

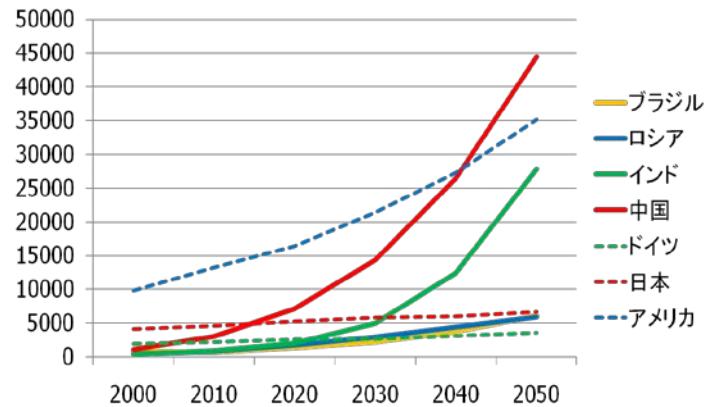
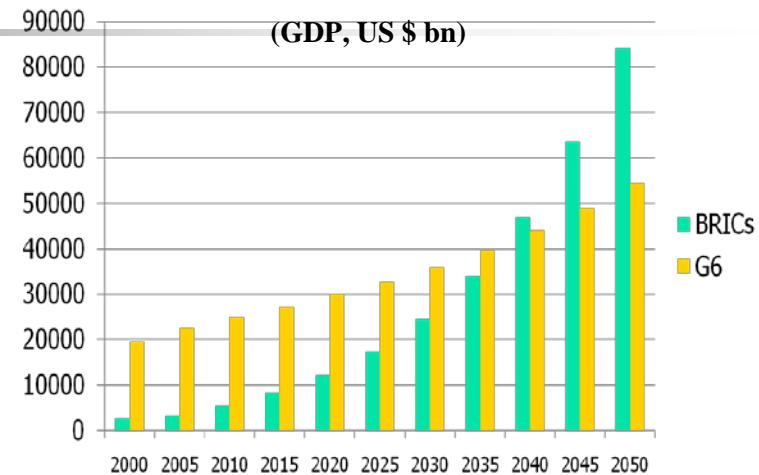
Comments on the presentation “BRICS Then and Now” by Professor Josef C. Brada

Satoshi Mizobata (KIER, Kyoto University)

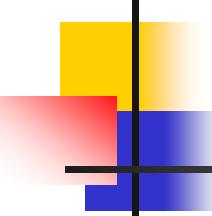
22nd June 2019

Dreaming with BRIC: The Path to 2050

- **Goldman Sachs, Global economics Paper, 2001, No.66 (Jim O'Neill) ‘Building Better Global Economic BRICs’-BRIC**
- **2003, No.99 (Dominic Wilson and Roopa Purushothaman) ‘Dreaming with BRICs: The Path to 2050’-BRIC**
- **2005, No.134 (J.O’Neill, D.Wilson, R.Purushothaman) ‘How Solid are the BRICs?’- Next 11**
- **2011, No.208, ‘The BRICs 10 Years On: Halfway Through The Great Transformation’** the Great Transformation is only halfway done. In terms of contributions to growth, however, the change has been more rapid. Over the past decade, the BRICs have contributed close to half of the world’s growth and EM more than 70%.
- **2011, Asset Management Strategy Series (J.O’Neill, A.Stupnytska, J.Wrisdale) ‘It is Time to Re-define Emerging Markets’- Growth Markets**
- **3G countries by Citi group: Global Growth Generators: Moving beyond ‘Emerging Markets’ and ‘BRIC’ (Citi Group, 21 February 2011)**



Source: Dominic Wilson and Roopa Purushothaman, ‘Dreaming with BRICs: The Path to 2050’



Lessons from the presentation

- **BRICS matters.**

Non-academic concept (Investment bank's target) becomes an important academic target.

- **History matters.**

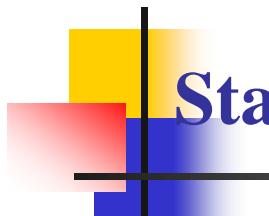
Based on the economic theory of economic backwardness by Alexander Gerschenkron (1904-1978), Professor Brada examines BRICS: backward countries go through the different stage/processes deviated from the advanced.

