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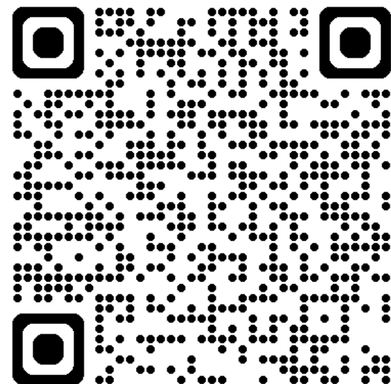

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About the Center for Emerging Markets

The Center for Emerging Markets (CEM) at the D'Amore-McKim School of Business at Northeastern University conducts and disseminates research on how local and foreign firms can leverage emerging markets for the greater good. Founded in 2007 by Ravi Ramamurti, University Distinguished Professor of International Business & Strategy, CEM is a leading center of its kind in the U.S., with a reputation for cutting-edge research, particularly on internationalization strategy, innovation, and corporate governance.

CEM leverages the expertise of over 70 faculty fellows from across Northeastern University, many of whom are thought leaders in their fields and have authored many books, prize-winning articles, and cases on firms in emerging markets.

It is guided by a distinguished external advisory board and maintains close ties with practitioners. It strives to integrate emerging markets into the education, research, and work experience of students and regularly disseminates best practices to managers, policymakers, academics, and students.

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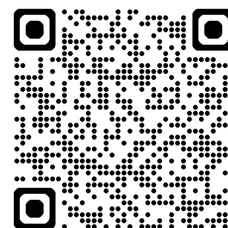

About This Issue

Letter from the Editor

Valentina Marano is an Associate Professor of International Business & Strategy at the D'Amore-McKim School of Business at Northeastern University

Emerging markets are often described as places of untapped potential. What that framing often misses is that potential does not unfold on its own. It is shaped by how countries, firms, and policymakers respond to external pressures, seize strategic opportunities, and navigate increasingly complex global connections. The research in this issue explores exactly that: how emerging markets engage with shifting international rules, foreign investment, sustainability demands, and development tradeoffs in ways that open some paths forward while constraining others.

We open with a fresh look at China's Belt and Road Initiative. Contrary to its infrastructure-building image, much of Chinese outward investment has taken the form of acquisitions rather than greenfield projects. That distinction matters. It suggests that for policymakers and managers in emerging markets, the challenge is often not simply how to attract new construction, but how to negotiate ownership change, manage local impacts, and position domestic firms within evolving global investment relationships.

Our next piece on India's pharmaceutical industry offers a rare success story. When the 1995 TRIPS Agreement disrupted the foundations of India's generic drug sector, firms and policymakers did not simply retreat. Instead, they adapted, combining policy flexibility, manufacturing capability, and strategic repositioning to transform India into the world's leading supplier of generic medicines. The lesson is powerful: global rule changes do not affect all countries equally; much depends on how states and firms respond.

That same interplay between domestic conditions and strategic outcomes appears in our third piece on the construction industry. Studying firms across 31 countries, the authors show that corruption and high import tariffs can significantly weaken corporate sustainability commitments, while stronger intellectual property protections can help firms stay the course. The findings are a reminder that sustainability is not pursued in a vacuum; it depends on the policy and governance environments in which firms operate, with consequences that can be deeply human as well as economic.

Our fourth piece turns to climate finance, arguing that multinational companies can help bridge a financing and coordination gap that governments alone have struggled to close. At a time when the scale of climate investment needs is staggering, the piece highlights how firms with global reach, technological capabilities, and internal capital markets can serve as conduits for mobilizing resources and diffusing cleaner practices across borders.

A study of voluntary sustainability standards in emerging markets adds another important dimension. Rather than flourishing where governance is weakest, these standards are more likely to spread where local support systems are already relatively strong. Countries with stronger trade, financial, and social protection institutions are better equipped to absorb compliance costs, help firms upgrade, and connect producers to higher-value global markets.

Our Authors' Voice piece closes the issue with a sweeping account of India's post-independence development: a reminder that long-run development trajectories are shaped by foundational political choices. The argument is as provocative as it is compelling: India's early embrace of democracy helped hold together an extraordinarily complex society, yet it also introduced constraints that complicated the country's economic transformation. For business leaders and policymakers alike, the piece underscores that stability and development do not always advance at the same pace, or through the same mechanisms.

Taken together, these pieces show that the distance between potential and outcome is shaped not only by what resources emerging markets possess, but by how effectively they navigate global pressures, domestic constraints, and strategic interdependence. They remind us that development is rarely linear: it is negotiated through adaptation, bargaining, and institutional and organizational choice.

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Insights @ Center for Emerging Markets is a biannual publication that translates rigorous academic research and practitioner perspectives into real-world lessons for managers and policymakers.

GOVERNANCE

Building or Buying a New Silk Road? What China's Investment Patterns Mean for Managers and Policymakers

