

## INTRODUCTION: BRICS AND BEYOND

---

It is now six years since we coined the term ‘BRIC’ in our *Global Economics Paper*, ‘Building Better Global Economic BRICs’, published on November 30, 2001. Since then, these countries’ equity markets have seen a remarkable increase in their value: Brazil has risen by 369%, India by 499%, Russia by 630%, and China by 201%, using the A-share market, or by a stunning 817% based on the HSCEI.

The equity market performance is just one manifestation of the staggering rise in BRICs’ importance to the global economy. In our 2001 paper, we argued that the BRIC economies would make up more than 10% of world GDP by the end of this decade. In fact, as we near the end of 2007, their combined weight is already 15% of the global economy. China is poised to overtake Germany this year to become the third-largest economy in the world. Our ‘BRICs dream’ that these countries together could overtake the combined GDP of the G7 by 2035—first articulated in our 2003 *Global Economics Paper* ‘Dreaming with BRICs: The Path to 2050’—remains a worthy ‘dream’.

The recent performance of the BRICs has turned up as many questions as answers. Will Russia be able to grow at the staggering rates of recent years? Will the infrastructure challenges there, and in India, limit potential growth? What about the rest of the BRICs? Can we, for example, justify the B in BRICs? And, of course, will China and India become the future giants that we have suggested they can?

In this book, we provide a compendium of some of the most interesting papers that we have published on the BRICs theme in the past two years, as a follow-up to our first two books, ‘Growth and Development: The Path to 2050’, published in January 2004, and ‘The World and the BRICs Dream’, published in February 2006.

We also look beyond the BRICs to see which other countries are changing the global economic landscape—in particular, the increasingly popular ‘N-11’. It is now two years since we introduced this term and, just as in the years after we coined the BRIC acronym, its popularity is on the rise. As we argued in our *Global Economics Paper* ‘The N-11: More Than an Acronym’, published in March 2007, the N-11 is a distinct group in itself, albeit one defined by population. We introduced the N-11 concept not to encourage the growth of a new or alternative investment theme to the BRICs, but simply to answer lots of questions about the BRICs. The most frequently asked question about the BRICs has been ‘Why did we choose those original four countries, and what about others?’. In our initial analysis, we concluded that, of the next largest countries, perhaps Mexico had the greatest claim to be feel aggrieved at not being up there with the BRICs.

Certainly, Mexico, the four BRIC countries and Korea should not be really thought of as ‘emerging markets’ in the classical sense, as many still tend to do. We regard these countries as a critical part of the modern globalised economy, and they are just as central to its functioning as the current G7 is. Indeed, as we have argued repeatedly, the role and purpose of the G7 (and similar global forums and institutions, including the IMF) are increasingly questionable. Today, six years after we first suggested the need for a change in the G7, it seems ludicrous that the G7 still meet and offer statements about the world economy without China—or the other BRICs—present.

This book looks beyond the BRICs themselves to a number of global topics that the growth of the BRICs has fed. What does the future hold for the environmental issues raised by the BRICs' rapid growth? We discuss why the BRICs dream will not be 'green', as well as why it *should* be green! We also look at a recent source of collective anxiety: Sovereign Wealth Funds. We include a chapter on their growth, and discuss their current and future influence on global markets.

Beyond the four BRICs and the two most developed of the N-11, Korea and Mexico, what is the scope for the other nine? Can any of them individually or collectively 'do a China', as we discuss in Chapter 19? What may motivate these countries to behave differently going forward, in order that they might have brighter futures than their past? In this regard, the role played by China in lifting many millions of people out of poverty is telling. One of the most observable and remarkable phenomena of the past couple of years is just how enthusiastic the leaders of some of the N-11 countries seem to be about changing policies and wanting to engage in globalisation. Nigeria is one country that deserves a special mention, and is certainly a country that has captured my attention. With a population close to three times that of South Africa, Nigeria's ability to deliver on our 'dream' could be vital for the whole African continent. Let's hope the government's slogan, 'Top 20 by 2020', materialises; if so, we are in for an exciting second decade of the new millennium.

And beyond the N-11? Not a week passes when I am not asked by a cheeky journalist somewhere, 'What next, what is the new theme going to be?' It is tempting, we can assure you, but we are likely to resist the temptation as much as we can, for two reasons. First, we don't want to be associated with just acronyms. Second, and more importantly, the two we have created continue to afford plenty of opportunity!

Undoubtedly, other pockets of activity remain undiscovered in the world. A very sharp hedge fund manager suggested to me a few weeks ago that, added together, all the countries east of Germany and west of China were the equivalent of another China. And, of course, there is the Middle East. Our book discusses these issues, along with all the others mentioned above. We hope you enjoy reading about the BRICs and Beyond, as much as we have enjoyed (and continue to enjoy) researching and writing about them.

**Jim O'Neill**

**November 23, 2007**