

# CHINA, INDIA, BRAZIL and SOUTH AFRICA: Engines of Growth in the World?

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# AN OVERVIEW

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- **CIBS in the world economy**
  - Historical perspective : the past
  - Snapshot picture : the present
  - Extrapolating growth : the future
- **Engines of economic growth in the world**
  - Engines of growth : history and statistics
  - Causation and mechanisms
  - Possible impact of rapid growth in CIBS
    - Industrialized countries
    - Developing countries
- **Channels of engagement and transmission**
  - International trade
  - International investment
  - International finance
  - International migration
- **The global context**
  - Economics and politics
  - Bilateralism and plurilateralism
  - Multilateralism : institutions and rules



# 1. Historical Perspective : The Past

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## Changing shares in world population and world income

- The period before 1820
- CIBS in 1820 and 2001
- Similarities and differences among CIBS
  - China and India
  - Brazil and South Africa

**Table 1**  
**CHINA, INDIA, BRAZIL AND SOUTH AFRICA**  
**IN THE WORLD ECONOMY**  
 Share in world population and world GDP : 1820-2001

Year	CHINA	INDIA	BRAZIL	SOUTH AFRICA
<u>Percentage share of world population</u>				
1820	36.6	19.9	0.4	0.1
1870	28.1	17.0	0.8	0.2
1913	24.4	14.2	1.3	0.3
1950	21.7	14.8	2.1	0.5
1973	22.5	14.8	2.6	0.6
2001	20.7	16.5	2.9	0.7
<u>Percentage share of world income</u>				
1820	32.9	16.0	0.4	0.1
1870	17.1	12.1	0.6	0.2
1913	8.8	7.5	0.7	0.4
1950	4.5	4.2	1.7	0.6
1973	4.6	3.1	2.5	0.6
2001	12.3	5.4	2.7	0.5

*Source: Maddison(2003)*

## 2. Snapshot Picture : The Present

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Profile of population, GDP and GDP per capita

- Population : CIBS, developing countries and the world
- GDP and GDP per capita:
  - GDP of CIBS as a proportion of GDP in DCs and world
  - GDP per capita levels in CIBS, DCs and world
- Comparison in purchasing power parities
  - GDP of CIBS as a proportion of GDP in DCs and world
  - GDP per capita levels in CIBS, DCs, ICs and world

**Table 2 : GDP, Population and GDP per capita**

Country	<i>GDP</i>				<i>Population</i>		<i>PPP GDP</i>			
	(\$ billion)		(\$ per capita)		(million)		(\$ billion)		(\$ per capita)	
	2000	2005	2000	2005	2000	2005	2000	2005	2000	2005
CHINA	1198	1890	949	1449	1263	1305	4973	7842	3939	6012
INDIA	460	644	453	588	1016	1095	2402	3362	2364	3072
BRAZIL	602	670	3461	3597	174	186	1251	1393	7193	7475
SOUTH AFRICA	133	160	3020	3406	44	47	386	463	8764	9884
TOTAL ABOVE	2393	3364			2496	2632	9011	13061		
DEVELOPING COUNTRIES (CIBS as % OF)	6058 (39.5)	7813 (43.1)	1191	1440	5085 (49.1)	5427 (48.5)	18818 (47.9)	25322 (51.6)	3701	4666
INDUSTRIALIZED COUNTRIES	24542	27148	27304	29251	899	928	25157	27898	27988	30058
WORLD (CIBS as % OF)	31756 (7.5)	36352 (9.3)	5241	5647	6060 (41.2)	6438 (40.9)	45144 (20.0)	54573 (23.9)	7450	8477

Source : World Bank (2007)

# 3. Extrapolating Growth : The Future

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- Growth performance of the world economy
  - 1980–2000 and 2001–2005
  - CIBS, DCs and ICs
- Projections for 2050
  - China and India
  - GDP and GDP per capita
- Arithmetic of compound growth rates
- Economic determinants of growth
  - population size and income levels
  - demographic factors : age composition
  - low wages and surplus labour
  - technological capabilities and productivity increase