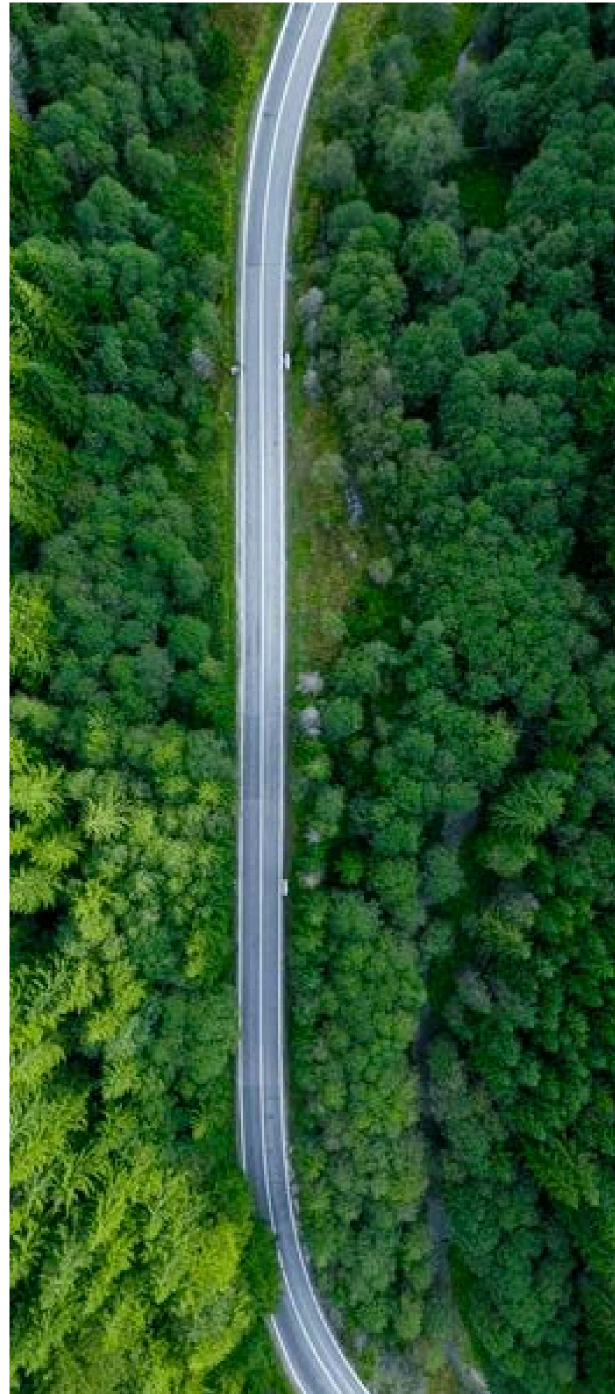
In Short

This policy brief examines whether China's Belt and Road Initiative (BRI) is primarily building new infrastructure through greenfield investments (where a company starts a new operation from the ground up) or acquiring existing assets through mergers and acquisitions (M&As). Analyzing outward foreign direct investment data from 2005 to 2021, Valderrey, Trigos, and Kaltenecker reveal that M&A is the dominant entry mode for most significant projects, challenging the widespread perception of the BRI as primarily a series of greenfield investments from Chinese enterprises. While energy investment policy remained remarkably steady over the entire period, the finance and transportation sectors experienced significant fluctuations, particularly following the formal announcement of the BRI in 2013. For managers and policy makers in emerging market, these findings suggest that Chinese engagement often involves shifting ownership of existing local assets, requiring sharpened skills in legal, cultural, and environmental negotiations to ensure mutual benefit.

The Belt and Road Initiative (BRI) is frequently portrayed as a global effort by China to build physical infrastructure, such as roads and power plants, across various continents. Some observers have described it as one of the most ambitious geopolitical and economic infrastructure investment strategy in history. However, recent research by Valderrey, Trigos, and Kaltenecker suggests that the “building” narrative tells only half the story. By analyzing Chinese outward foreign direct investment from 2005 to 2021, they clarify whether China is primarily building new assets through greenfield investments or M&As. Their central finding is that M&A is the preferred entry mode for most significant projects, meaning China is simultaneously buying and building a New Silk Road across global markets.

The research identifies three distinct periods in Chinese global investment: an ascent from 2005 to 2015, a peak in 2016 and 2017, and a subsequent decline through 2021. Interestingly, while many associate the BRI with new construction, greenfield investments never exceeded 50% of the annual investment volume during the seventeen years studied. In fact, approximately 74% of the total value of Chinese global investment was directed toward acquisitions, compared to only 26% for greenfield projects. M&A is preferred due to excess financial capacity and the need to acquire advanced technology, established brands, and rapid access to new markets. Furthermore, the study notes a shift in the nature of Chinese enterprises going global. While large state-owned enterprises (SOEs) historically led the charge, the landscape has transitioned from a phase of rapid, extensive expansion to a more regulated, “intensive” approach where Beijing has strengthened supervision and regulation of outbound investment to mitigate financial risk, squeeze out bogus investment, and improve efficiency.

The study specifically examined the energy, finance, and transportation sectors. It found that while investment policy in the energy sector remained remarkably steady over the entire period, the finance and transportation sectors experienced significant fluctuations, particularly following the formal announcement of the BRI in 2013. The COVID-19 pandemic further altered the landscape, leading to a dramatic drop in Chinese investment in advanced economies like the United States and Europe due to rising geopolitical hostilities. This has made less economically developed countries the preferred destinations for Chinese enterprises, although these nations are no match to replace the lost opportunities in the United States and Europe. For instance, in Latin America, the BRI represents a repackaging of existing relations and the continuation of trends that have been underway since the global financial crisis.



Managerial and Policy Implications

For decision makers in emerging markets, these findings suggest that Chinese engagement often involves a change in ownership of existing local businesses rather than the creation of new physical infrastructure. This distinction is critical because acquisition deals carry unique risks and complexities that differ from construction projects. These include managing company and country-level cultural differences, navigating local legal frameworks, and addressing environmental and impact of labor controversies. The study also suggests that Chinese firms' preference for M&A reflects a strong belief in their capacity to absorb foreign knowledge, which may be a problematic assumption given the vast cultural differences between home and host countries. Managers and policymakers should prioritize sharpening their skills and expertise in legal issues, cultural management, and expert negotiation to handle these complex deals from all angles. Rather than viewing the BRI solely as a source of new construction funds, local leaders should recognize the opportunity to attract Chinese investors by offering well-aligned acquisition targets. Ultimately, the success of these projects depends on mutual collaboration and the ability of host nations to manage the intricacies of buying as much as building a New Silk Road.

