OSSERVATORIO SULLE ECONOMIE EMERGENTI - TORINO
TURIN CENTRE ON EMERGING ECONOMIES

EMERGING ECONOMIES N. 04 | NOVEMBER 2016

NOTE SUL CONCETTO DI ECONOMIE EMERGENTI

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Il concetto di economie emergenti, ampiamente usato nella letteratura economica a partire dagli anni '80, viene spesso adottato senza fare riferimento ad una definizione precisa. Infatti, a parte alcuni tentativi solitari, le organizzazioni internazionali, gli analisti finanziari e gli accademici hanno raramente tentato di definire cosa si intende con il termine "economie emergenti".

Dal momento che le economie emergenti costituiscono il suo principale campo di indagine, per OEET è doveroso avviare un dibattito su questo concetto e raccogliere alcuni primi contributi che mirano a definire questa categoria di economie da un punto di vista concettuale, storico ed empirico.

Questo numero di Economie Emergenti rappresenta quindi un primo tentativo di unire gli sforzi individuali e giungere, nel tempo, ad una definizione condivisa di quello che si intende per economie emergenti. Tale tentativo verrà seguito da una seconda iniziativa che si concretizzerà a maggio prossimo nel 4° Workshop organizzato da OEET.

In questo numero di Economie Emergenti, partendo dall'origine del concetto, Julien Vercueil discute le caratteristiche e le possibili vulnerabilità delle economie emergenti. A seguire, la seconda nota, di Donatella Saccone, propone una definizione empirica di economie emergenti, con un'applicazione al quindicennio 2000-15. Vittorio Valli esamina invece le principali ragioni che hanno permesso ad alcune economie di emergere, focalizzandosi su cinque paesi asiatici. Infine, Wladimir Andreff presenta un campione di nuove economie emergenti, selezionate in base ai loro flussi di investimenti diretti esteri in uscita.

NOTES ON THE CONCEPT OF EMERGING ECONOMIES

by Donatella Saccone, University of Turin and OEET

The concept of emerging economies, largely used in the economic literature since the '80s, is often adopted without referring to a precise definition. Indeed, apart from some solitary attempts, international organizations, financial analysts and scholars have rarely tried to define what they mean by the term "emerging economies".

Since emerging economies constitute its main field of investigation, it is imperative for OEET to launch a debate on this concept and collect here some early contributions aiming to define this category of economies from a conceptual, historical and empirical point of view.

This number of Emerging Economies then represents a first attempt to join the individual efforts and reach, over the course of time, a shared definition of what emerging economies are. This attempt will be followed by a second initiative, that will materialize next May in the 4th OEET Workshop.

In this number of Emerging Economies, starting from the genealogy of the concept, Julien Vercueil discusses the nature and future of emerging economies. To follow, the second note, by Donatella Saccone, proposes an empirical definition of emerging economies and applies it to the period 2000-15. Vittorio Valli examines the main reasons which historically have led some countries to emerge, focalizing on five Asian economies. Finally, Wladimir Andreff gathers a sample of new emerging countries, selected on the basis of their outward foreign direct investment.

EMERGING ECONOMIES. GENEALOGY, EVOLUTIONS AND VULNERABILITIES

by Julien Vercueil, Centre de recherches Europes-Eurasie, National Institute for Oriental Languages and Civilizations, Paris

Sintesi

La nota discute lo status, la natura e il futuro delle economie emergenti, partendo dall'origine del concetto di emersione economica e dalla sua evoluzione storica. Il concetto di emersione è una nozione intrinsecamente dinamica. Si tratta di un processo di trasformazione economica e istituzionale dei paesi a medio reddito, che comporta un'accelerazione della crescita economica ed una maggiore partecipazione ai flussi di capitale e al commercio internazionali. Tale concetto può essere definito dalla combinazione di tre precisi criteri economici: livello di reddito intermedio; crescita economica; trasformazione istituzionale e apertura economica. Lo status di "economia emergente" non è tuttavia una condizione stabile. Alcuni paesi possono infatti evolversi e guadagnare lo status di "economia avanzata", mentre altri possono essere soggetti ad una serie di vulnerabilità che vengono discusse nella nota.

Genealogy

« Emerging markets » is now a thirty-five years old expression. As other popular notions, its successive utilizations have carried transformations and slides of meaning that may have complicated its common understanding today. Therefore we think it could be useful to enlighten today's discussions about the status, nature and future of "emerging markets and emerging economies" by recalling the genealogy of the concept and the recent history of its meaning. Hence we will be able to justify our own use of the concept, in order to characterize its current scope.

The first definition of "emerging markets" was given by Antoine Van Agtmaël. Together with Vihang Errunza, he conducted a statistical comparative study of the financial markets of several developing countries during the 1975-1979 period. In their words, "emerging markets" designed a group of financial markets that, given their middle and long term perspectives in terms of return on investment, should attract major capital inflows from western investors

Why this expression of "emerging markets"? Simply because it evokes progress, growth and dynamism, and could please bankers and financial institutions more than "third world equity markets" (Van Agtmaël, 2007). Obviously, such a wording was not principally a matter of scientific analysis: it was first and foremost a branding manoeuvre. Besides, the creation of an "IFC Emerging Market Index" shortly followed this study, as well as an "Emerging Markets Growth Fund" created by *Capital Investment, Inc.*, and many others later.

Starting from this financial birthplace, the notion of "emerging markets" was completed several years later by another one: "emerging market economy". This notion aims at answering usual questions asked by investors about the macro-fundamentals of the countries in which they are investing. Indeed, in theory, in any country financial markets cannot perform dynamically in the long run without being supported by robust macroeconomic growth and other healthy macroeconomic records. From there, the "emerging economy" notion derived, progressively delineated by official publications from the World Bank, IMF, OECD, and the academy (Burki, 1999).

Unfortunately, these attempts did not help much clarifying this fuzzy concept. For instance, the IMF *World Economic Outlook* repeatedly used the notion of "emerging Asia", or "emerging Europe", to qualify some countries of these continents. But Africa and Latin America apparently did not deserve this qualification. Neither were Georgia and CIS countries included in the "emerging Europe". In one IMF publication certain Asian countries are sometimes qualified of "emerging countries" (IMF, 2010, p. 64), sometimes not (Id., p. 67).

