Emerging countries

Defining emerging countries is not easy, even though today the most widely used term is emerging markets.

An **emerging market economy (EME)** is defined as an economy with low to middle per capita income. Such countries constitute approximately 80% of the global population, and represent about 20% of the world's economies. The term was coined in 1981 by Antoine W. Van Agtmael of the International Finance Corporation of the World Bank.

Another approach would be to describe emerging markets as simply all those countries not considered as developed. Developed here means essentially the major European countries plus USA, Canada, Japan, Australia and New Zealand. Another option would be to simply think of the term as an updated, and more politically correct version, of the terms used in the 1970s and 1980s such as *Third World*, *lesser developed countries (LDCs)* or *under-developed countries*.

However, a more useful way to look at defining emerging markets is to consider some of their key attributes, and the major one is their **level of income**, measured in Gross Domestic Product (GDP) per capita by the World Bank.

WORLD BANK CLASSIFICATION	GDP PER CAPITA IN USD	
low	< 755	Emerging markets
lower middle	755 < 2,995	
upper middle	2,995 < 9,265	Developed markets
high	≥ 9,265	

Other key attributes are the **growth rate**, as in the case of some Asian countries, called Asian tigers, in the late 1980s and 1990s, and the **stage of development**, i.e. the degree of openness and size of the economy and the state of financial markets. However, some emerging markets are such because they lack economic or political stability or face considerable uncertainty.

Given these considerations, it is best to define emerging markets in broad terms as those countries which have started to grow but have yet to reach a mature stage of development and/or where there is significant potential for economic or political instability. Emerging markets therefore include those which have reached a minimum level of GDP and are in the growth phase of the development cycle but whose economies are particularly vulnerable to internal or external forces.

The countries that fall into the category of emerging markets vary from very big to very small and are usually considered emerging because of their developments and reforms. Hence, even though China is considered one of the world's economic powers, it is lumped into the category alongside much smaller economies with a great deal less resources, like Tunisia. Both China and Tunisia belong to this category because both have embarked on economic development and reform programs, and have begun to open up their markets and emerge onto the global scene. EMEs are considered to be fast-growing economies.