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A Decade of Better BRICs

By Jim O'Neill

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Ten years ago this month, I published a paper titled "The World Needs Better Economic BRICs," the first time I had conceived of that acronym that I used to describe the likely fast growth that Brazil, Russia, India and China might achieve. It is now clear that the growth of these four countries has been even stronger than I envisaged. The BRICs have become a household name in both business and culture, as well as forming a political grouping.

This 10th-year anniversary coincides with some tremendous concerns about the world economy especially for the more developed economies. I remain optimistic that as the four emerging giants, and some others, continue to rise in size and wealth, their prosperity will not only bolster their role in the world but also give the more challenged economies a chance for a better future. The ongoing rise of the BRIC nations will be good for themselves and the rest of us. Moreover, their continued rise this decade suggests that we may finally see some considerable improvements to the optimality of global policymaking and its institutions.

My 2001 paper had three main messages.

First, I showed that if Brazil, Russia, India and China continued to experience their recent rapid growth rates, these BRICs would become a much bigger share of the world economy by 2010. In the more optimistic of the scenarios I considered, I suggested that their combined share of global gross domestic product could rise from about 8 percent to perhaps 14 percent. In the event, by the end of this year, they will probably be close to about 20 percent with their own GDP rising from about $3 trillion to probably just beyond $13 trillion today. This represents about a third of the total increase in global nominal GDP these past 10 years.

The BRICs real growth rate of about 8 percent helped power the world to an average growth rate of 3.5 percent despite the immense problems of 2001-02, 2008 and, of course, since. If it weren't for the BRICs, world growth would have been closer to the disappointing 1.6 percent achieved across the so-called developed world. As I often suggest to people, their combined $10 trillion increase effectively created between six to seven equivalents of a 2001 British or, in fact, a whole new U.S. economy.

As we look to the future, this decade, the four BRIC countries will probably see their growth rates slow, but their share of global GDP will almost definitively rise. China seems set to grow by 7 percent to 8 percent as it deals with the many challenges it faces, but India might accelerate and finally achieve Chinese-style growth rates, especially if it persists with its newfound zeal for reform as exhibited by the important decision to welcome foreign majority ownership of its retailing industries. In a few years, the combined nominal GDP of the BRIC countries will overtake each of the United States and Europe.

Based on their likely growth, the second part of my 2001 paper argued that the BRICs needed to become more central to global economic policymaking. In the event, they remained outside for many years, which led them to set up their joint annual political meetings. It actually took the full-blown crisis of 2008 for the advanced countries to finally realize how central the BRICS are to the modern world economy, and the decision to place the G20 at the center of world policymaking was essentially a move to bring in the BRICs. I argued back in 2001 that each of the BRICs should join with the United States, Japan and the euro area, and perhaps Canada and Britain, to be at the center of a new G, perhaps a G9, or if Britain and Canada were excluded, a new G7.

The third idea in the 2001 paper suggested that, given that they now shared a common currency, France, Italy and Germany should abandon their individual representation in global bodies and the G7, allowing for more effective global governance. What better way of demonstrating their true commitment to European Monetary Union, or EMU, than such a bold step of true leadership? As we have subsequently found, bold leadership from the EMU has not been present. Hopefully, the scale of the crisis currently unfolding will drive Europe's leaders to such bolder steps.

Meanwhile, as the BRIC countries continue to see their fortunes rise, they will offer more and more opportunities for the rest of us to improve living standards and prosperity. Indeed, for the world to continue growing despite the challenges facing many developed economies, we need the economic mortar of the BRICs, and fortunately they have plenty of it.

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The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

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