Last but not least, the notion of emerging economy has been completed by a range of acronyms that did not help, in turn, to clarify the economic meaning of the whole. *BRICS, Frontier, N-11, CIVETS, CEMENT, BRIICS, NEST, MINT, Eagles, BENIVM, CARB* are some examples of those acronyms that flourished in the financial community since the tremendous success of the initial "BRIC" expression used by Jim O'Neil, of Goldman Sachs, in 2001 in order to characterize four economic powers emerging out of the G-7 circle, in the beginning of this century (O'Neil, 2001).

Definition

The fact that the notion of "emerging economy" has not been clarified at an official level is understandable. In order to create a new official category of countries, the number of justifications that an international organisation like the World Bank and the IMF would have to provide has certainly been seen as problematic. Does it follow that any attempt to rationalize this category is doomed to fail? Would it be preferable to let aside this concept, because of its lack of consistency, and go on using old official categories as "middle income" economies?

Our hypothesis is that the phenomenon involved in the various meanings of the concept of "emerging economies" deserves attention, especially from economists who are aware of the importance of institutions in the process of economic and social development. While being diverse, emerging economies have some characteristics in common. They have been experiencing deep transformations for several decades that are far from being identical, but that are pointing toward the same direction: all of these countries have undergone major changes in their economic institutions since the 1990's, and all of them are now much more integrated in the world economy than twenty years ago. They have become actors of the globalization, they have contributed to it in an increasingly large extent, and in return their economies have been profoundly shaped by it.

Economic emergence is intrinsically a dynamic notion. It is a process of economic and institutional transformation of middle-income countries that entails an acceleration of their economic growth and an increased participation to international trade and capital flows. It can be qualified by the combination of three criteria:

- First criterion: intermediate income. Per capita GDP, measured in PPP terms, is comprised between 10% and 75% of the average income in the European Union (obviously, those two limits are to be interpreted with a margin of flexibility).
- Second criterion: economic growth and catching-up process. During the past decades, these countries have enjoyed an average economic growth that surpasses European Union's growth.
- Third criterion: institutional transformations and economic opening. The countries belonging to the "emerging" category can also be characterized by the recent changes in their institutional framework concerning economic activities, particularly as far as external economic relations are concerned. Therefore, their economic growth is now far more heavily influenced by external developments than before.

In the beginning of the 2010's, we used this set of criteria to propose a indicative list of countries[1] that could be considered as "emerging economies" (Vercueil, 2011).

Evolution

Five years later, has the meaning – and, eventually, the list – of emerging economies changed? The 2008 financial crisis and the following slowing down of the world economy have unevenly impacted these countries, depending on their growth model and their vulnerabilities (Vercueil, 2015). But all of the countries in our initial pool of "emerging economies" are still, in 2016 situated on a long-term catching up trajectory vis-à-vis more advanced (EU average or OECD average) countries (Table 1). Therefore, we claim that even in the current atmosphere of doubt about the current economic perspectives of some of them, it is simply to early to speak of the "end of emerging economies".

Table 1. Cumulative GDP growth in selected emerging countries (1999-2015)

	1999 Index	2005	2010	2015
World	*100*	*121,31*	*137,97*	*156,93*
OECD members	*100*	*115,66*	*121,59*	*131,42*
European Union	*100*	*114,17*	*119,39*	*125,18*
Albania	100	141,86	182,55	200,83
Angola	100	137,88	245,99	309,94
Argentina	100	109,19	138,98	148,96
Armenia	100	188,37	227,50	281,19
Azerbaijan	100	209,17	447,08	498,82
Bosnia and Herzegovina	100	139,18	160,10	170,88
Brazil	100	120,40	149,85	157,35
Bulgaria	100	139,35	162,17	174,88
Chile	100	128,39	152,39	183,89
China	100	172,75	294,50	429,00
Colombia	100	124,73	155,70	194,85
Ecuador	100	128,11	151,35	187,49
Egypt, Arab Rep.	100	125,33	169,11	191,39
Estonia	100	155,74	152,92	182,79

[1] *See Table 1. Some countries are absent of this list due to a lack of data in 2011 in the Groeningen University database used for its elaboration: Algeria, Costa Rica, Dominican Republic, Guatemala, Honduras, Jamaica, Lebanon, Libya, Panama, El Salvador.*

Georgia	100	145,05	186,46	236,37
India	100	143,74	211,96	293,69
Indonesia	100	132,18	174,73	228,51
Jordan	100	142,00	192,19	219,61
Kazakhstan	100	179,82	243,16	303,90
Latvia	100	156,29	152,79	181,34
Lithuania	100	149,83	158,85	189,57
Macedonia, FYR	100	115,26	140,15	157,73
Malaysia	100	137,22	170,81	220,97
Mexico	100	114,22	125,65	144,50
Moldova	100	143,72	168,43	203,03
Morocco	100	129,37	165,16	200,50
Peru	100	126,62	176,72	223,05
Philippines	100	130,67	166,25	221,03
Poland	100	120,68	151,95	175,67
Romania	100	135,46	156,41	175,90
Russian Federation	100	148,12	176,28	186,83
Serbia	100	145,63	166,11	169,10
Slovak Republic	100	129,04	162,79	183,10
South Africa	100	125,75	146,46	162,44
Thailand	100	136,15	163,57	188,29
Tunisia	100	126,76	158,28	169,02
Turkey	100	133,40	156,08	193,53
Ukraine	100	153,22	161,11	142,92
Uruguay	100	98,97	132,20	157,03
Venezuela, RB	100	117,62	141,09	142,59
Vietnam	100	149,06	202,47	269,84

Source: The World Bank, 2016. Author's calculations.

