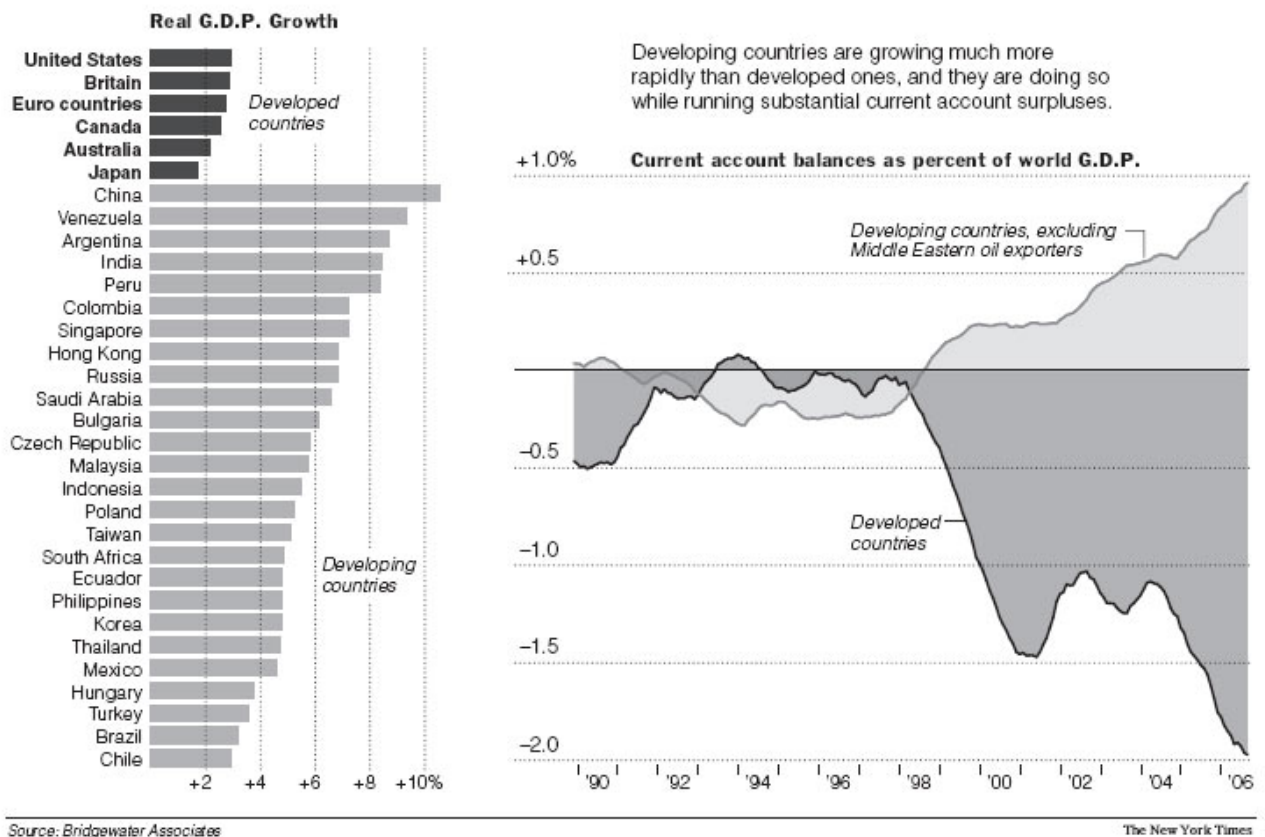


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## Maybe Developing Nations Are Not Emerging but Have Emerged

By FLOYD NORRIS

IN the old developed world, this is an era of solid but moderate economic growth. In the new world, the so-called emerging economies is where most of the growth now resides



The chart shows the most recent annual real rates of increase in gross domestic product in six major developed economies around the world: the United States, Britain, Canada, Australia, Japan and the Euro-zone, the countries that use the euro as their currency although they remain politically independent.

The leader in the group is the United States, with a year-over-year growth rate of almost 3 percent. That is hardly soaring, but it is respectable.

Then the chart shows the rates of 26 developing countries in Asia, Eastern Europe and Latin America. Chile, with a growth rate of 2.93 percent, grew just a bit slower than the United States, but every other country on the list did better.

The star, to no one's surprise, is China. But there are 10 other countries on the list, including Peru and Bulgaria, that grew at least twice as fast as the United States.

“What this means for the global economy is that looking at growth rates, economic slack, inflation or monetary conditions in the developed world alone would result in a fairly distorted picture of the global economy,” said Jason Rotenberg, a senior research associate at Bridgewater Associates, which compiled the figures.

There have been periods of rapid growth in developing economies before, and they have sometimes ended in disaster. The most recent was in the mid-1990s, when booming Asian countries fell victim to currency crises that damaged economies and led to, among other things, a default by Russia on some foreign debt.

But this time is different in one important way, as can be seen from the other chart. It combines current account surpluses of developing countries over time, leaving out Mideast oil exporters but including some others, like Venezuela and Mexico. The current account is dominated by trade surpluses and deficits, although it includes some other items.

In the mid-1990s, developing countries as a group were relying on borrowed money for their growth, and their current account deficits climbed to as much as a quarter of a percent of total world G.D.P. That left countries vulnerable to capital flight when investors grew nervous about lending to them.

Now, however, Mr. Rotenberg said, “emerging markets are accumulating wealth and exporting capital,” and are not exposed to a sudden withdrawal of foreign money.

Most emerging markets, he added, are “booming because of significant productivity growth, and the resulting export market-share growth rates,” or because they are exporting commodities to competitive emerging economies.

It is the developed countries that are running the big current account deficits, led, of course, by the United States. There have been fears that the lending would stop, or at least slow, but so far it has not. And that has enabled the developed world to keep consuming and provide the demand that has led to booms in the developing world.

Mr. Rotenberg expects this to continue. “What the global economy has experienced over the last few years is just the start of a major wealth shift from developed economies — that is, from less-skilled labor in developed economies — to emerging market workers,” he said.