ERASMUS PLUS

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GROWTH IN DEVELOPING COUNTRIES

TEACHER-LED LESSON
Tuesday 21st November 2017

- <u>SHARING VOCABULARY</u>

(A) Match the following words to the correct definition:

1. growth rate	(a) a meeting between leaders of different countries.	1. ___
2. summit	(b) your financial ability to buy products and services.	2. ___
3. wealth	(c) the speed at which the economy of a country grows.	3. ___
4. manufacturing output	(d) a fixed regular payment that you get for the work you do.	4. ___
5. commodity	(e) a raw material or primary agricultural product that can be bought and sold.	5. ___
6. wage	(f) the state of being rich.	6. ___
7. purchasing power	(g) the quantity of something that an industry produces.	7. ___
8. supply chain	(h) the operations of production and distribution of a commodity.	8. ___

(B) Consider the following acronyms: what do they stand for? You can use your <u>smartphone</u>, if you need.

BRICS = ____

G7 = ____

GDP = ____

IMF = ____

WB = ____

NDB = ____

- <u>SHARING NOTIONS ABOUT BRICS</u>

(A) Split into 4 groups. Each group has to focus on <u>ONE</u> article:

- GROUP 1 – article from **TIME:** ***The Mixed Fortunes of the BRICS Countries, in 5 Facts***
- GROUP 2-3 – article from **FORBES:** ***The Emerging Economies That Will Shine***
- GROUP 4 – article from **HUFFINGTON POST:** ***The New BRICS Bank Should Be Green and Focus on Poverty***

(B) After reading the article, answer the questions. You have 20 minutes' time to read and complete the answers. Choose a <u>spokesperson</u> to relate to the class.

TIME

GROUP 1

The Mixed Fortunes of the BRICS Countries, in 5 Facts

By Ian Bremmer September 1, **2017**

This weekend, the BRICS countries—Brazil, Russia, India, China and South Africa—will meet in the Chinese city of Xiamen for their annual summit. Until recently the BRICS were considered as the future of the globalized economy. Then, for a variety of reasons, the group lost a bit of its success. So let's see what happened.

1. BRICS are one quarter of the world!

The story of the BRICS—or technically, BRIC countries (South Africa joined in 2010)—begins with the economist Jim O'Neill, who wrote in 2001 that these were the emerging superstars of the 21st century globalized economy. Taken together, these five countries cover 40% (percent) of the world's population and more than 25% of the world's land.

In 1990 these countries contributed to only 11% of the world GDP. In 2014 they reached almost 30%. The global financial crisis damaged the BRICS countries too, but the group continues to meet and have an ambitious common agenda.

The BRICS can be broken into two groups—those that took advantage of globalization and became global supply chains (primarily China and India) and those that took advantage of globalization to sell their abundant natural resources (primarily Brazil, Russia and South Africa).

2. China and India's middle classes are growing

Let's start with global supply chains, and their biggest success story: **China** is now the second largest economy in the world by GDP and it is going to overtake the US over the next few years. In 1990, China produced less than 3% of the world's manufacturing output; by 2015, it produced about 25%. And China's middle class got larger. In 1990, in China middle class basically did not exist; by 2015 China had 16% of the world's middle class, and 350 million Chinese people are expected to join by 2030.

India is a similar story, but instead of focusing on manufacturing, it invested on the services, with a particular emphasis on IT. As a matter of fact, India is one of the world's leading IT services exporters. And the rise of India's middle class is similar to that of China's. Indians went from 1% of the global middle class in 1990 to 8% in 2015, with 380 million Indians expected to join by 2030.

3. The fall in commodity prices has put in danger the other BRICS nations

The situation is decidedly mixed with the other BRICS countries, who rose mainly thanks to their vast natural wealth.

Brazil sells commodities like soybeans, iron ore, and crude oil on global markets. This financial prosperity together with innovative social programs lifted 29 million Brazilians from poverty between 2003 and 2014.

South Africa also used its natural wealth—in this case rare gems and metals like gold, diamonds and platinum—to help its economy after the end of apartheid.

And then there's **Russia**, which has abundant energy sources—crude oil, natural gas, metals and minerals—that helped it improve the economy. In 2000, 29% of Russians lived below the poverty line; by 2012, just 11% did.