- **Comparison matters.**

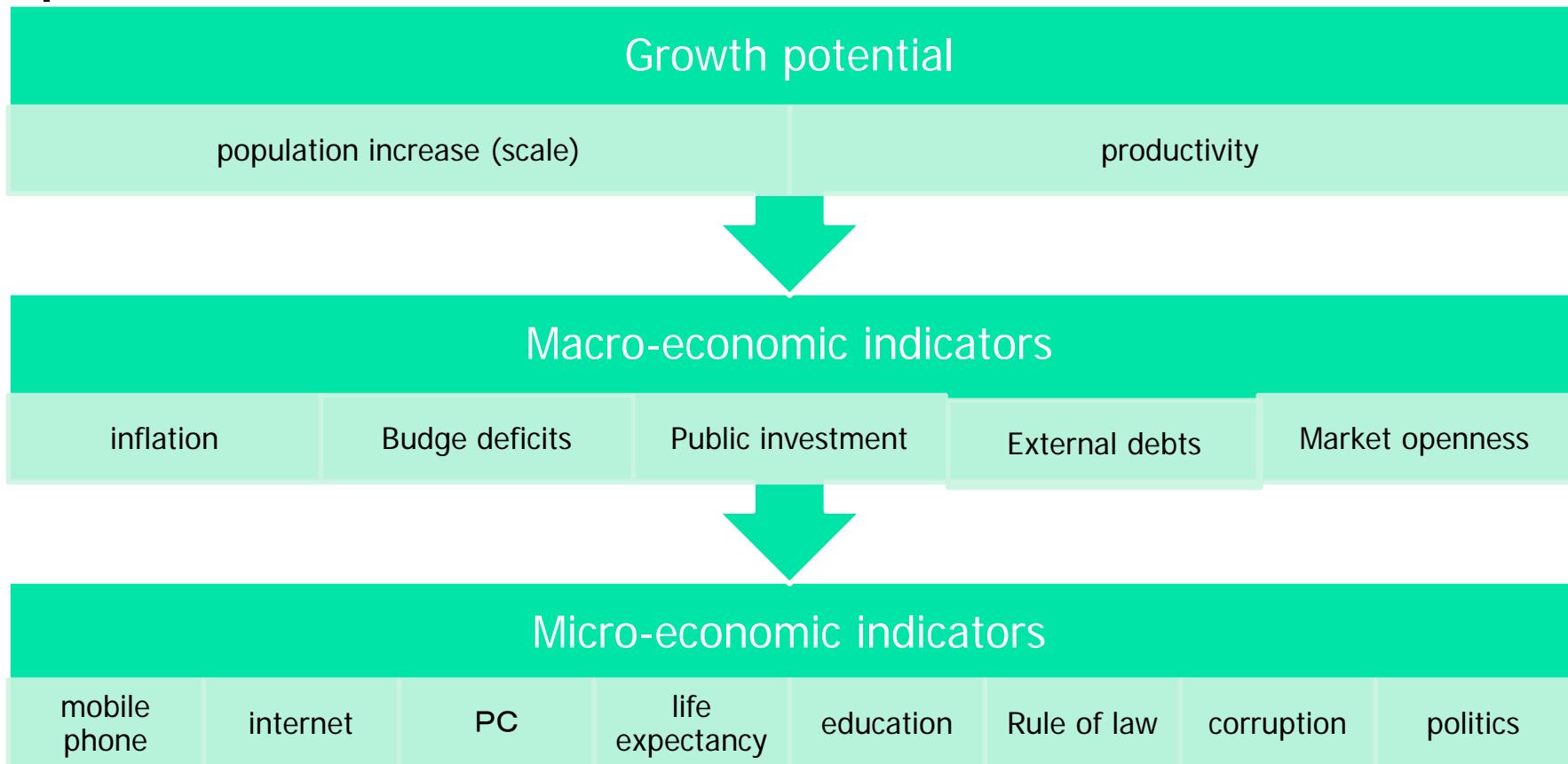
Comparison of Old BRICS (1st BRICS and 2nd BRICS) and New BRICS; Success countries and failure countries; factor endowments and trade determine the result (China's success)

- **Middle-income trap matters.**

Why some countries fail?