Original Work

Valderrey, F.J., Trigos, F. & Kaltenecker, E. (2025) Belt and Road Initiative: building or buying a New Silk Road?, *European Journal of International Management*, 27(4): 533–565.

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STRATEGY

From Copycats to the Pharmacy of the World: How India's Pharmaceutical Industry Adapted to Trade-Related Global Intellectual Property Reform

In Short

This brief analyzes India's response to the 1995 TRIPS Agreement, which replaced process patents with stricter product patents. Previously, Indian firms thrived through reverse engineering, exploiting a legal framework that allowed them to manufacture affordable versions of patented drugs by altering the production process. The new intellectual property regime threatened this source of competitive advantage. By combining government policies that balanced research incentives with the social goal of affordable medicines and an industry focus on high-quality manufacturing, India became a global leader in generic medicines. For decision makers in emerging markets, this case highlights how proactive policy and niche specialization can sustain competitiveness amidst shifting global standards. India's experience shows that global institutional shifts do not necessarily lead to industrial decline when states and firms respond strategically through coordinated action.

The competitiveness of industries in emerging markets is frequently shaped by changes in global institutional frameworks. A significant example is the transformation of the Indian pharmaceutical industry following the 1995 Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. Prior to this, India's 1970 Patent Act protected “process” rather than “product” patents for substances intended for use as food or medicine. This legal distinction allowed domestic firms to produce the same molecules under product patents in other countries at a fraction of the original cost by altering the manufacturing process. Combined with drug price controls and increased public investments in R&D, this regime fueled exponential growth in the domestic industry, with Indian firms' market share rising from 20 per cent in 1970 to almost 80 per cent by 2006. However, the TRIPS Agreement mandated product patents with a minimum of 20 years of protection, negating the process patent distinction that had been the foundation of India's competitive advantage.

To adapt to this global institutional shift, the Indian government and private sector followed a dual-track strategy to maintain global standing. First, the government made effective use of legal flexibilities within the TRIPS Agreement to prevent evergreening, which is the practice where companies make minor modifications to extend the life of a patent. The government also retained provisions for compulsory licensing to allow for production during public health emergencies. Second, the 2002 Pharmaceutical Policy created incentives for research and development while further reducing the rigors of domestic price controls. The policy also allowed 100 percent foreign equity ownership to encourage the transfer of technology and facilitated technology agreements between Indian firms and foreign companies.

The success of this adaptation is evident in India's trade figures. Exports grew from approximately 1 billion dollars in 2000 to over 7 billion dollars by 2010, and more than doubled again by 2016. India has the largest number of US FDA-approved production facilities outside of the United States. Since Indian firms had neither the resources nor the capabilities to carry out radically new product innovations (that is, new drug discovery), their route for growth in global markets was through off-patented innovations. Instead of pursuing new chemical entities, they found creative detours by focusing their innovation on improving manufacturing processes and delivery systems for generic drugs. Of more than 1,500 patents granted by the US Patent Office to the Indian pharmaceutical industry between 1992 and 2013, only 19 were new chemical entity patents; most were related to process patents, new drug delivery systems, and new substances.

Indian companies also used outward foreign investment to acquire firms in developed markets. This gave them access to advanced technology and established distribution networks. This dual approach of asset exploitation (entering new markets with generic and low-cost products) and asset exploration (acquiring know-how and marketing assets) allowed the industry to move up the value chain without the prohibitive costs of radical innovation. Small and medium-sized companies made a large proportion of these foreign acquisitions. By focusing on becoming a world-class supplier of high-quality drug formulations, India maintained a trade surplus even though its imports of raw chemical ingredients increased.

Managerial and Policy Implications

The primary lesson for decision makers is that global institutional shifts that reduce national protection do not necessarily lead to national industrial decline. Emerging markets can maintain competitiveness by identifying alternative pathways (or creative "detours") that leverage existing national strengths, rather than just following strategies that worked in the past in other geographical and temporal contexts. By balancing social goals like affordable medicine with incentives for private sector research, states can foster industries that meet both domestic needs and global market demands. India's experience also demonstrates that state-facilitated development must continue to evolve: since 2018, new policies have supported technology upgrades for small and medium-sized firms, product diversification, and the development of high-value goods beyond generics through initiatives such as production-linked incentive schemes.

Original Work

Aulakh, P. S. 2025. Intellectual property rights and global competitiveness of developing economies: the case of India's pharmaceutical industry. In Rolland, S. (Ed.), *Research Handbook on Trade Law and Development*, Edward Elgar Publishing, pp. 190–206 (ISBN 978-1-03532-595-5).