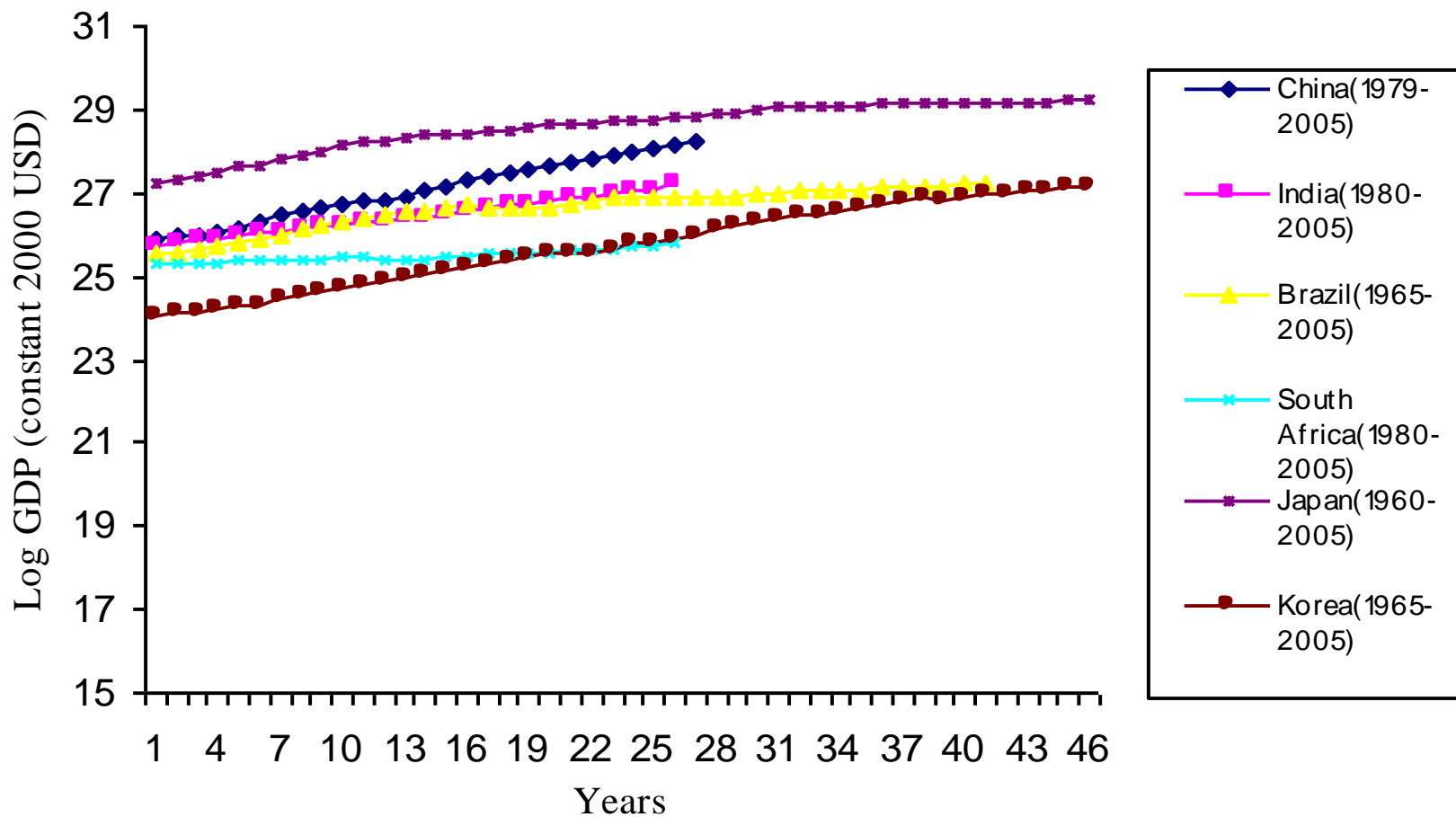
**Table 3 : Growth Rates of GDP and GDP per capita  
(per cent per annum)**

<i>COUNTRY</i>	<i>GDP</i>			<i>GDP per capita</i>		
	<i>1980-2005</i>	<i>1980-2000</i>	<i>2001-2005</i>	<i>1980-2005</i>	<i>1980-2000</i>	<i>2001-2005</i>
CHINA	9.4	9.7	9.4	8.3	8.4	8.8
INDIA	5.6	5.5	7.3	3.7	3.6	5.9
BRAZIL	2.4	2.4	2.4	0.7	0.6	1.1
SOUTH AFRICA	1.8	1.4	3.9	-0.4	-0.9	2.7
DEVELOPING COUNTRIES	3.6	3.3	5.7	1.9	1.6	4.4
INDUSTRIALIZED COUNTRIES	2.7	2.9	2.3	2.1	2.2	1.6
WORLD	2.9	3.0	3.1	1.4	1.4	1.9

