Business in Emerging Markets and Strategies for P&G

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The main idea of Asiaphoria paper is, growth in economy in China, no matter how rapidly it increases, will decline by the time as regression to the mean and by different variables of a country such as political changes and geography (Pritchett & Summers, 2014a). When making a long-term forecast about the economic growth of a country, every other country's' past economic performances and growth rates should be taken into account, not only that specific country's past economic performance (Pritchett & Summers, 2014b). The paper talks about the Asian and other countrys' economic growth but authors mainly develop their argument around China and slightly India. Pritchett & Summers (2014c) argue and support the idea of "democracy as a political regime has a strong cross-national relationship with its GDP". When exceptions are separated, Chinas is less democratic than a country with its level of output. On the other hand, the relationship with democracy and growth is weak and non-reliable as paper indicates that poor countries with less democracy point tend to have higher liability to change their growth rate for the worse levels. The authors argue that rich countries keep their growth rate stable and persistent over the years and this is what makes them rich compared to poor countries that has rapid-growth for a time and faces regression to the mean (Pritchett & Summers, 2014d). Finally, china will not keep up with its current growth rate. But even now, Chinas growth rate is three times longer than a typical episode of a country and it is the longest ever recorded (Pritchett & Summers, 2014e). Authors' argument about this is that, the end of episodes tends to see the full regression to the mean, unexpectedly. But this situation is totally normal and regression to the mean should not be seen as a problem in the system or as a political corruption. It is just the rule of the game. It is always growth deceleration

I mainly agree with the points that Pritchett and Summers made in Asiaphoria paper. The reasons for this is that, looking at the paths of super-rapid growth in economies tends to have the regression to the mean eventually. As the example in the Asiaphoria text indicates that, China's super-rapid growth episode is lasting longer than ever recorded in the history (Pritchett & Summers, 2014e), I believe that, China's economy will eventually face a growth deceleration. But what makes me uncomfortable to think about that what is China doing right to sustain its super rapid growth over the years and longer than ever that other countries that faced regression to the mean could not figure out to do? There can be too much variables from cultural dimensions of the Chinese people to the certain policies that Chinese government imposes to the population which are Asiaphoria paper fails to indicate. I also support the idea of when forecasting economic growth of countries for long term, all countrys' past should be considered (Pritchett & Summers, 2014b). This is the one important point that forecasting institutions have been failed to notice. The BRICs thesis mainly talks about the growth of that four emerging markets but fails to indicate a date for growths. That being said, over the recent years two of the brick countries (Russia and Brazil) has a declining growth rate while China and India are very persistent with their average growth rates. What Asiaphoria paper argues about is that China will eventually stop its economic growth and meet with regression to the mean. But it can be said that Asiaphoria paper partially compatible with the BRICs thesis, only about China and India, by emphasized importance of increasing growth rate in India and mainly China that is likely to face growth deceleration in the future years.

The Asiaphoria paper has several implications on P&G's strategy for China. In the annual report of P&G (2016a), although China has constant growth rate in their economy, there is a pessimistic view of Chinese market in terms of number of sales and some businesses not being profitable. Asiaphoria paper argues that economy growth will eventually diminish and economy will face the regression to the mean (Pritchett & Summers, 2014a). Supported by the annual report, this economic slowdown could reduce the P&G's sales or erode company's operating margin, in either case reducing earnings (P&G 2016 Annual Report, 2016a). P&G already starting to feel the slowdown in China by selling the China-based battery joint venture because it's estimated value was less than its carrying amount (P&G 2016 Annual Report, 2016a). IMF and WEO forecasts indicate China will slowdown but in case of India forecasts shows almost no regression to the mean (Pritchett & Summers, 2014f). Related to that, In the annual report of P&G (2016b), it is indicated that company is planning to invest in India in terms of supply chain management and going in more profitable consumer-preferred businesses. However, Pritchett and Summers(2014g) argues in Asiaphoria that in India, just like China, there will be regression to the mean in the economy. Even if the past years' sales rates in India and China is stable around 8% (P&G 2016 Annual Report, 2016c), due to regression to the mean this rate is tend to decrease. In the light of Asiaphoria argument, it can be suggested that P&G should take no further economic action in China and India and exit from the unprofitable businesses and only stay in the most profitable markets by avoiding superfluous expenditure in these countries. Therefore, instead of new investments in India and China, P&G should invest to more robust economies in long term to get the most stable outcome from its consumer businesses.

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