & Tornell, 2011). Financial instability and crisis have rocked most economies, with the recent one being experienced in 2008-2009 period. One of the reasons cited behind this crisis has been a laxity on market discipline resulting in the lack of adequate warning signs that could have triggered the implementation of corrective measures. The effects of this crisis were huge, disrupting major financial systems both in the developed and developing countries, and affecting other economic activities. The best way to address the risks of economic contagion, currency and debt crises, and other dangers to global financial stability is through ensuring efficient market discipline. This is because market discipline offers rather strong incentives to banks to retain a strong capital base in order to protect against future losses (Atsem, 2010). As such, there are regulatory and legislative reforms that have been made in order to strengthen market discipline, especially in fighting the risk-taking behavior of banks. These reforms include the introduction of more flexible provisions for loan losses allowing forward-looking through-the-cycle approaches; tightening the rules concerned with the accounting of the off-balance sheet exposures, and the clarification on the use of fair value accounting for the various kinds of financial instruments (Stephanou, 2010). The merit of these reforms is controlled risk-taking behavior by financial a strengthened market discipline culture within the financial institutions and markets. Question 4 <https://assignbuster.com/emerging-markets-and-financial-regulation/>

There were major obstacles that Shiseido faced in its attempt to implement a globalization strategy. The first obstacle was the cultural differences present in the various countries and regions the company wished to enter, especially in Europe and the United States. These countries had very different cultural practices and preferences that were very different from the Japanese cultural practices and preferences and therefore there were very different cosmetic tastes and preferences in these countries. For instance, American consumers were interested on make-up products while Japanese consumers were interested with natural skin beauty. In addition, consumers from the Latin nations within Europe preferred cosmetics that emphasized color (Jones, Akiko, & Masako, 2004). The other major obstacle was the difficulty in entering these new markets due to legislation prohibiting foreign companies investing within the cosmetic industry within their countries. For instance, the cosmetic industry in France was very important hence, the government wanted to protect it from foreign competition and control. Shiseido's international organization and its actual strategy to expand its market globally were successful as it enabled the company to enter new markets and gain considerable market share over the long-term with limited resources. The company was able to enter foreign markets in Asia, Europe, and the United States using novel strategies that were low cost and effective, enabling the company to introduce its products to these new consumer markets. Although it faced some resistance and stiff competition in these new markets, it partnered with local companies and outlets that already had a local presence in these local markets, enabling it to have an immediate access to the consumers within these markets. Such a market entry strategy was very appropriate for the company and enabled it to

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succeed. Bibliography Atsem, N. E. (2010). " What Works Best for Banking Regulation: Market Discipline or Hard- Wired Rules?" Working paper: International Centre for Financial Regulation. Jones, G., Akiko, K., & and Masako, E. (2004). " Making China Beautiful: Shiseido and the China Market". Harvard Business School Case 805-003. Romain, R., & Tornell, A. (2011). " Was the U. S. Crisis a Financial Black-Hole?" IMF Economic Review, Vol. 59 Issue 2, p 271-305. Stephanou, C. (2010). Rethinking Market Discipline in Banking: Lessons from the Financial Crisis. Policy Research Working Paper. Financial Policy Development Unit: The World Bank.