*Source : World Bank (2007)*



## GDP Growth trajectories in CIBS compared with Japan and Korea



# 4. Engines of Growth

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- History : the obvious examples
  - Britain in the 19<sup>th</sup> century
  - United States in the 20<sup>th</sup> century
- Statistics : leads and lags
  - US GDP growth leads world GDP growth
  - Developing countries follow
    - with a lag
    - more pronounced swings
- CIBS as engines of growth?
  - Size of economy
  - Rate of growth
  - China since 1980
  - India, Brazil and South Africa?

# 5. Causation and Mechanisms

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- Rapid economic growth in lead economies drives growth elsewhere in the world by providing
  - Markets for exports
  - Resources for investment
  - Finances for development
  - Technologies for productivity
- Overall effects on economic growth elsewhere
  - Complementary or competitive
  - Direct and indirect
  - Positive or negative
- Mechanisms and interactions
  - Trade, investment and finance
  - Macroeconomic policies

# 6. Possible Impact of Rapid Growth in CIBS

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- World economy
  - Positive
    - new and more engines of growth
  - Negative
    - environmental consequences
    - labour market consequences
- Industrialized countries
  - Negative
    - Worsening terms of trade
    - Competition for investment
    - Employment and wages
  - Positive
    - Expanding markets for exports
    - Supply of cheap wage goods
    - Source of new technologies



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## □ Developing countries

### ■ Positive

- improving terms of trade
- more investment and appropriate technologies
- new sources of development finance

### ■ Negative

- competition for export markets
- competition for investment
- unchanged division of labour

# 7. International Trade

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- CIBS in world trade
  - Markets for exports
  - Sources of imports
- Emerging significance of CIBS in trade for
  - Developing countries
  - Industrialized countries

**Table 4 : Trade Flows**  
(\$ billion)

Country	Total Exports		Total Imports		Exports to Developing Countries		Imports from Developing Countries		Exports to Industrialized Countries		Imports from Industrialized Countries			
	2000	2005	2000	2005	2000	2005	2000	2005	2000	2005	2000	2005		
CHINA	249	762	225	660	102	317	104	330	144	421	106	254		
INDIA	42	100	52	139	17	52	17	45	23	44	21	46		
BRAZIL	55	118	59	78	21	56	24	38	31	54	37	41		
SOUTH AFRICA	30	52	30	62	8	15	9	22	14	31	20	38		
TOTAL ABOVE	377	1031	365	939	148	440	154	434	212	550	184	380		
WORLD	6444	10441	6642	10712	DEVELOPING COUNTRIES	803	1614	791	1664	INDUSTRIALISED COUNTRIES	3161	4645	3151	4553
(CIBS as % of)	(5.8)	(9.9)	(5.5)	(8.8)	(CIBS as % of)	(18.4)	(27.3)	(19.4)	(26.1)	(CIBS as % of)	(6.7)	(11.9)	(5.8)	(8.3)

Source : UNCTAD Handbook of Statistics On-line (<http://stats.unctad.org/handbook>)

# 8. International Investment

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- Relative importance of CIBS in inward FDI
  - Stocks
  - Flows
- Relative importance of CIBS in outward FDI
  - Stocks
  - Flows
- Salient characteristics of CIBS
  - Small as a proportion of world stocks and flows
  - Inward FDI far more significant than outward FDI
  - CIBS competition for, rather than source of, FDI for DCs