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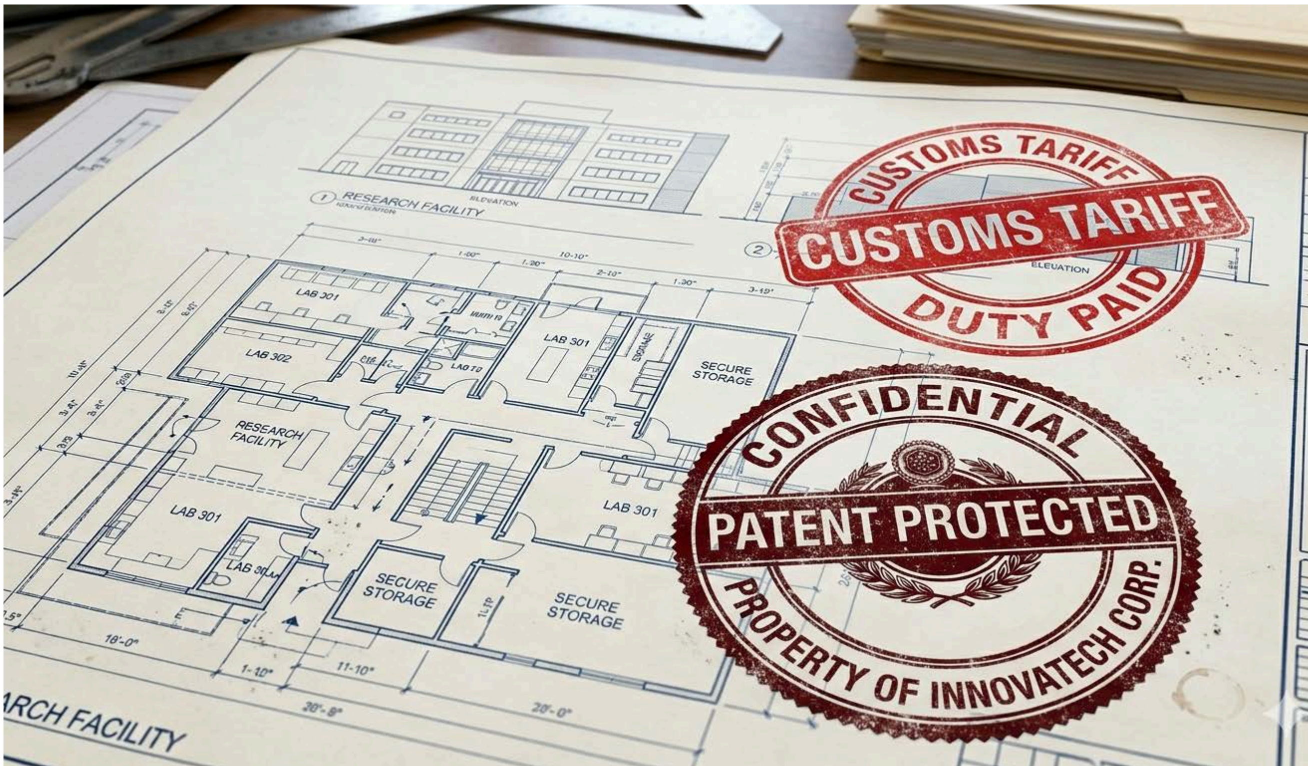
GOVERNANCE

Strengthening the Foundations: How Corruption and Tariffs Shape Sustainable Construction



In Short

This brief explores the institutional factors driving or hindering sustainability in the global construction industry. It draws on recent research indicating that home country corruption and high import tariffs significantly undermine a company's commitment to the United Nations (UN) Sustainable Development Goals (SDGs). These institutional pressures create uncertainty and increase the cost of sustainable technologies. However, robust intellectual property rights (IPR) protection can buffer firms against these challenges, enabling long term investment in responsible practices. For decision makers in emerging markets, this work suggests that fostering transparent governance, open trade, and strong innovation protection is vital to helping transition the high-impact construction sector toward a resilient, sustainable future.

The global construction industry is an economic powerhouse, contributing up to seven percent of global GDP and employing millions. However, this growth comes with a massive environmental price tag, as the sector accounts for nearly 40 percent of energy-related carbon dioxide emissions and consumes vast quantities of raw materials. Beyond environmental concerns, the industry faces severe social challenges, including high corruption risks and human rights issues within complex supply chains. For policymakers and managers in emerging markets, understanding the factors that encourage or block sustainable development is critical, as construction directly shapes the infrastructure of the future. Recent research by Moore, Puffer, Wesley, and García involving companies in the construction industry from across 31 countries from 2003 to 2022 demonstrates that a company's commitment to the United Nations Sustainable Development Goals (SDGs) is deeply influenced by national governance and trade policies.

In particular, the study identifies two primary institutional barriers to sustainability in the construction industry: corruption and trade tariffs. Perceived corruption in a firm's home country acts as a powerful deterrent because it creates uncertainty and erodes trust. In such environments, companies often prioritize short-term profits or navigating illicit demands over transparent, long-term sustainability commitments. In the construction industry, these risks are especially consequential because project-based work, complex multi-stakeholder relationships, and extensive global supply chains make consistent governance and sustainability practices harder to implement. The consequences of these governance failures are not just economic. For example, the collapse of thousands of buildings during the 2023 earthquakes in Turkey and Syria was linked to a lack of code enforcement and corrupt "construction amnesties," resulting in thousands of deaths. Similarly, high import tariffs imposed by a firm's home country hinder sustainability by increasing the cost of imported green technologies and specialized materials. These formal trade barriers limit a firm's access to international innovation and discourage the cross-border collaboration necessary to meet complex climate targets.

However, the same research by Moore and colleagues also highlights a vital tool for overcoming these barriers: strong intellectual property rights (IPR) protection. Robust legal frameworks for protecting innovations act as a buffer, allowing companies to maintain their sustainability efforts even when facing corruption or high tariffs. When IPRs are strongly enforced, companies can rely on their unique technological advantages rather than illicit political connections to remain competitive. This enforcement encourages a more proactive strategic stance in which firms integrate SDGs into their core value propositions. Furthermore, strong IPR regimes

complement open trade environments, significantly enhancing the positive effects of lower tariffs on a company's sustainability performance.

Managerial and Policy Implications

For decision makers in emerging markets, these findings suggest that a “one size fits all” approach to sustainability is ineffective. Policymakers should focus on creating an enabling environment by strengthening anti-corruption monitoring, making public procurement more transparent, and reducing trade barriers for sustainable construction materials and solutions. Simultaneously, reinforcing IPR frameworks can indirectly support sustainability by fostering an environment where innovation is protected and rewarded. For managers, the research underscores that internal corporate governance and ethics are essential prerequisites for any credible alignment with global norms. Companies must perform deep due diligence on partners, suppliers, and subcontractors, especially when operating in challenging institutional contexts. Because the construction industry is project-based, highly susceptible to corruption, and reliant on complex global supply chains, these governance and policy supports are especially important for enabling more consistent sustainability practices across projects and partners. Ultimately, the transition to a responsible and resilient construction industry depends on national policies on governance and trade that enable, rather than hinder, companies' efforts to pursue sustainability and align with the SDGs.

