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The confusing proliferation of developing country classifications

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A distinction used to be made between the First World (Western industrialised countries), the Second World (the East Block) and the Third World (developing countries). This distinction was simple but fuzzy, then became obsolete with the demise of the Second World and the dynamic development of a number of Third World countries into "emerging economies". What exactly characterises "emerging economies", however, is equally unclear. Smart minds then made a virtue out of the necessity of working with fuzzy terminology. More and more new words have been and are still being created and country groups formed. None of these groups is defined according to convincing operational criteria.

BRIC(S) – the heavyweights

In 2001 Goldman Sachs Chief Economist O'Neill formed the BRIC group of countries with impressive growth rates (**Brazil, Russia, India, China**). This acronym became BRICS with the addition of **South Africa** in 2010. Their global significance is indeed high, as they currently account for 43 % of the world's population and 21 % of global GDP. In addition, O'Neill also acknowledged their great future growth potential and demanded that they be integrated into the coordination forum of the most important countries (until then, the G-7). It is generally known that this has happened: the BRICS and other emerging nations have become members of the G-20.

However, the BRICS are anything but a homogeneous group of countries. For example, China's GDP is 21 times higher than that of South Africa; China and Russia have current account surpluses while the others have deficits; the political systems range from one-party rule to multi-party democracy; India and China are still in a state of military confrontation. Besides, the

high growth rates cannot hide the fact that these economies continue to have a wide range of structural weaknesses. Interestingly, the BRICS group of countries, which emerged on an investment banker's drawing board, has come to real life despite its heterogeneity. The global finance industry has issued different financial products on the BRICS, which has brought capital inflows to this group of countries. What is particularly astonishing is that the BRICS have even created a forum of their own. Since 2009 their heads of state and government have met regularly to discuss issues such as mutual recognition of their currencies in trade or the establishment of a development bank of their own.

Next Eleven – second row stars

In 2005 O'Neill proudly noted that the BRIC countries had developed even faster than had been predicted in 2001. So he asked which countries had the potential to overcome their developing country status as well, as second row stars behind the BRIC countries. On the basis of socioeconomic and political criteria, he identified the *Next Eleven*: **Egypt, Bangladesh, Indonesia, Iran, Mexico, Nigeria, Pakistan, The Philippines, South Korea, Turkey and Vietnam**. The choice of South Korea and Mexico comes as no surprise; they even joined the OECD and the G-20. The choice of remaining countries is partly plausible (Indonesia, Turkey, Vietnam), but some of them are questionable. They perform rather poorly on recognised *governance* indicators such as the indexes for *Human Development*, *Doing Business* or *Corruption Perception*. The biggest question mark is Iran and Pakistan. Iran is on the *blacklist* of industrialised countries for trade and financial investment. The OECD rates Pakistan as one of the "fragile states" that are incapable of regulating basic functions of society.

Other assorted groups of emerging economies

Other country classifications are less prominent, but all have weaknesses of the kind already mentioned. This is true, for example, of the group of 10 **Big Emerging Markets (BEM)**: Mexico, Brazil, Argentina, South Africa, Poland, Turkey, India, Indonesia, China and South Korea) formed by the US Administration already in 1997, of the **CIVETS** presented by the *Economist Intelligence Unit* in 2010 (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa) and of the **MIST** group drawn up by the financial industry in 2012 (Mexico, Indonesia, South Korea, Turkey).

Even the conceptual pair "industrialised/developing country" is by no means clearly defined

First of all, the **concept is fuzzy**: Rich countries are now characterised less by the industrial sector than by the services sector. The term "development" is completely devoid of meaning. A more serious issue, however, is that there is **no clear dividing line in international statistics**. Thus, for example, the World Bank ranks Gulf states such as Kuwait or Saudi Arabia as industrialised countries, but for the IMF they are developing countries. Finally, what is also confusing is that both the World Bank and the IMF use "**Low-Income Countries**" but define them differently.

Conclusion

It will hardly be possible to arrive at a completely convincing country classification. This is unlikely to unsettle the members of existing groups. But they are definitely interested in the **practical consequences**. Thus the BRICS creation, for example, influences the flow of capital, and only a "low income country" receives development assistance on preferential terms. For analysts, what is particularly unfortunate is the fuzzy dividing line in World Bank and IMF statistics. ■