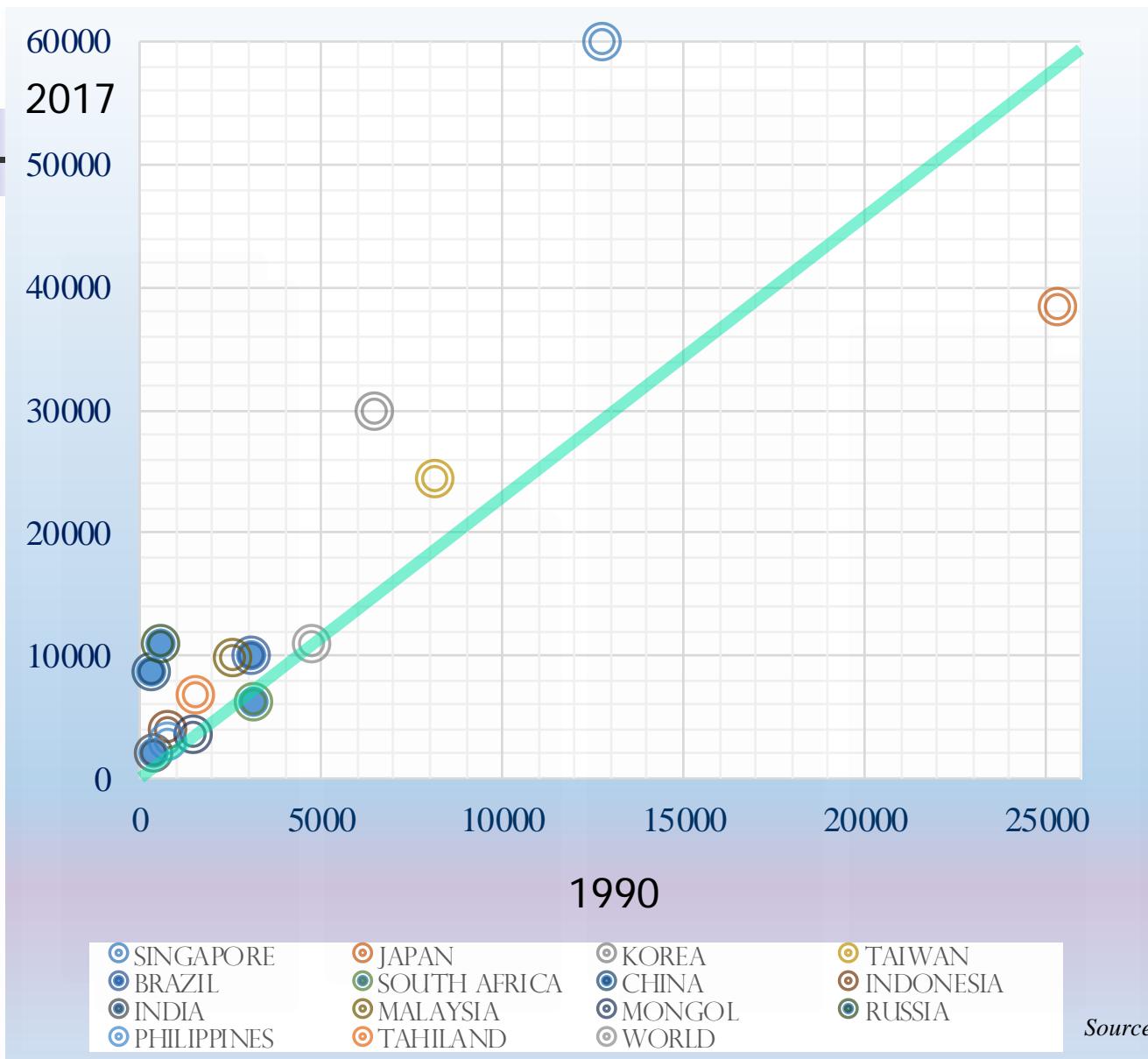


Standards for choosing growth markets



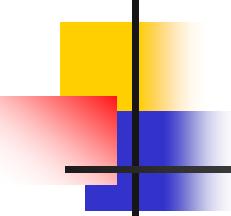
Source: Jim O'Neill, The Growth Map, Penguin Books Ltd.

Change in GDP per capita (US\$)



Change in GDP per capita (US\$)