Original Work

Moore, E.M.; García, A.; Puffer, S.M.; Wesley, D. (2025). Political Factors Affecting Corporate Sustainability Decisions: The Impact of Tariffs and Corruption on Adoption of UN Global Compact Principles. *Sustainability*, 17(21), 9553.8. https://doi.org/10.3390/su17219553 Open access.

Interested in learning more?

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SUSTAINABILITY

Leveraging the Capabilities of Multinational Firms to Address Climate Change: A Finance Perspective

In Short

This brief examines how multinational companies (MNCs) can play an important role in climate action in emerging markets, overcoming the political roadblocks and country-specific barriers – such as inconsistent regulations or lack of technology – that have stalled global coordination. Drawing on recent research by Allen, Barbalau, Chavez, and Zeni, it identifies four key features that position MNCs uniquely to address the climate challenge: their size and reach, resources and technology, collaborative networks, and superior access to capital. Together, these features enable MNCs to act as conduits for transferring the resources necessary to finance the climate transition. Although MNCs have been major contributors of global emissions, their extensive and efficient internal markets for governance, financing, and technology allow them to diffuse best practices and clean technologies more efficiently than piecemeal government regulation. By designing the right public and private incentive mechanisms, decision-makers can realign MNC objectives and harness their potential to decarbonize the economy.

Climate change has become a critical priority for policymakers, but international coordination on carbon regulation remains stalled by political frictions and the difficulty of mobilizing the large intergovernmental transfers needed to finance the transition of developing economies. Investment needs estimates range from US $5 trillion to US $6.9 trillion per year, far beyond most countries' fiscal capacity. While historically greenhouse gas emissions originated in developed nations, emerging markets have now become major emitters while often lacking the resources required to transition to a low-carbon economy. Recent research by Allen, Barbalau, Chavez and Zeni argues that multinational companies (MNCs), though major contributors to the problem, possess unique features that make them an important part of the solution. By using their internal markets for governance, finance, and technology, MNCs can circumvent country-specific barriers to climate action, such as inconsistent regulations, limited transparency, and gaps in technical know-how. Engaging these companies is especially important given that an estimated 157 large MNCs jointly account for up to 60% of global industrial emissions, either through direct activities (10%) or indirectly via their supply chains (50%).

Four key features allow MNCs to play an important role. First, their size and global reach mean that a change in a single company's operations can have an impact equivalent to that of an entire country. Mars' carbon footprint, for instance, is equivalent to that of Finland. MNCs also act as institutional carriers, diffusing environmental standards across countries through their subsidiary networks. Regulations such as the EU's Digital Product Passport mandate end-to-end traceability across entire supply chains, meaning MNCs effectively “export” these standards to their global suppliers.

Second, MNCs have the resources and capabilities to develop and scale innovation critical to the climate transition. Technology transfers from Danish manufacturer Vestas were instrumental in China becoming the world leader in wind turbines. Holcim's Durabric, a low-carbon brick launched in Malawi, reduces emissions tenfold compared to traditional fired bricks and saves an estimated 14 trees per house built.

Third, MNCs excel at forming collaborative networks that share the high risks and costs of new technologies. Partnerships such as Total with AirLiquide for carbon capture, and the Oil and Gas Climate Initiative's scaling of satellite methane monitoring from Iraq to Kazakhstan, Nigeria, and Egypt, show how firms combine their strengths to tackle climate challenges at scale.

Finally, MNCs have superior access to both external and internal capital markets, enabling them to finance climate initiatives in developing countries where local financing is prohibitively expensive. As of 2023, debt markets alone have mobilized over US $7.5 trillion for sustainability-related projects—orders of magnitude larger than intergovernmental transfers.

Managerial and Policy Implications

For decision-makers, the challenge is setting the right incentives. Public instruments include carbon pricing policies and green subsidies. Strategic subsidies, like China's $230 billion investment in its EV sector between 2009 and 2023, can create a competitive advantage but may strain public budgets. Carbon leakage (when companies shift operations to countries with weaker norms)

remains a risk, though complementary measures such as the EU's Carbon Border Adjustment Mechanism can help to limit it.

Private instruments are also powerful. Sustainability-linked loans and bonds link borrowing costs to the achievement of environmental targets, acting as market-driven alternatives to carbon pricing that are not tied to local jurisdictions. Notably, such outcome-based contracts can, under the right conditions, work much like a carbon tax (Allen, Barbalau, & Zeni, 2023). Moreover, climate litigation cases have surged from fewer than 50 in 2003 to over 2,300 as of 2023, with courts increasingly holding MNCs accountable for global environmental impact.

Shareholder advocacy is also an important tool: Engine No. 1, despite owning only 0.02% of ExxonMobil, replaced three board members to improve climate governance, backed by institutional investors like BlackRock and Vanguard. Ultimately, MNCs can serve as a vital bridge for the resources and innovation that developing economies need. But the right incentives must be in place to keep them engaged in climate-vulnerable countries and supporting local adaptation, rather than simply relocating to avoid climate risks.

Original Work

Allen, F., Barbalau, A., Chavez, E., & Zeni, F. (2025). *Leveraging the capabilities of multinational firms to address climate change: a finance perspective*. Journal of International Business Studies, 56: 461-480.

Allen, F., Barbalau, A., & Zeni, F. (2023). Reducing Carbon using Regulatory and Financial Market Tools. Working Paper.

Interested in learning more?