However, if we use a narrower time scope, we must reckon that several "emerging countries" have struggled against deep economic turbulences since 2008. For the past five years Latvia, Ukraine, Serbia, Venezuela and Russia have been showing economic trajectories that are less dynamic than the European Union, disrupting, for the moment, their long-term catching up trend. For the first four of them, their level of GDP is now even lower than it was in 2008. Meanwhile, by contrast, Argentina, Brazil and South Africa, who are also experiencing various degrees of economic and social difficulties nowadays, are still far better off in 2016 (between 11 and 13 % respectively) than they were just before the international financial crisis.

Vulnerabilities

This is not to say that the "emerging economies" category is a stable one. First, some countries can leave this category by becoming advanced countries. This is the case, for instance, of the Slovak Republic, whose per capita GDP in PPP terms is now significantly higher than 75 % of the average EU per capita income. Conversely, it is also possible that some institutional, political or economical changes in the situation of a given country (more probably if it is situated at the lower limit) prevent it to meet simultaneously the three criteria proposed before for defining an emerging economy.

Here come the vulnerabilities. Financial – overexposure to capital inflows and outflows for instance, or over-evaluation of the national currency -, economical – dependency on raw materials exports, structural deficit of the current account -, institutional – pervasive corruption, lack of proper regulation of a given sector, weaknesses in the rule of law –, social – income and wealth inequalities, socio-political conflicts in the society-, environmental – degradation of the living and working conditions for workers and their families, due to various pollutions, exhaustion of some raw materials -, and geopolitical vulnerabilities – unresolved territorial conflicts, political unrest of social groups that are fostered by a foreign country –, all these risks are present, to a certain extent, in each region where emerging economies are located.

Obviously, the political leadership's ability to tackle each of these vulnerabilities without jeopardising their growth potential will be key for the future of these emerging economies.

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EMERGING ECONOMIES IN COMPARISON TO THE REST OF THE WORLD

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Sintesi

Comparando i livelli medi di reddito pro capite e i tassi medi di crescita economica nel periodo 2000-15, l'analisi propone una definizione empirica di economie emergenti basata su due criteri principali: a) livello medio del reddito pro capite inferiore alla media mondiale e b) tasso medio di crescita economica superiore alla stessa. In totale, vengono individuati 38 paesi con la seguente distribuzione geografica: 13 in Europa e Asia centrale, 8 in Asia orientale, 8 in Africa Subsahariana, 5 in America Latina, 3 in Asia meridionale, 1 in Nordafrica. L'analisi poi compara il gruppo di economie emergenti al resto del mondo avvalendosi di alcuni indicatori economici, sociali, istituzionali e politici.

By comparing countries' per capita income levels and their rates of growth in a given period of time, we can divide the world into four categories, as illustrated in figure 1:

1) countries with a mean per capita income level and a mean rate of growth lower than the world average (*low income-low growth* countries);

2) countries with a mean per capita income level lower but a mean rate of growth higher than the world average (*low income-high growth* countries);

3) countries with a mean per capita income level and a mean rate of growth higher than the world average (*high income-high growth* countries);

4) countries with a mean per capita income level higher but a mean rate of growth lower than the world average (*high income-low growth* countries)[2].

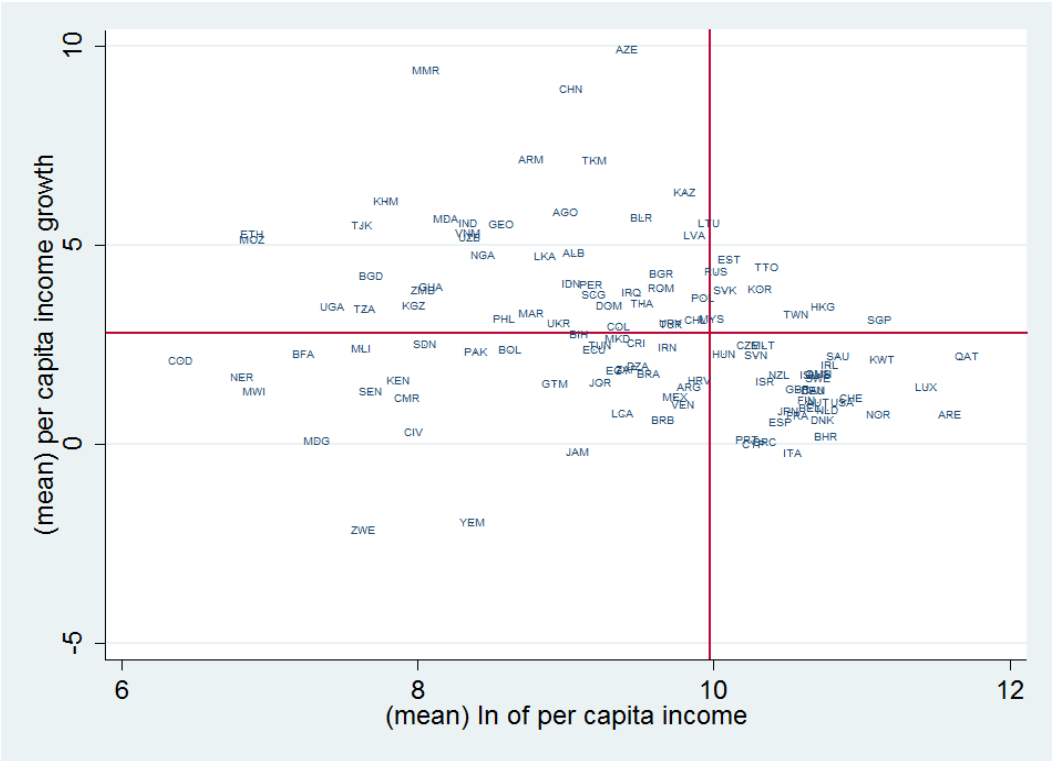
Following this approach, in a recent article I propose a basic and inclusive empirical definition of emerging economies (Saccone, 2016). After calculating the mean values for the last 15 years, I define emerging the economies belonging to category 2, i.e. those economies that have presented a mean per capita income level lower than the world average but a mean rate of growth above the world average. However, since we have to take into account that sometimes high growth rates are just the reflection of the recovery that follows an economic crisis, I exclude from the group of emerging economies those countries that suffered from a period of recession in the '90s and have not yet recovered the pre-crisis levels of real GDP per capita.