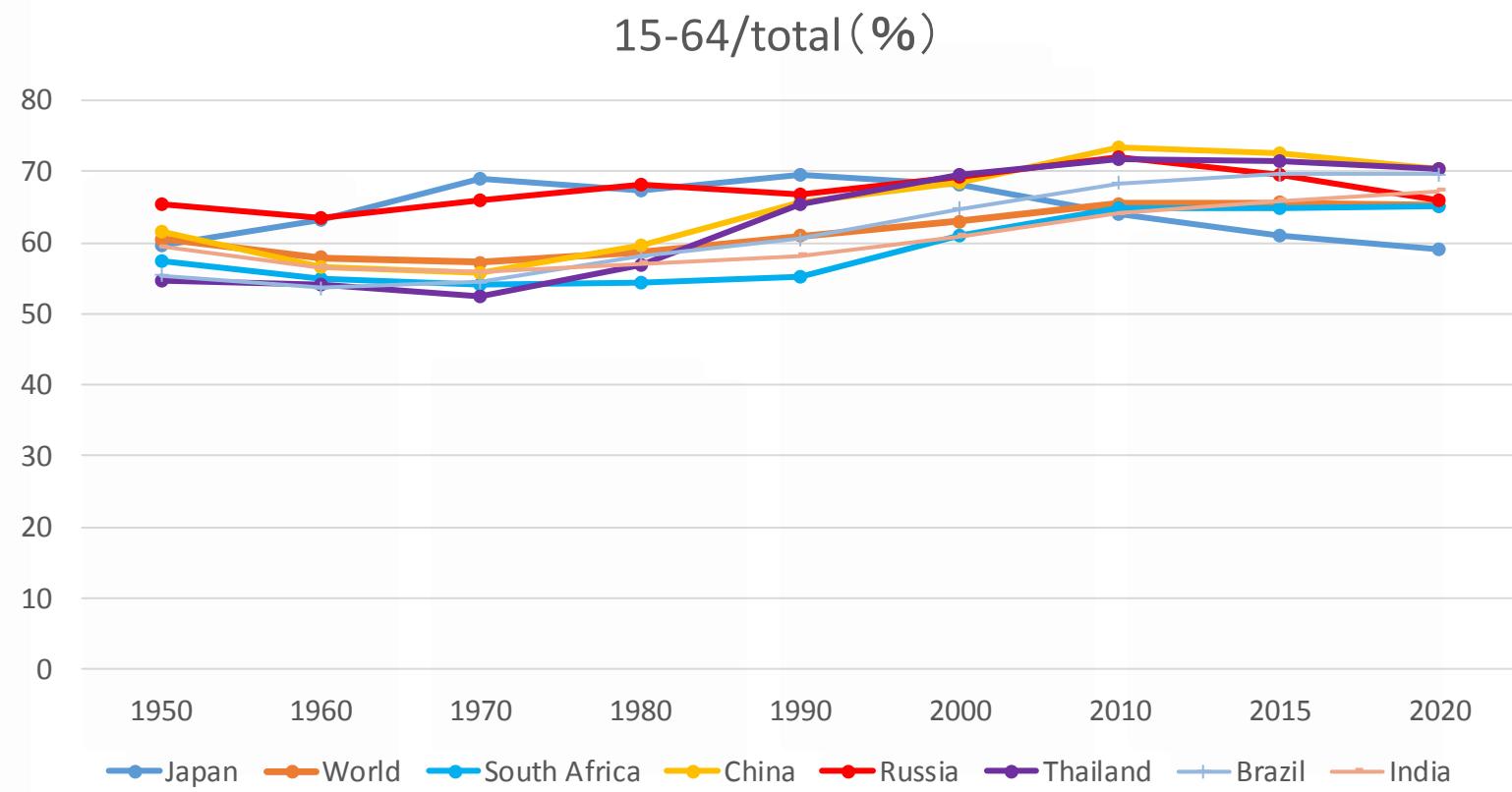




BRICS now

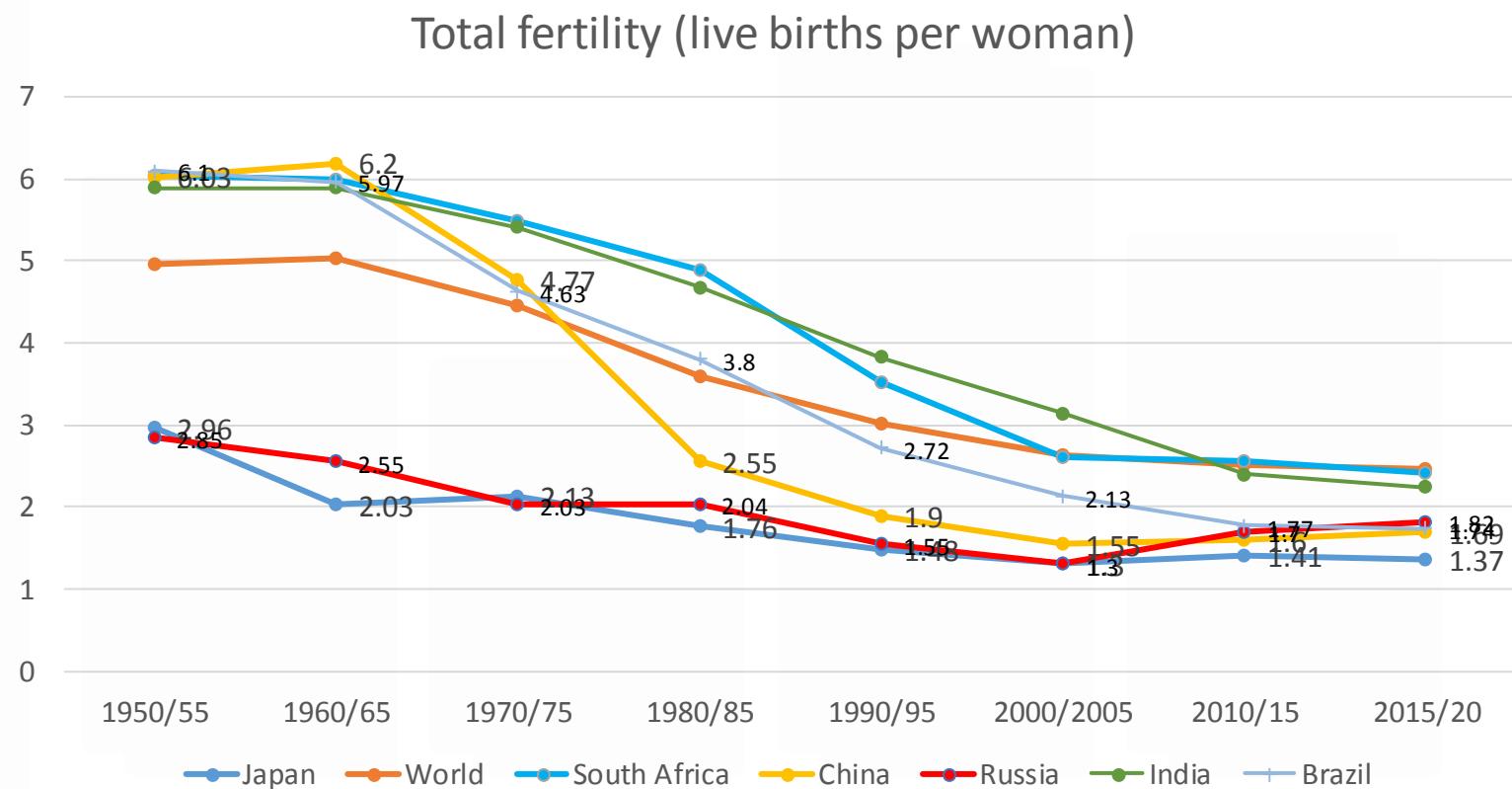
- Growth determinants for BRICS: Scarce K, Scarce Land, Abundant Labour (India and China) vs Scarce K, Abundant Land, Scarce Labour (Brazil, Russia, South Africa)
- Population (labour); Resources (land); globalization
- Demographic scale is correlated with the economic growth. Lack of labour forces and an increase of labour cost lead middle-income trap (growth barrier). Is the above factor endowments appropriate?
Working-age population has decreased in Russia and China, and total fertility is low in China, Russia and Brazil; dependency ratio shows an increase in Russia and China, and old-age dependency ratio increased in Russia, China and Brazil. Then demographic bonus (Andrew Mason, Population and the Asian Economic Miracle, 1997) looks to change into demographic onus. Abundance of labour must be reexamined: Russia, China, Brazil, South Africa, India by Scarcity.

Working-age population (%)



Source: UN Database.