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SUSTAINABILITY

Why Sustainability Standards Thrive Where Local Institutions Are Already Strong

In Short

Recent research by Ferretti, Manivannan, and Marques examines why voluntary sustainability standard organizations (VSSOs) spread unevenly across low- and middle-income economies. Drawing on a study of 131 agrifood VSSOs across 152 countries, the paper shows that these standards are more commonly found not in institutional "voids" but in countries with stronger local trade, financial, and social protection institutions. The findings suggest that VSSOs are most active where domestic institutions help firms access export facilitation, technical support, and credit for standards adoption and upgrading within global value chains. Surprisingly, the strength of environmental stewardship institutions is not significantly associated with VSSO diffusion. For policymakers, the implication is clear: attracting VSSOs and supporting sustainable upgrading may depend less on filling institutional voids alone and more on strengthening the local support system that enables companies to comply with and benefit from sustainability standards.

Voluntary sustainability standard organizations, or VSSOs, are non-state actors (including coalitions of multinational corporations and multi-stakeholder initiatives) that create private regulations to improve the sustainability of international business activities. While VSSOs, such as Fairtrade or Rainforest Alliance, are influential in agrifood sectors like coffee and cocoa, their presence across low- and middle-income economies is highly uneven. For example, VSSO-compliant coffee production remains primarily concentrated in Latin America and the Caribbean, while adoption is more challenging in Sub-Saharan Africa and South-East Asia. Recent research by Ferretti, Manivannan, and Marques examines why VSSOs are more active in some countries than others, focusing on how a nation's institutional environment (the formal and informal rules, processes, and enforcement mechanisms that shape organizational conduct) affects this spread. The central argument challenges the common assumption that VSSOs spread more readily where governance is weak or institutional voids are present. Instead, the findings suggest that VSSOs are often closely tied to the sourcing and CSR strategies of multinational corporations (MNCs) that manage supply chain production. They are most likely to thrive in countries where strong public institutions already exist so as to reduce the costs, risks, and uncertainties of standards adoption by MNCs' suppliers.

By analyzing 131 agrifood VSSOs across 152 countries, the research provides useful cross-national evidence. For instance, in Southeast Asia, domestic provision of effective technical assistance enabled firms and producers to build standard compliance capabilities. In Mexico, cross-sectoral efforts to build ad hoc institutions were crucial for the agrifood industry to develop domestic capacity for adopting transnational food safety standards. Furthermore, the study identifies a strong link between VSSO presence and a country's financial development. Producers need access to credit and investment to upgrade their facilities and practices to meet strict sustainability requirements. Standards compliance requires infrastructural investments, R&D funding, and reliable working capital to sustain the shift to new production practices. Consequently, VSSOs tend to operate in regions where the financial institutions guarantee a relatively larger and higher-quality supply of credit to private businesses.

Social protection institutions, such as those aimed at reducing poverty and protecting workers' rights, also show a positive correlation with VSSO diffusion. This suggests that private sustainability governance is more effective when it can build upon a foundation of domestic social policy. However, the study reveals a surprising finding: there is no statistically significant association between the strength of a country's environmental stewardship institutions and the presence of VSSOs. The authors discuss several possible interpretations, including the possibility that VSSOs may prioritize commercial viability and export competitiveness, that mismatches between domestic environmental institutions and VSSO requirements may hinder adoption, or that environmental governance in many low- and middle-income economies may remain too underdeveloped to interact strongly with VSSO diffusion in the agrifood sector decision-makers.

The evidence shows that VSSOs are significantly more present in countries with robust trade support institutions and technical assistance institutions. This matters because complying with international standards imposes what previous research calls a “sustainability squeeze” on local producers—burdening them with identifying and mobilizing the additional resources required to develop sustainable products that meet the requirements of MNC buyers. When a government provides good infrastructure, reduces bureaucratic red tape for exports, and offers technical training for firms, it lowers the barriers for these firms to join sustainable trade networks.

Managerial and Policy Implications

For policymakers and managers in emerging markets, these findings highlight that attracting global sustainability standards is not a passive process. To remain competitive in global trade networks, governments must proactively strengthen the institutions that facilitate trade, provide technical know-how, and unlock financing. Concrete steps include regulatory reforms to decrease red tape and administrative costs for agrifood exports; enhanced public or public–private programs involving universities and research centers to build firm-level technical capabilities; and improvements to the financial system to unlock access to agri-financing products tailored to producers' upgrading needs. This institutional strengthening is particularly urgent as new international regulations, such as those from the European Union, impose even stricter sustainability reporting requirements on exporters. If a country's local support systems are weak, its companies risk being squeezed by rising costs and may lose access to high-value markets.

Without these supportive conditions in place, opting out of VSSO certification schemes and ‘retreat' to conventional production systems could be the best strategic options for rural businesses. Lastly, because this research is based on correlation rather than long-term tracking of changes, it cannot definitively prove that building these institutions will cause VSSOs to appear immediately. Nevertheless, the patterns suggest that a country's local institutional foundation is a key factor in whether it can successfully integrate into the sustainable global economy.

Original Work

Ferretti, T., Manivannan, A., & Marques, J. C. (2026). Advancing the understanding of voluntary sustainability standard organizations' geographic diffusion: the role of national institutions in global agrifood. *Journal of International Business Policy*. https://doi.org/10.1057/s42214-025-00233-7

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ECONOMIC DEVELOPMENT

Author's Voice: Precocious by Design: Making Sense of India's Post-Independence Development

In Short

Devesh Kapur is the Starr Foundation Professor of South Asian Studies at Johns Hopkins University, and Arvind Subramanian is Senior Fellow at the Peterson Institute for International Economics and former Chief Economic Advisor to the Government of India. This note is based on their talk at CEM's Vivek and Vandana Sharma India Lecture, moderated by CEM Director Ravi Ramamurti. The talk drew on findings from their book, A Sixth of Humanity: Independent India's Development Odyssey. *Their core message: India's decision to democratize before it developed was not an accident. It was a deliberate choice that held a diverse and fractured country together but made sustained economic development significantly harder.*

An Outlier From the Start

Every successful democracy followed one of two paths to get there: gradual democratization alongside rising incomes, as in the US and UK; or development first, democracy later, as in South Korea and Taiwan. China represents a different trajectory: rapid development without democratization. India chose none of these. At independence in 1947, it extended universal suffrage at some of the lowest levels of income and literacy in the world, across a society fractured by caste, language, religion, ethnicity, and gender. No country had attempted anything like it.

