

Posted on Mon, Oct. 23, 2006

Experts differ on definition of 'developing country'

The United Nations' definition of a 'developing' country is fuzzy at best, ignoring many countries with powerhouse economies.

By Frank Jordans

Associated Press

Development's investment analysis unit

What makes a developing country?

The issue is as much a political as an economic one: The United Nations does not have an established definition, but lists all European Union members, Canada, the United States, Australia, Israel, Japan, New Zealand, Norway, Gibraltar, Switzerland and Iceland as developed.

The former Eastern Bloc countries that are not members of the EU fall into a separate category, while the rest of the world is classified as "developing."

This means that the oil-rich countries of the Persian Gulf, all of Central and Latin America as well as the offshore tax havens of the Caribbean, and the so-called "Asian tiger" economies of Hong Kong, Taiwan, South Korea and Singapore are considered developing countries -- despite in many cases having higher a gross domestic product than some of the newer EU states.

A U.N. official concedes that the definition -- or lack thereof -- is problematic.

"The group of developing countries is changing. But politically, right now, nobody wants to discuss that," said Anne Miroux of United Nations Conference on Trade and Development's investment analysis unit.

The World Trade Organization likewise does not have set rules for who is and who isn't developed. Instead, countries decide for themselves whether to sign up as developing countries -- a classification that brings a number of benefits under WTO rules. Developing countries can benefit from technical assistance and longer transition periods before having to fully implement trade agreements.

The World Bank in Washington and Paris-based Organization for Economic Cooperation and Development classify countries' average income per capita, but differ over whether the Asian tiger economies and Caribbean tax havens such as the Bahamas, British Virgin Islands and Cayman Islands are developing countries. Similarly, countries such as former communist Hungary and Poland are only sometimes placed in the developing category, while Saudi Arabia and Puerto Rico are in the same league as the world's most advanced economies.