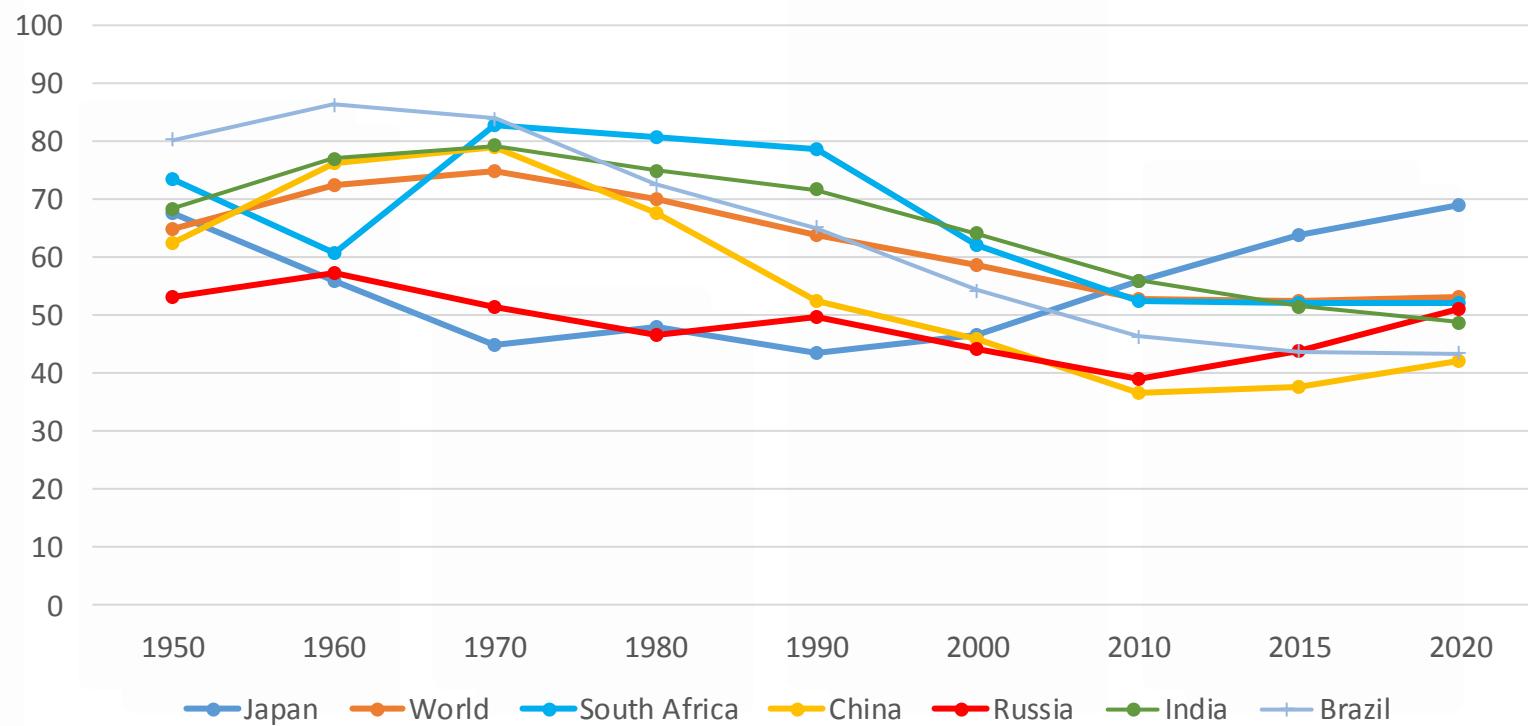
Total Fertility



Source: UN Database.

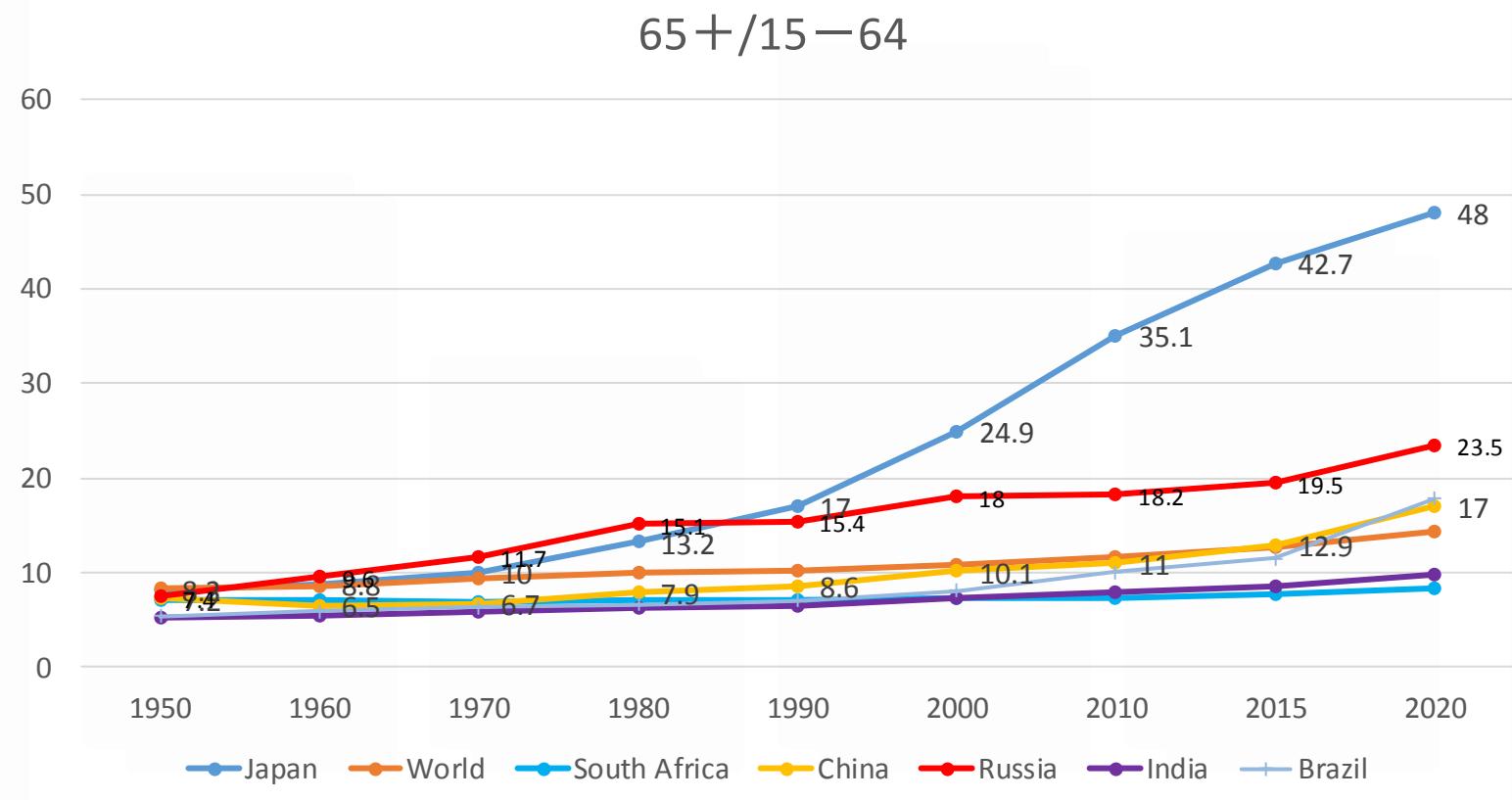
Dependency Ratio (%)