Here, I apply this approach to the period 2000-15, using a sample of 122 countries. Data on GDP with EKS PPP are obtained from the Total Economy Database (Conference Board). The two threshold values for the GDP per capita and its rate of growth, corresponding to the sample means, are respectively 21451 $ PPP and 2.8%. The partition of countries into the four above-mentioned categories is represented in Figure 1, where the two red lines represent the sample means. The group of economies that over the last 15 years have been characterized *by low income* and *low growth* is composed by 34 countries (13 in Sub-Saharan Africa, 11 in Latin America, 6 in Middle East and North Africa, 3 in Europe and Central Asia, and 1 in South Asia). The virtuous group of *high income-high growth* economies counts 9 countries (5 in East Asia, 3 in Europe and Central Asia, and 1 in Latin America). Thirty-five countries assemble the group of mature economies that have presented *high income* but *low growth* (22 in Europe and Central Asia, 8 in Middle East, 3 in East Asia, and 2 in North America).

The group of *low income-high growth* economies includes 44 countries (see Appendix 1 for the full list of countries by category). After excluding those countries that suffered from a period of recession in the '90s and have not yet recovered the pre-crisis levels of real GDP per capita, I obtain the group of emerging economies - 38 counties in total- with the following geographical distribution: 13 in Europe and Central Asia, 8 in East Asia, 8 in Sub-Saharan Africa, 5 in Latin America, 3 in South Asia, and 1in North Africa (see Table 1).

[2] This methodology is inspired by Deaglio (1993). Deaglio calls "poverty area" the group 1), "take-off area" the group 2), "boom area" the group 3), and "opulence area" the group 4).

Figure 1: A world comparison of per capita income and its rate of growth (2000-15)



Source: our elaborations based on the Total Economy Database (Conference Board).

The group of emerging economies, with a mean GDP per capita of 8696 $, grew on average at a rate of 5%. If we look at the World Bank country classification by income group, that demarcates the distinction line between developing and developed countries, we can notice that 4 emerging economies are classified as low income, 14 as lower middle income, and 15 as upper middle income; moreover, we have 5 economies that, thanks to their economic emergence over the last 15 years, have now gained the status of high income, i.e. developed, countries (Chile, Latvia, Lithuania and Uruguay since 2012, and Poland since 2009).

Table 1: The group of emerging economies

COUNTRY	PER CAPITA INCOME (US$, PPP, mean 2000-15)	PER CAPITA INCOME GROWTH (mean 2000-15)	INCOME GROUP (WB classification)
EAST ASIA AND PACIFIC			
Myanmar	3133.3	9.4	Lower middle income
China	8367.7	8.9	Upper middle income
Cambodia	2404.9	6.1	Lower middle income
Vietnam	4154.6	5.3	Lower middle income
Indonesia *	8346.4	4.0	Lower middle income
Serbia & Montenegro	9807.3	3.8	Upper middle income
Thailand *	13453.6	3.5	Upper middle income
Philippines	5354.8	3.1	Lower middle income

EUROPE AND CENTRAL ASIA			
Azerbaijan *	12274.1	9.9	Upper middle income
Armenia *	6370.4	7.1	Lower middle income
Turkmenistan *	9785.6	7.1	Upper middle income
Kazakhstan *	18032.7	6.3	Upper middle income
Belarus *	13544.4	5.7	Upper middle income
Lithuania *	21326.8	5.5	High income (nonOECD)
Latvia *	19339.4	5.2	High income (nonOECD)
Uzbekistan *	4219.4	5.2	Lower middle income
Albania	8532.3	4.8	Upper middle income
Bulgaria *	15479.1	4.3	Upper middle income
Romania *	15503.9	3.9	Upper middle income
Poland	20394.6	3.7	High income (OECD)
Turkey	16354.4	3.0	Upper middle income
LATIN AMERICA AND CARIBBEAN			
Peru *	9552.2	4.0	Upper middle income
Dominican Republic	10907.7	3.5	Upper middle income
Chile	19519.7	3.1	High income (OECD)
Uruguay	16370.6	3.0	High income (nonOECD)
Colombia	11513.7	2.9	Upper middle income
MIDDLE EAST AND NORTH AFRICA			
Morocco	6379.2	3.3	Lower middle income
SOUTH ASIA			
India	4155.5	5.6	Lower middle income
Sri Lanka	7036.2	4.7	Lower middle income
Bangladesh	2166.4	4.2	Lower middle income
SUB-SAHARAN AFRICA			
Angola *	8070.3	5.8	Upper middle income
Ethiopia *	965.3	5.3	Low income
Mozambique	971.3	5.1	Low income
Nigeria	4616.6	4.7	Lower middle income
Ghana	3248.3	4.0	Lower middle income
Zambia *	3091.1	3.9	Lower middle income
Uganda	1678.1	3.5	Low income
Tanzania	2073.4	3.4	Low income

Sources: Total Economy Database (Conference Board) and World Bank. * countries that were in a recession phase during the '90s but recovered the pre-crisis level of GDP per capita by the end of '00s. We must look at them with special attention, since their high rates of growth may partially be an economic rebound after the period of recession.

Table 2 reports the sample mean of a series of economic and social indicators for the four groups of economies. Even if we cannot infer causality, it is interesting to notice how these indicators vary across the four groups. In general, from the table we can extrapolate the following final remarks:

Investment. Investment rates are higher in both groups of *high-growth* economies, and especially in *high income-high growth* countries, that are also characterized by a notable savings rate (35%).

Productivity. Emerging economies are characterized by a higher rate of productivity growth (4.8%), followed by *high income-high growth* countries (2.8%), while productivity is almost stagnant in the other two groups (*low income-low growth* and *high-income-low growth*).

Indicators of economic openness. The current account balance is negative in both *low-income* groups, including emerging economies. Moreover, the export rate, the technological content of exports and the net FDI inflows in emerging economies are still far from the levels of *high-income* economies and, especially, of *high income-high growth* countries.