Kapur and Subramanian call this irregular behavior "precociousness." India democratized before it developed, built high-skilled services before manufacturing, and exported talented people before it exported labor-intensive goods. Each of these features carried costs that compounded across decades.

What Democracy Gave

The payoffs of democratization were real, if underappreciated. Despite its staggering diversity and the violence of partition, India has held together. Kapur and Subramanian argue that fiscal transfers kept poorer states invested in the union, and political voice gave marginalized groups a stake in the system. Compared to peer countries at similar stages of nation-building, India's levels of internal violence were remarkably low.

Democracy also served as a monetary anchor. Because India's poor voted in high numbers and inflation hit them hardest, politicians faced real electoral consequences for letting prices run. India avoided the hyperinflationary episodes that destabilized much of the developing world and largely avoided financial crises.

What Democracy Took Away

Democracy has also come with some costs, some of which show up starkly in the country's development statistics. In 1950, India ranked 79th globally in per capita GDP. After decades of growth, it sits at 66th. On the Human Development Index, combining income, health, and education, India ranked 63rd in 1950 and 69th today. In other words, after seventy years of development, the average Indian is poorer in relative terms than when the country started. The modest improvement in GDP ranking and the decline in HDI reflect a fiscal state that distributed subsidies broadly rather than investing in health and education, prioritizing short-term electoral demands over long-term human capital. Yet these averages mask the fact that one-third of India has grown at rates comparable to China for more than two decades.

That pattern has structural roots. Public sector enterprises absorbed enormous capital for decades while yielding low returns, with Kapur and Subramanian putting the opportunity cost at one to two and a half percent of GDP annually for fifty years.

Perhaps most consequentially, electoral politics made meaningful decentralization unworkable. India has, for its income level, the most expensive elections in the world. State governments depend on urban wealth to fund those elections and have no interest in devolving power downward. Public workers end up concentrated at the state level rather than locally, precisely where roads, schools, and healthcare need to be delivered. When those services are absent, private investment follows reluctantly if at all, and the conditions for sustained local economic development never fully materialize.

What This Means for Business Leaders

The paradox Kapur and Subramanian documented in their talks is one that any serious investor or manager in India needs to reckon with. The same democratic system that kept a uniquely complex country intact also created structural conditions that slowed human development, weakened local institutions, and produced a fiscal state that has run some of the highest deficits among comparable emerging economies even during periods of strong growth. Kapur and Subramanian emphasized that India's stability is a genuine achievement but so is its capacity to frustrate. Understanding both and where they come from is the starting point for understanding what India is today.

Interested in learning more?

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SPRING 2026

What Else is Happening at the Center for Emerging Markets (CEM)?

Windows on Washington: DiSanto Commercial Diplomacy Program

This March, ten undergraduates were selected to spend four days in Washington, D.C. as part of CEM's inaugural Windows on Washington: Commercial Diplomacy Program, made possible by an endowed gift from Ed and Colleen DiSanto. The cohort met with senior officials at the State Department, the Commerce Department, and the World Bank, attended a congressional hearing, and completed a mock strategic market entry project organized in partnership with the Business Council for International Understanding.

Launch of the Revvity Access CEM Scholarship & Executive Shadowing Program

CEM launched its inaugural Revvity Access CEM Scholarship Program this March, awarding $2,000 scholarships to four MBA students from emerging markets and bringing ten students to Revvity's headquarters for two days of executive shadowing. Participants observed strategic decision-making alongside Revvity's C-suite, including the CFO, Chief People and Culture Officer, and Chief Strategy and Digital Officer, before presenting a group project to CEO Prahlad Singh. The program was made possible through the Revvity Foundation and the support of Northeastern alumni Prahlad Singh (MBA '00) and Joel Goldberg (MBA and JD '96).

A Sixth of Humanity: Vivek and Vandana Sharma India Lecture

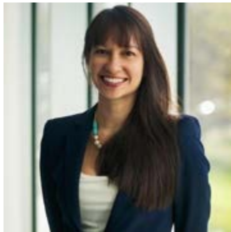
Devesh Kapur of Johns Hopkins and Arvind Subramanian of the Peterson Institute for International Economics joined CEM for a conversation on their book A Sixth of Humanity, a sweeping account of India's post-independence development spanning 1947 to the present. Moderated by Ravi Ramamurti, the discussion traced how India pursued four simultaneous transformations, building a state, creating an economy, reshaping society, and forging a national identity, under universal suffrage at remarkably low levels of income. The evening closed with a sharp Q&A covering democratic backsliding, private sector underperformance, and India's demographic outlook.

9th Annual Greater Boston Corporate Governance Workshop

On May 1, CEM hosted the 9th Annual Greater Boston Corporate Governance Workshop, welcoming 35 scholars from 16 institutions. The day opened with a keynote from Mark Roe of Harvard Law School and featured nine paper presentations on topics ranging from employee ownership and culture change to executive impression management and antitrust politics in Latin America. The workshop is organized annually by CEM Faculty Fellow Ruth Aguilera alongside Jordan Siegel of the University of Michigan.