$<15+65</15-64$



Source: UN Database.

Old-Age Dependency Ratio (%)

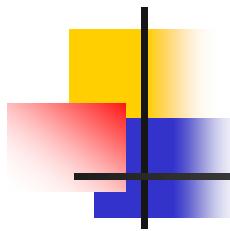


Source: UN Database.

End year of demographic bonus

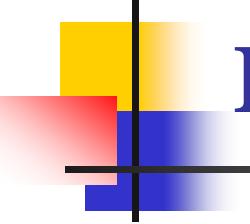
	Population (2015, million)	Aging index (>65/<15)					End year of demogra phic bonus (A)	End year of demogra phic bonus(B)
		2015	2020	2030	2040	3050		
World	7324.78	0.3	0.4	0.5	0.6	0.7	2013 (by dependency ratio)	
Japan	126.82	2.1	2.3	2.5	2.8	2.9	1992	2005
USA	325.13	0.8	0.9	1.1	1.2	1.2	2008	2014
Brazil	203.66	0.3	0.5	0.7	1.1	1.5	2022	2038
Russia	142.10	0.8	0.9	1.1	1.1	1.2	2009	2025
India	1282.39	0.2	0.2	0.3	0.5	0.6	2040	2060
China	1401.59	0.5	0.6	1.0	1.5	1.6	2010	2034
South Africa	53.49	0.2	0.2	0.3	0.4	0.5	2044	2070

Note: (A) is based on a decline of dependency ratio (<15+>65/total) and two and more of working population/depending population. (B) is based on the latter.
Source: K.Shiino, Promising markets by the demographic bonus, JETRO Censor, March 2015, p.59. Original from The United Nations Database.



BRICS now

- Growth factor, “resources”, can divide BRICS into resource-based (South Africa, Brazil, Russia) and non-resource-based (China and India). The trend of protectionism and increasing transaction costs may raise power of resource factor. China has a strong position in rare metals production.
- The globalization process also has a strong impact for choosing BRICS. The shocking share shift by emerging markets suggests benefits from globalization (R. Baldwin, *The Great Convergence*, Harvard, 2016). From this angle, China, India and Brazil enjoy this benefits. As a whole, BRICS are under liberalism, despite the different interests. Perspective of trade?



Institution matters.