Public indebtedness. *High-growth* economies are characterized by a lower central government debt (43% in emerging economies), while it is above 60% in both *low income-low growth* and *high income-low growth* economies.

Demographic indicators. Emerging economies still present high birth and fertility rates and, then, a high young-age dependency ratio. However, this may make them able to exploit the so-called demographic dividend in the future.

Migration. As obvious, migration flows move from low to high income economies, regardless of their rates of growth (below or above the world average).

Social indicators. In general, both income distribution and education access improve with the level of per capita income, but we can notice remarkable progress as we move from *low income-low growth* to *low income-high growth* economies (i.e. to emerging economies), especially with regard to the illiteracy rate (26% and 14%, respectively). However, inequalities in emerging economies remain at still high levels (Gini coefficient equal to 0.47).

Institutional indicators. Institutional quality, measured both by economic freedom indexes and democracy indicators, improve with the level of income.

Table 2: Some indicators by group of economies (sample means for the period 2000-15)

	LOW INCOME-LOW GROWTH	LOW INCOME-HIGH GROWTH	HIGH INCOME-HIGH GROWTH	HIGH INCOME-LOW GROWTH
PER CAPITA INCOME, PPP ($)	8579.1	8751.4	33395.4	45178.1
PER CAPITA INCOME GROWTH	1.5	4.8	3.9	1.3
GDP, PPP (MILLIONS $)	316884.3	656769.8	761325.3	1234695.0
GDP GROWTH	3.3	5.9	4.4	2.4
PRODUCTIVITY GROWTH	0.9	4.3	2.8	0.8
POPULATION (THOUSANDS)	32306.1	96710.1	29762.7	28207.1
POPULATION GROWTH	1.8	1.1	0.5	1.2
EMPLOYMENT GROWTH	2.5	1.6	1.6	1.6
BIRTH RATE	27.4	22.3	11.9	12.8
FERTILITY RATE	3.6	2.9	1.5	1.8
POPOLATION AGED 15-64 (% OF TOTAL POPULATION)	59.7	63.1	70.6	67.6
AGE DEPENDENCY RATIO	69.6	60.6	41.9	48.3
AGE DEPENDENCY RATIO, OLD	9.4	11.6	15.2	20.4
AGE DEPENDENCY RATIO, YOUNG	60.2	48.9	26.7	28.0
URBAN POPULATION (% OF TOTAL POPULATION)	49.7	49.3	69.5	79.8

URBAN POPULATION GROWTH	2.5	1.9	0.6	1.6
NET MIGRATION	-113417.0	-345434.3	371279.8	488488.3
CENTRAL GOVERNMENT DEBT (% OF GDP)	62.2	43.4	34.9	65.7
GROSS DOMESTIC SAVINGS (% OF GDP)	14.7	19.4	34.7	29.0
GROSS CAPITAL FORMATION (% OF GDP)	21.6	24.6	25.1	22.7
EXPORTS (% OF GDP)	30.2	36.3	96.8	51.1
HIGH-TECH EXPORTS (% OF MANUFACTURED EXPORT)	6.7	8.0	20.2	14.8
ICT EXPORTS (% TOTAL OF GOODS EXPORTS)	2.0	3.6	18.6	7.0
CURRENT ACCOUNT BALANCE (% OF GDP)	-4.5	-2.9	6.6	2.9
FDI (NET INFLOWS, % OF GDP)	3.5	4.5	8.8	6.4
GINI COEFFICIENT	0.53	0.47	0.41	0.33
INCOME SHARE, TOP 1%	0.16	0.13	0.08	0.05
INCOME SHARE, TOP 5%	0.32	0.27	0.21	0.16
ILLITERACY RATE	26.3	13.6	6.5	5.3
INDEX OF ECONOMIC FREEDOM:	6.2	6.6	7.3	7.6
government size	6.8	6.7	6.7	5.5
law	4.7	5.2	6.4	8.0
money	7.2	7.7	8.5	9.2
trade freedom	6.2	6.7	7.7	8.2
regulation	6.1	6.5	7.0	7.2
DEMOCRACY INDEX	1.4	3.9	6.5	8.0

Sources: Total Economy Database (Conference Board), WDI (World Bank), Global Income Dataset (Global Consumption and Income Project).

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Appendix 1: List of countries by category (2000-15)

Low income, low growth	**Low income, high growth**	**High income, high growth**	**High income, low growth**
Algeria	Albania	Estonia	Australia
Argentina	Angola	Hong Kong SAR, China	Austria
Barbados	Armenia	Korea, Rep.	Bahrain
Bolivia	Azerbaijan	Malaysia	Belgium
Bosnia and Herzegovina	Bangladesh	Russian Federation	Canada
Brazil	Belarus	Singapore	Cyprus
Burkina Faso	Bulgaria	Slovak Republic	Czech Republic
Cameroon	Cambodia	Trinidad and Tobago	Denmark
Congo, Dem. Rep.	Chile	Taiwan	Finland
Costa Rica	China		France
Cote d'Ivoire	Colombia		Germany
Croatia	Dominican Republic		Greece
Ecuador	Ethiopia		Hungary
Egypt, Arab. Rep.	Georgia *		Iceland
Guatemala	Ghana		Ireland
Iran, Islamic Rep	India		Israel
Jamaica	Indonesia		Italy
Jordan	Iraq *		Japan
Kenya	Kazakhstan		Kuwait
Macedonia, FYR	Kyrgyz Republic *		Luxembourg
Madagascar	Latvia		Malta
Malawi	Lithuania		Netherlands
Mali	Moldova *		New Zealand
Mexico	Morocco		Norway
Niger	Mozambique		Oman
Pakistan	Myanmar		Portugal
Senegal	Nigeria		Qatar
South Africa	Peru		Saudi Arabia
St. Lucia	Philippines		Slovenia
Sudan	Poland		Spain
Tunisia	Romania		Sweden
Venezuela, RB	Serbia & Montenegro		Switzerland
Yemen, Rep	Sri Lanka		United Arab Emirates
Zimbabwe	Tajikistan *		United Kingdom
	Tanzania		United States
	Thailand		
	Turkey		
	Turkmenistan		
	Uganda		
	Ukraine *		
	Uruguay		
	Uzbekistan		
	Vietnam		
	Zambia		

* countries excluded by the group of emerging economies since they did not yet recover the pre-crisis level of GDP per capita.

