



# THE SCOTSMAN

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## A Russian well worth listening to on global emerging markets

### Between the Lines



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WHAT makes for a successful emerging market? What can we learn from their experience? Could Scotland ever capture the dynamics of an emerging market?

These are among the issues to be explored tomorrow evening when the distinguished Russian economist, Professor Vladimir Kvint, speaks to an invited audience of MSPs, business people, government officials and policy analysts at the Scottish Parliament. Kvint, an adviser to global architectural firm RMJM, will be the star attraction at an event hosted by Gavin Brown MSP, a member of the parliament's economy, energy and tourism committee.

There could not be a more authoritative economist on this subject. Kvint is a foreign member of the Russian Academy of Sciences and a member of the Breton Woods Committee. He has written more than 350 articles and over 20 books on the strategic and economic issues related to emerging markets.

It was Vladimir Kvint who first coined the term "global emerging market" and his most recent book was the subject of a special symposium by the United Nations Social and Economic Council at the UN headquarters in New York.

The broad brush of the emerging market story is well known. Over the past 25 years, as growth rates in many of the world's smaller develop-

ing economies have gathered pace, there has been an epochal shift in portfolio investment and foreign direct investment to these economies. The balance of world economic power seems to be shifting inexorably east and south, with China emerging as a global economic powerhouse.

It is tempting to see emerging country markets as being broadly similar and sharing common characteristics. But as Kvint spelt out in a recent article for the Russian Parliament newspaper, this is not quite the case.

Emerging markets are developing in different ways. Countries such as Russia, Nigeria and to some extent Kazakhstan and Indonesia will be orientated towards resource production such as metals, minerals, oil and gas. Others, he explains, will strengthen their roles as industrial zones for developed countries: Brazil, Ukraine, Bulgaria and many countries in Africa and Asia.

And then there is a third group of economies and arguably the most interesting – those seeking to become a magnet for scientific and technological outsourcing from developed countries. They try to improve ideas and sell them throughout the world. He cites the examples of Taiwan – now a world leader in semi-conductor production and accounting for 80 per cent of innovations in this area – and China. This third group, it could be said, is making the strongest advances in the areas we have come to know as the "knowledge economy".

Scotland can be said to share all three characteristics, with abundant oil and water resources; she has in the past attracted large scale manufacturing and assembly work,

and she is now stepping out to be a major presence in the knowledge economy sector.

But there is another respect in which emerging markets, while looking similar from a distance, are not at all the same. They have different legal and political systems that can significantly affect the speed and scale of economic growth and technological innovation. Some emerging market economies have more sustainable paths of development than others, which seem to proceed in a series of financial and entrepreneurial fits and starts.

Few such economies proceed by

way of uninterrupted, linear growth. We have now come to think of China as a relatively stable generator of annual growth rates in the 8 to 12 per cent range – far above anything we in the West could hope to achieve. Indeed, it is China's

growth that has played a large part in the initial recovery of western economies from their worst financial crisis and slowdown in 80 years.

But now concerns about Chinese credit expansion, asset prices, and rising inflation are building. The recent rise in bank reserve requirements and exhortations to banks to restrict lending will doubtless be repeated, and most likely followed by a rise in interest rates and modest appreciation of the Yuan. Is China heading for a growth hiccup? Or an asset and investment bust? Political economy will come to focus attention rather than GDP statistics.

There is much here for Scots to learn from and study, and there can be few better tutors than Vladimir Kvint. His latest book, *The Global Emerging Market*, is published by Routledge.