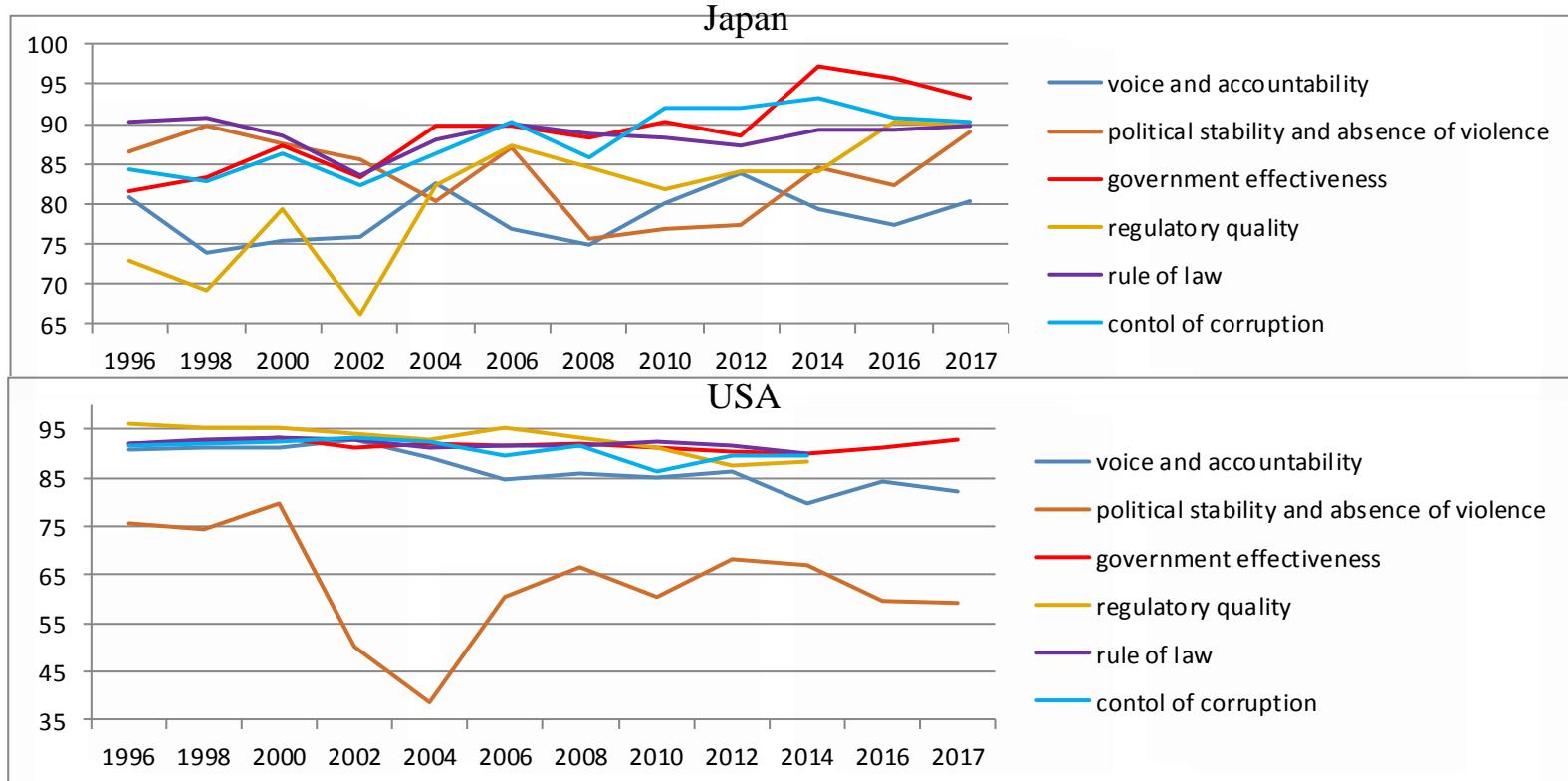
- Can institution building overcome these difference?-institutional differences among BRICS
- Can we regard BRICS as the state capitalism? (Ian Bremmer, The End of the Free Market, 2010) – state economic players such as national corporations, national champions, government sovereign wealth funds
- Poor market quality (market institutions) and poor government quality
- Institution building can promote innovation (structural changes). China leads BRICS, but institutional factor is weak.