WHY SOME ECONOMIES EMERGE?

by Vittorio Valli, University of Turin and OEET [3]

Sintesi

Partendo dalla discussione dei principali ostacoli che un paese può incontrare sulla strada dell'emersione economica, la nota risponde al perché storicamente alcuni paesi sono emersi mentre altri sono rimasti in una condizione di arretratezza. Focalizzandosi su cinque medio-grandi economie asiatiche (Giappone, Corea del Sud, Cina, India e Indonesia) che sono emerse in periodi storici differenti, l'analisi individua i seguenti fattori di sviluppo: promozione dell'eguaglianza economica e sociale; sfruttamento del dividendo demografico; vantaggi dell'arretratezza economica relativa; applicazione del modello fordista di sviluppo; forte crescita degli investimenti; diffusione della conoscenza; ambiente politico e sociale relativamente stabile; presenza di uno Stato sviluppista.

In economic history there has been several examples of economies which have succeeded in firmly emerging from poverty and deprivation and of economies which have remained poor or have emerged for a while and then have submerged.

In order to emerge one economy must face, and be able to surpass, two great obstacles: the *vicious circles of poverty* and the *middle-income trap.*

In literature the overcoming of the first obstacle has been called in various ways: *take-off* (Rostow), *critical minimum effort* (Leibenstein), *big push* (Rosenstein Rodan), etc. The way to overcome this obstacle has been mainly devised as a robust increase in private and public investment and, if possible, the transfer of low productivity workers (agriculture) to higher productivity activities, such as industry or modern services (*Lewis model* or its variants). Development economics has also added the necessity to diminish excessive concentration in wealth and land ownership (land reforms), reduce corruption and introduce radical improvements in social and economic institutions.

The surmounting of the second obstacle, the middle income trap, can be even more challenging. The strategy advocated by many authors is usually associated to a greater diversification of the productive system, technological upgrading, advances in modern services, building of solid economic institutions, selective trade and FDI policy, continuous improvements in knowledge and infrastructures, etc.

After a long period of robust growth and progressive catching up, the already emerged economy can be faced with a third obstacle, that might be called *the higher income trap*. This final hurdle usually happens after it had been possible to reach about 60% of the per capita GDP of a rich country such as the United States. This, for example, happened in Argentina in the 1950s and about two decades later in Japan. Japan surpassed the two -thirds level of the US per capita GDP in the 1970s, but, since the beginning of the 1990s its economy has frozen in a long semi-stagnation. Something similar is maybe happening after the global financial crisis in Greece and partly also in Italy and some other European countries.

In this note we will try to analyse the main reasons which have led some countries to emerge.

Restricting the analysis to the the period following the second world war and to a group of medium-size and large Asian economies, we can consider some particularly instructive examples.

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Five great Asian economies (japan, South Korea, China, India and Indonesia) can illustrate phases of successful emergence in different historical periods[4]. Japan has emerged in the 1953-1973 period Increasing its per capita GDP level in PPP (purchasing power parities) in percent of the US level from 23% in 1953 up to 67.5 %% in 1973[5]. South Korea has emerged somewhat later than Japan, but has continued to grow better than the world average also in the last two decades, although temporarily slowing down during the great Asian financial crisis (1997-8) and partially also during the recent global financial and real crisis. Since 1978 China, about fifteen years later India and, in a less vigorous way, also Indonesia in the last fifteen years, have rapidly emerged.

What are the common roots of this rather extraordinary economic performance in various historical phases in five very different countries?

A) There had been after the war under the impulse of the US authorities, both in Japan and in South Korea, a large land reform and the dispossession in Japan of the owners of large Zaibatsu and, in South Korea, of the rich landowners or industrialists who had collaborated with the Japanese. All this had greatly reduced wealth and income inequalities in the two countries and had contributed to open the access to higher education to the children of a large part of the population. At the end of the 1970s also in China there had been limited wealth and income inequalities, although they had then progressively increased in the following decades. Finally, In India and Indonesia income and wealth differentials had been substantial, but much lower than in most Latin American and African countries, where vast economic differentials contribute to feed social and political conflicts.

B) All these countries in their emergence period could benefit from some of the advantages of the so-called *demographic dividend*, of Gershenkron's *relative economic backwardness* and of the *fordist-toyotist growth model.*

The demographic dividend occurs when many young people can enter the labour market and at the same time the dependency rate of the country begins to diminish as long as the fertility rate decreases. Gerschenkron's advantages mainly consist in the possibility of transferring masses of workers from the agricultural sector to the more dynamic industrial and service sectors and to acquire modern technology from advanced countries. The fordist-toyotist model is essentially based on the combination of large economies of scale in mass-production sectors, such as electric domestic appliances and automobiles, and the introduction of Japanese *lean production* methods.

C) There was an extraordinarily high rate of growth of *physical investment* especially in Japan in the 1953-73 years, in South Korea, in the 1954- 1996 years, in China in the 1978- 2011 period and in India from 1992 up to now. In Indonesia the growth of real investment has been more fluctuating, but rather important in the last decade.

D) Moreover, In Japan and South Korea, there has been in the emerging periods an impressive *progress in knowledge,* through massive buying and imitation of foreign advanced technology, vigorous progress in schools and university attendance and quality, and a rapidly growing investment in research and development activities and in the autonomous creation of new goods and services. In China too there has been a very rapid rise in knowledge since the 1980s. In India the progress in knowledge has been strong for a limited part of the population, but much weaker for a large part of the labour force

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[4] See on these countries: Valli V., *The Economic Rise of China and India*, Accademia University Press, Turin 2015, and *The Economic Rise of Asia. Japan, Indonesia and South Korea*, Accademia University Press, Turin, 2016 (forthcoming).
[5] See Conference Board, *Total Economy Data base* (2016). The data are in PPP EKS.

employed in the enormous informal sector of the economy, and the same has been partially true also in Indonesia.

