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## Developing-country trade

# O for a beaker full of the warm South

**For poor countries, other poor countries matter more than rich ones**

Jan 19th 2013 | From the print edition



ANOTHER milestone in the long shift of economic power from rich, industrial economies to middle-income and developing ones has been passed. According to [new figures from the World Bank](#), the value of exports from developing countries to other developing countries (“South-South” trade) now exceeds exports from poor countries to rich ones (“South-North” trade).

In 2002 developing countries bought only 40% of total developing-country exports; the

rest went to rich nations. In 2010 the share was split evenly. Now the developing-country share is larger.

The change is hardly a surprise. Developing countries have been increasing their role in everything—world output, bank loans, you name it. Their share of world trade doubled from 16% in 1991 to 32% in 2011, increasing by an average of 0.8 percentage points a year. The global recession accelerated things. Since 2008 the rise has been twice as fast, at 1.5 percentage points a year.

The most dramatic recent shift came in China. Japanese exports to that country slumped by 12% in the year to October, even while China continued to suck in imports. The reason was political: the fall came amid a diplomatic spat. But it symbolises a wider change. As rich economies falter, middle-income ones grab more of their export markets. As middle-income countries move up the chain, poor ones occupy the less-crowded space of low-wage manufacturing.

For all the talk of “decoupling”, developing countries are still dependent on the economic health of the rich world. Developing countries’ trade was hit hard by the euro crisis: their imports fell at an annualised 6% in the second quarter of 2012, the period of sharpest euro-area contraction. In that sense, they depend on the North. But the North also depends on them. Since 2001 trade among industrialised countries has risen by only 7% a year and is 15% below the high point it reached in 2008 (see chart). Exports from rich to poor countries have risen faster—by 11% a year since 2001—and are only a sliver below their peak. Not only is the South more important to the poor; it is more important to the rich, too.

From the print edition: Finance and economics



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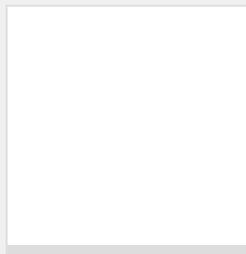
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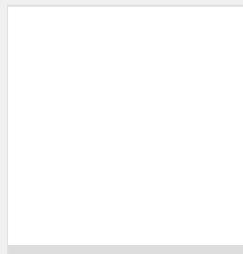
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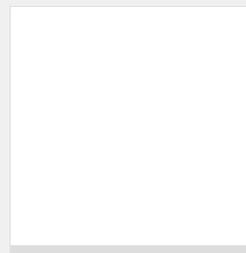
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