Perspective of the international political order

- BRICS cannot change the order. Perspective of Challenges by China

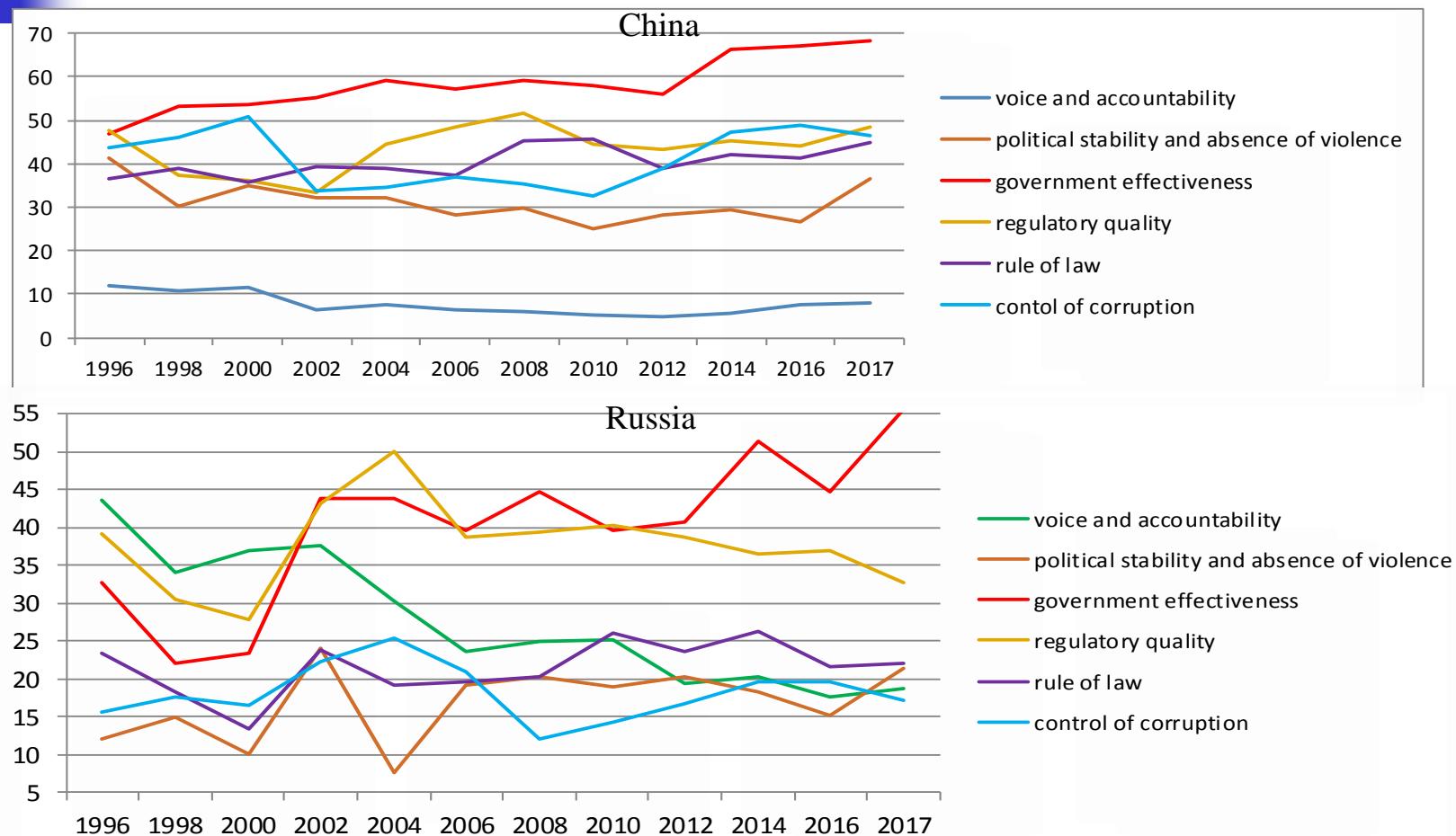
Fluctuating and low Government Quality

World Bank, Worldwide Governance Indicators (WGI) 1996-2017 : voice and accountability; political stability and a lack of violence; efficiency of the government; regulation quality; control of law; corruption control



Source: World Bank, World Governance Indicators, 1996-2017.

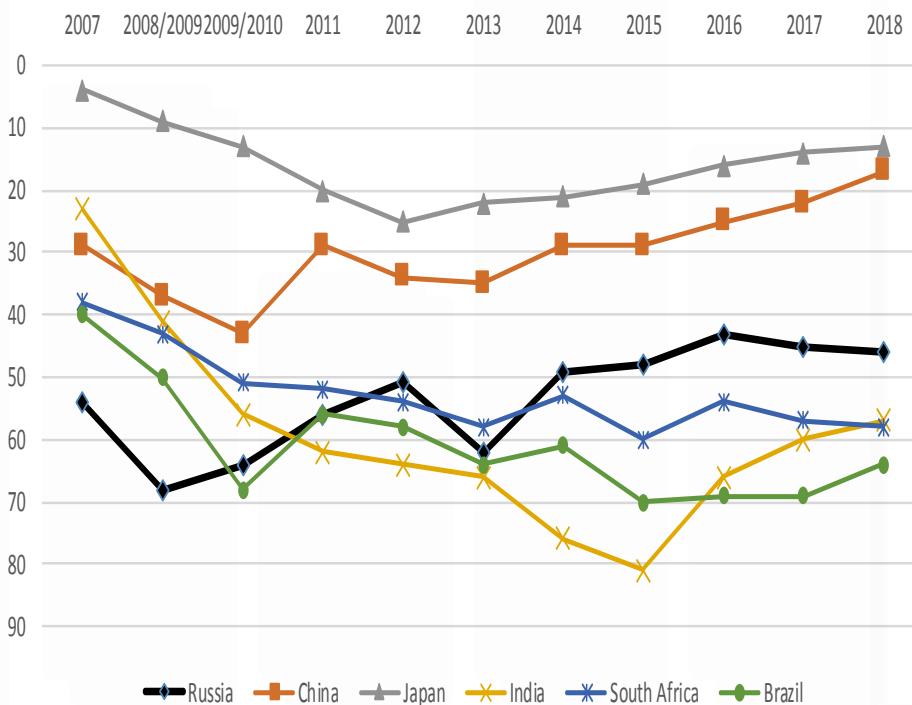
Fluctuating and low Government Quality



Source: World Bank, World Governance Indicators, 1996-2017.

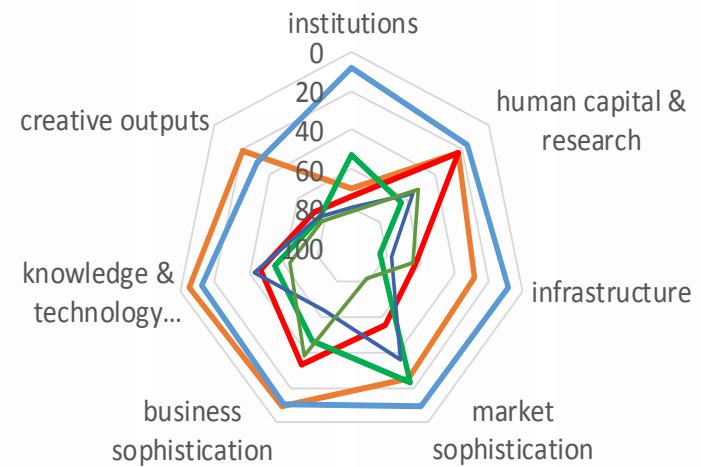
Global innovation index rankings by WIPO

rankings, WIPO



Global innovation index (out of 126; 2018)

— China — Japan — Russia
— South Africa — India — Brazil



GII: the simple goal of determining how to find metrics and approaches that better capture the richness of innovation in society and go beyond such traditional measures of innovation as the number of research articles and the level of research and development (R&D) expenditures.

Source: WIPO, Global innovation index, 2007-2018.