**Table 5 : Foreign Direct Investment Stocks and Flows  
( \$ billion)**

<i>COUNTRY</i>	<i>STOCKS</i>				<i>FLOWS (average per annum)</i>	
	<i>INWARD 2000</i>	<i>2005</i>	<i>OUTWARD 2000</i>	<i>2005</i>	<i>INWARD 2001-2005</i>	<i>OUTWARD 2001-2005</i>
<b>CHINA</b>	193	318	28	46	57	4
<b>INDIA</b>	18	45	2	10	6	2
<b>BRAZIL</b>	103	201	52	72	16	3
<b>SOUTH AFRICA</b>	43	69	32	39	3	0
<b>TOTAL ABOVE</b>	357	634	114	166	82	8
<b>DEVELOPING COUNTRIES</b>	1697	2655	856	1268	225	80
<i>(CIBS as % of)</i>	<i>(21.1)</i>	<i>(23.9)</i>	<i>(13.3)</i>	<i>(13.1)</i>	<i>(36.6)</i>	<i>(10.3)</i>
<b>DEVELOPED COUNTRIES</b>	4035	7219	5593	9278	476	602
<b>WORLD</b>	5803	10130	6471	10672	727	691
<i>(CIBS as % of)</i>	<i>(6.2)</i>	<i>(6.3)</i>	<i>(1.8)</i>	<i>(1.6)</i>	<i>(11.3)</i>	<i>(1.2)</i>

*Source : UNCTAD Foreign Direct Investment Online Database (<http://stats.unctad.org/fdi>)*

# 9. International Finance

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- Current account balances
- Foreign exchange reserves
  - Significance of CIBS in reserve assets
  - Actual placements versus possible uses
  - Marginal in international financial markets
- Foreign aid and development assistance
  - CIBS as emerging donors
  - Comparison with DAC assistance
  - Possible role as catalyst

**Table 6 : Balance of Payments  
(\$ billion per annum)**

	<i>CHINA</i>	<i>INDIA</i>	<i>BRAZIL</i>	<i>SOUTH AFRICA</i>	<i>TOTAL CIBS</i>	<i>DEVELOPING COUNTRIES</i>
<b>Current Account Balance</b>						
1991-1995	3.3	-3.6	-2.9	0.7	-2.4	-85.8 <sup>#</sup>
1996-2000	23.5	-3.9	-27.4	-1.4	-9.3	-14.3
2001-2005	65.6	2.0	-0.1	-3.4	64.2	257.5
<b>Trade Balance</b>						
1991-1995	5.7	-3.8	9.6	5.3	16.8	-2.8
1996-2000	36.6	-9.4	-4.1	3.2	26.2	87.6
2001-2005	63.2	-13.5	23.8	2.4	75.9	351.9
<b>Remittances<sup>@</sup></b>						
1991-1995	0.3	4.3	1.7	0.1	6.4	36.4
1996-2000	1.5	10.4	1.3	0.1	13.2	52.7
2001-2005	3.2	18.0	2.0	0.2	23.4	103.3

Source : IMF Balance of Payments Statistics Online Database (<http://imfStatistics.org>)

**Table 7 : Foreign Exchange Reserves  
(SDRs billion)**

<i>Years</i>	<i>China</i>	<i>India</i>	<i>Brazil</i>	<i>South Africa</i>	<i>Total Developing CIBS</i>	<i>CIBS as % of</i>	<i>World</i>	<i>CIBS as % of</i>	
1996	75	14	41	1	131	601	21.8	1178	11.1
1997	106	19	38	4	166	691	24.1	1297	12.8
1998	106	20	30	3	160	706	22.7	1282	12.5
1999	115	24	25	5	170	786	21.6	1405	12.1
2000	130	29	25	5	189	902	20.9	1586	11.9
2001	172	37	28	5	242	1022	23.7	1741	13.9
2002	215	50	28	5	297	1127	26.4	1890	15.7
2003	275	67	33	5	380	1306	29.1	2155	17.6
2004	396	82	34	9	521	1588	32.8	2521	20.7
2005	575	93	37	13	719	2035	35.3	3000	24.0

*Source : IMF International Financial Statistics Online Database (<http://imfStatistics.org>)*

# 10. International Migration

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- Cross-border movements of people
  - Different forms
  - Different implications
- Remittances
  - Inflows
  - Outflows
- Diaspora
  - China
  - India
- Globalization
  - Entrepreneurial capitalisms
  - Mobility of professionals



# 11. The Global Context

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- CIBS in the world
  - Economics
  - Politics
- Bilateralism and plurilateralism
  - G-8 and O-5
  - G-3
- Multilateralism : institutions and rules
  - United Nations
  - World Bank and IMF
  - World Trade Organization