E) In all five countries there has been, in the emerging years, a r*elatively stable political and social environment*. This result is partially due to the high rate of economic growth and the relatively low unemployment level in those years, though the passage from authoritarian government to democracy in South Korea and in Indonesia has been arduous and rather gruelling. However, since the 1980s also in China there have been the Tiananmen square, Tibet and Urumqi severe repressions and in India there has been a number of local ethnic and religious tensions.

F) In all these countries there had been, with very different effectiveness and transparency, a *developmental State*, which has tried to sustain the economic growth in strategic sectors and then to gradually open the economy when at least some of the domestic firms were able to successfully compete with international competitiveness.

If some of these six basic conditions were weak or absent, as it has happened in Brazil or South Africa, where wealth and income inequalities have remained very high, the possibility to emerge for a long period of time without falling in years of severe crisis is indeed very feeble.

SAMPLING EMERGING ECONOMIES FROM THE STANDPOINT OF THEIR OUTWARD FOREIGN DIRECT INVESTMENT

by Wladimir Andreff, University Paris 1 Panthéon Sorbonne and EACES Honorary Member

Sintesi

Nel tempo sono stati proposti differenti campioni di economie emergenti. La convinzione dell'autore è che un campione specifico di economie emergenti sia valido solo se è adattato allo specifico scopo per cui viene proposto e se i criteri per identificarlo sono chiari e ben definiti. La nota ha lo scopo di proporre un campione di paesi selezionati sulla base dei loro investimenti diretti esteri in uscita e delle imprese multinazionali localizzate in questi paesi. Il campione, che comprende 13 paesi (Malesia, Messico, Cile, Tailandia, Colombia, Turchia, Argentina, Filippine, Indonesia, Nigeria, Egitto, Iran e Pakistan) è poi comparato al più noto gruppo dei BRICS. La nota discute infine analogie e differenze che caratterizzano il gruppo di economie sopra elencate.

Samples of emerging economies have been delineated on various criteria by different organisations such as the IMF, Boston Consulting Group, Standard & Poor's, some banks and so on. Some researchers have proceeded by selecting the hard core common to previous samples (Andreff & Balcet, 2013).

Our point is that any sample of emerging economies is valid only if it is targeted toward a specific purpose and those criteria used to delineate it are crystal clear. The purpose here to gather a sample of 'New-Wave Emerging Countries' (NWECs) built up to be relevant from the standpoint of their outward foreign direct investment (OFDI) and multinational companies (MNCs) based in these countries, namely in comparison to BRICS' OFDI and MNCs (Andreff, 2016).

For our purpose, first let us fix a threshold below which a country will not be regarded as a significant foreign investor in terms of OFDI. Though a little bit arbitrary, we retain the following criterion: a country is a significant OFDI home country if its OFDI stock is higher or equal to $1 billion in 2014 according to UNCTAD data published in the 2015 *World Investment Report*. With this threshold in mind, 91 countries in the world are screened and put into our data base.

We have to drop from this data base because they are not emerging economies: 30 developed market economies (*DMEs*) with a gross national income (GNI) per capita higher than $20,000 in 2014; the five BRICS which are only used for benchmarking the NWECs; 16 post-communist transition economies (*PTEs*) which are quite specific; and 17 rent-depending countries (*RDCs*) which economic development is entirely dependent on rent-extracting activities based on crude products (oil, gas, phosphates, copper mining, diamond mining, mineral fuels, etc.). Then we are left with 23 potential candidates for a NWEC sample.

However 10 of the remaining countries are at odds with what BRICS are used to be: they have a small geographical size, a small population, a small GDP, and eventually they are task-friendly small economies (*TFSEs*) or tax heavens. Therefore our NWEC sample encompasses 13 countries: *Malaysia, Mexico, Chile, Thailand, Colombia, Turkey, Argentina, Philippines, Indonesia, Nigeria, Egypt, Iran, Pakistan* (Table 1).

Then leaving a deductive approach, one has to check whether this sample is relevant which means that it should be homogenous enough from within and heterogeneous when compared to other country samples. We proceed here with statistical testing (Table 2). Quite logically, the ranking of country samples by OFDI importance is not very much different from their ranking by average GNI per capita: the first ranked are DMEs (average GNI per capita = $47,348), then come PTEs ($9,969), BRICS ($8,430) and NWECs ($6,646). Of course, GNI per capita is inflated by the rent in RDCs ($17,232) and by tax/custom duty attractiveness in TFSEs ($20,539) which nevertheless remain below the average for the whole database of significant foreign investors. Such country sampling is relevant from the standpoint of both OFDI and economic development (GNI per capita) since the variation coefficient s/m (m = mean value, s = standard deviation) is below 0.66 for DMEs, BRICS, PTES and NWECs; each sample is rather homogeneous compared to the whole data base (its s/m = 1.01).

Two other interesting features show up in Table 2: on average, BRICS have a huge population (752 million inhabitants) and the biggest average geographical size (9,274 thousands square kilometers). The next biggest countries in terms of average population are the NWECs (99 million inhabitants) while population is much smaller in DMEs, and below 21 million inhabitants in DRCs, 15 million in PTEs and 2 million in TFSEs. The NWECs are also the second biggest countries on average in terms of geographical size (1,118 thousands square kilometers) ahead of DMEs, PTEs and DRCs. Therefore, one can conclude that the NWECs have some similarities with BRICS. Moreover, the coefficient of variation is the lowest for the distribution of population in the NWECs sample, meaning that these countries are even more homogenous than BRICS in this respect.