Recognizing Our 2026 Student Fellows

CEM celebrated three graduating seniors this spring as Student Fellows: Brenda Belgamo, who directed the 500-person BRASA Summit Américas at Northeastern and will join Schneider Electric to work on AI integration in Latin America; Anjali Laddha, whose career readiness platform Degree2Destiny has reached more than 4,100 students across India and the U.S.; and Rachel Le, who organized CEM's inaugural case competition in 2023 and built it into an annual program drawing 90 students from six colleges.



Faculty Recognitions

CEM Faculty Fellows earned major honors this spring:

- **Yakov Bart** was awarded the 2026–28 Walsh Professorship by the DMSB Research Committee for a research agenda examining AI in business.
- **Paula Caligiuri** was selected as the 2026 recipient of the IM Division AmorePacific Outstanding Educator Award, presented by the International Management Division of the Academy of Management.
- **Mai'a Cross** was named a Nonresident Fellow at the Carnegie Council for Ethics in International Affairs.
- **Alvaro Cuervo-Cazurra** received the Track Best Paper Award at the European International Business Academy annual meeting in Athens.
- **Maria Ivanova** was named one of the Top 20 Most-Read Thought Leaders in Sustainable Business worldwide by illuminem.
- **Anand Nair** received a Fulbright Scholarship and will spend the fall semester at Queen's University in Kingston, Ontario as Canada Research Chair
- **Nishith Prakash** was elected to the Board of Directors of the International Development Economics Association.
- **Sonia Rolland** was named co-Editor-in-Chief of the Journal of International Economic Law, an Oxford University Press journal, beginning a five-year term in June 2026.

Want more insights on emerging markets & global business?

International Business Today is a podcast produced by the International Business & Strategy group at Northeastern University. Made for global business professionals and any student who hopes to work for a multinational organization in the future, our hosts and their guests share what's proven through research and highlight what's really working in practice.

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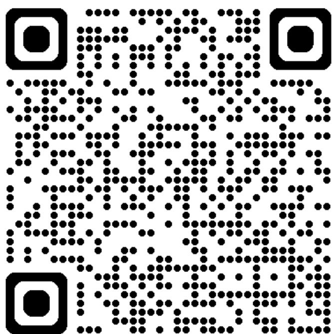

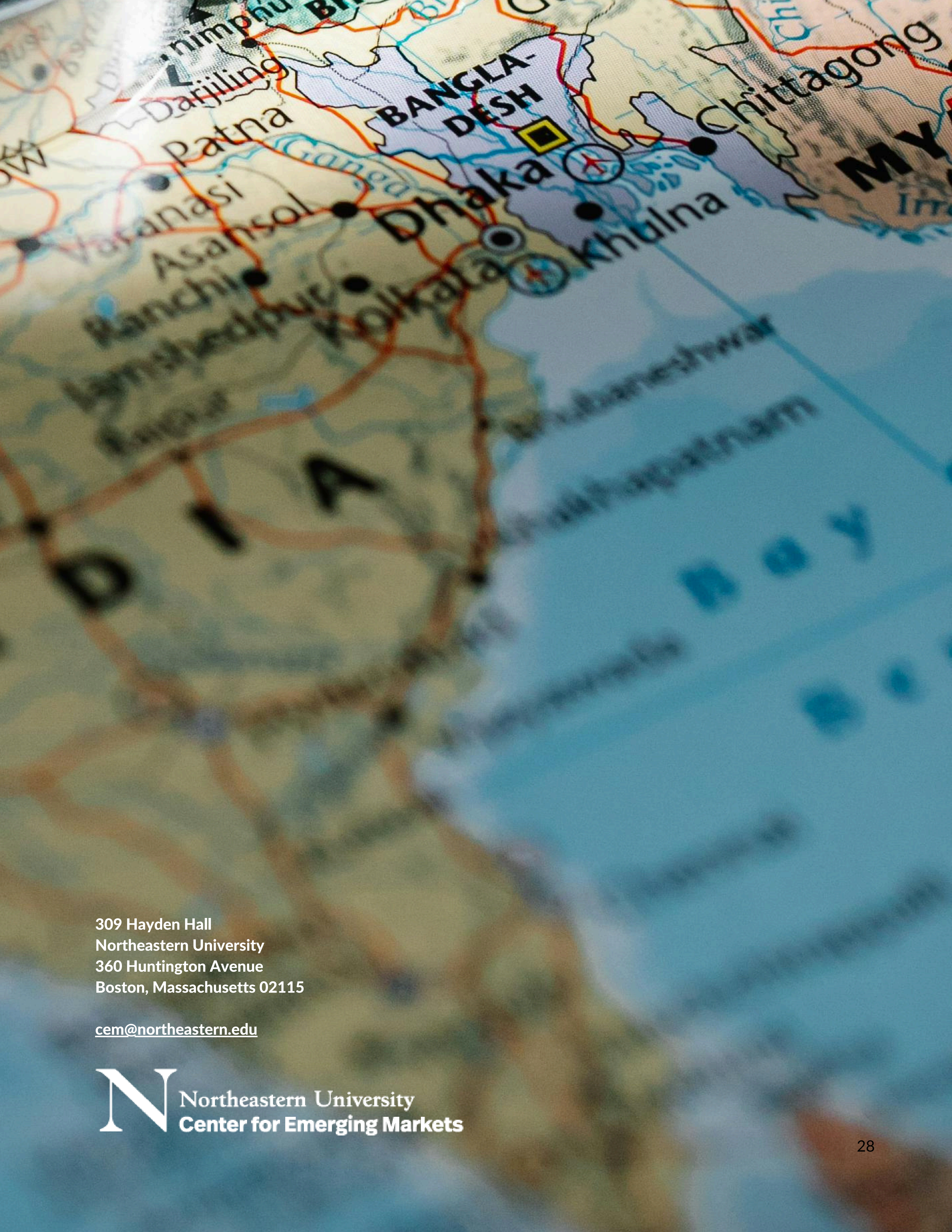

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