Considering now the eight observed variables, it appears that the coefficient of variation (estimating the sample relative dispersion) is the lowest for the NWECs as regards population, GDP, GDP rate of growth in 2006-2010 and GDP rate of growth in 2011-2014 (Table 2). The lowest dispersion is witnessed in the BRICS group for geographical size, inward FDI stock and OFDI/GDP and OFDI/inward FDI ratios. However, the second lowest dispersion (and very close to the BRICS' coefficient of variation) is observed in the NWECs sample for geographical size and inward FDI stock. It is only for the OFDI/GDP and OFDI/inward FDI ratios that dispersion is the third lowest for the NWECs group. All in all, the NWECs are at least as homogenous a sample as the BRICS one. An OFDI stock 9 times smaller than the BRICS' one probably means that the NWECs are emerging as major foreign investors; thus it makes sense to coining them New-Wave Emerging Countries from the standpoint of OFDI. The same applies to their GNI per capita ($6,646) rather close to the level of the BRICS' one ($8,430).

Beyond the characteristics of being a homogeneous country group, the NWECs sample shares with the BRICS some marked disparities. GNI per capita spreads from $14,910 in Chile down to $1,400 in Pakistan; this is nearly as widespread as within the BRICS from a $13,220 GNI per capita in Russia down to $1,570 in India. In the NWECs, population is between 29.9 million inhabitants in Malaysia and 254.5 million inhabitants in Indonesia (a ratio of 1 to 8.5) while the gap is much deeper within the BRICS between 54 million inhabitants in South Africa and 1,364 million inhabitants in China (a ratio of 1 to 25). With regards to GDP, it is scattered among the NWECs from $244 billion in Pakistan to $1,295 billion in Mexico (1 to 5) whereas it spreads from $350 billion in South Africa up to $10,350 billion in China (1 to 30) among the BRICS.

The fastest growth rate in 2006-2010 scored at 7.2% in Nigeria as against 2.0% in Mexico in the NWECs (a 5.2% differential) whereas in the BRICS sample the growth rate was between 3.1% in South Africa and 11.3% in China (a 8.2% differential). In 2011-2014, the growth rate gap is the same in the two samples that is 6 percentage points (-0.1% in Iran and 5.9% in the Philippines; 2.1% in Brazil and 8.1% in China). All these figures show that: a/ there are noticeable disparities within the NWECs sample; b/ these disparities are narrower than in the BRICS sample. Lower disparity makes sense grouping the 13 selected countries as NWECs.

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Table 1: Outward foreign direct investment stock and other variables: sampling 13 newly emerging economies (BRICS excluded)

Rank	Country	OFDI stock in 2014	Population million	GDP $bn 2014	g 2006-10	g 2011-14	GNI/ capita	Geographic. size thkm2	Inw. FDI stock 2014	OFDI/ GDP	OFDI/in ward FDI
1	Malaysia	135.7	29,9	338	4.5	5.4	11120	329	133.8	40.1	101.4
2	Mexico	131.2	125,4	1295	2.0	2.9	9870	1944	338.0	10.1	38.8
3	Chile	89.7	17,76	258	3.5	4.4	14910	744	207.7	34.8	43.2
4	Thailand	65.8	67,73	405	3.8	3.0	5780	511	199.3	16.3	33.0
5	Colombia	43.1	47,79	378	4.6	5.0	7970	1110	141.7	11.4	30.4
6	Turkey	40.1	75,93	798	3.3	4.5	10830	770	168.6	5.0	23.8
7	Argentina	35.9	42,98	538	5.8	3.2	13480	2737	114.1	6.7	31.5
8	Philippines	35.6	99,14	285	4.9	5.9	3500	298	57.1	12.5	62.3
9	Indonesia	24.1	254,5	889	5.7	5.7	3630	1812	253.1	2.7	9.5
10	Nigeria	10.3	177,5	569	7.2	5.2	2970	911	86.7	1.8	11.9
11	Egypt	6.8	89,58	287	6.2	2.1	3050	995	87.9	2.4	7.7
12	Iran	4.1	78,14	425	4.9	-0.1	7120	1629	43.0	1.0	9.5
13	Pakistan	1.7	185.0	244	3.4	3.8	1400	771	30.9	0.7	5.5

Table 2: Comparison between country samples and the data base of major investors abroad

Country samples	OFDI stock in 2014 $ billion	Population million inhabitants	GDP 2014 $ bn	GDP growth rate: g g 2006-10 in %	g 2011-14 in %	GNI/capita in $	Geographical size *	In FDI st. 2014 $ bn	OFDI/GDP in %	OFDI/ Inw. FDI in %
DMEs (m)	**722,8**	34,5	1587,7	1,9	1,9	**47348**	1045,2	585,6	**101,2**	**135,4**
s/m	1,59	1,79	2,03	0,79	0,53	*0.40*	2,48	1,68	1,21	0,86
BRICs (m)	401,9	**752,2**	**4151,5**	**7.0**	**4,8**	8430	**9274**	**617,7**	12,5	68,6
s/m	*0,54*	0,77	0,86	0,44	0,54	0,53	*0,51*	*0,53*	*0,54*	*0,41*
NWECs (m)	***45,1***	***98,7***	***492,5***	***4,7***	***4,2***	***6646***	***1118,6***	***139,9***	***10,7***	***29,8***
s/m	0,96	*0,65*	*0,61*	*0.30*	*0,29*	0,65	0,62	0.60	1,11	0,86
PTEs (m)	25,5	14,8	161.0	4.0	2,8	9969	863	57,9	8,2	24,9
s/m	3,31	1,92	2,26	0,83	0,57	0,59	3,72	1,47	0,94	1,66
DRCs (m)	16,3	20,8	179,2	5,5	4,7	17232	845,8	42,6	12,4	46,6
s/m	1,16	0.90	1.02	0,71	0,38	1,35	0,97	1,24	1.10	1,31
TFSEs (m)	5,5	2.0	26,5	5,5	4,1	20539	22,1	20.0	57,3	31,6
s/m	0,62	0,83	0,72	0,65	0,83	1,01	1,55	0,82	1,41	0,73
SAMPLE (m)	246.0	61,3	776,3	4,1	3,4	22703	1159,9	243,3	41,9	64,3
s/m	2,88	3,18	2,75	0,78	0,62	1,01	2,23	2,48	1,97	1,35

* in thousand square kilometers