But the fall in commodity prices of recent years has damaged all three countries, and their growth rates are slowing down rapidly.

4. Corruption is still a problem in the BRICS countries

All of these five countries have been slowed down by corruption, but some of the BRICS countries have handled it better than others.

In Brazil investigations have already hit the ex-president Dilma Rousseff and now threaten the

current administration of President Michel Temer. In South Africa, corruption allegations continue to pile up against the ruling ANC party and the president Jacob Zuma. 47% of Russians now believe corruption is significantly present in the Russian government.
India and China have made better attempts to combat corruption. Under Prime Minister Narendra Modi, India's government decided to fight tax evasion and black market. In China nearly 300,000 Communist Party officials were punished for corruption in 2015.

5. The "winners" remain at risk
It would be easy to declare India and China as the winners among the BRICS, but it's not that simple. Yes, India and China have the fastest growth rates of any major economies in the world, and the citizens of these countries are optimistic about the future. But nearly 50% of Indians could slide back to poverty, and China's economy has slowed because higher wages make manufacturing more expensive. Both countries are especially vulnerable to technological changes that bring automation into the workplace. The World Bank estimates that 68% of all existing jobs in India are "at risk" from automation. In China, it's 77%.
Even the strongest of BRICS isn't as strong as it used to be.

1. **BRICS countries can be divided into two groups. What are the characteristics of the two groups? Which countries belong to what group? Complete the table:**

	BRICS 1	BRICS 2
Countries:		
Success based on:		

2. **Why is the growth rate of some of the BRICS slowing down?**

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3. **What important social transformation is taking place in China and India? Why do you think it is important for the economy of these nations?**

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4. **What internal problem are BRICS facing?**

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5. **What phenomenon can make even the strongest BRICS nations vulnerable in the future?**

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Forbes

GROUP 2-3

The Emerging Economies That Will Shine In 2016

By Itai Zehorai March 9, 2016

As "traditionally" emerging economies – the BRIC economies – decline, new ones are rising. So in the near future, which economies will fill the void left behind by BRIC?
The golden age of the BRIC economies seems to be over, and only **India** remains of the original Fantastic Four thanks to its huge population. **China** is trying to develop in a similar way and base its economy on domestic consumption and services. IMF predicts a significant slowdown in China's growth in the coming years, to just over 6% - the lowest rate since China entered the global economy back in the early 1990s.
The situation in the rest of the BRIC economies will be probably much worse. Because of inflation and corruption, **Brazil** is a serious recession. Its economy is declining at an alarming speed: the annual growth rate will be less than 1% until 2020 – then the Brazilian market will start to recover.
The situation in **Russia** is also worrying. It is the world's biggest oil producer and the second-biggest exporter, but oil prices are nosediving and the ruble is very low. A 1% annual growth rate is expected until the end of this decade.
Brazil's and Russia's economies depend too much on export: unfortunately, commodity prices are falling and, according to WB, these countries need to diversify their economy.
Despite the challenging global environment, some markets are managing to maintain rapid growth. Countries whose growth is supported mainly by domestic demand thanks to a large population and middle class, are more robust in the face of the global recession.
So which emerging markets will shine through the global market?

Bangladesh
Despite corruption problems, political instability, weak infrastructure and slow economic reforms, Bangladesh has managed to keep its growth at 6% since 2003, including in the credit crisis of 2008-2009.
The fast and stable growth of Bangladesh depends mostly on the size of its population, which is the world's eighth largest (about 170 million), and over half of which is under 25. This has stimulated demand, domestic consumption and foreign investment. Bangladesh's work force is about 80 million (seventh in the world), and the millions of Bangladeshi citizens who work abroad bring billions of dollars into the country.
By the end of this decade, Bangladesh is going to become one of the world's 30 largest economies.
Ethiopia
Over the past decade, Ethiopia has been growing at an impressive 10% per year. The government has invested a lot on the agriculture sector – the country's lifeblood – and investments are also coming from abroad.
With plenty of land (over a million km^2, equivalent to the combined size of Britain, France and Italy) and a large population (about 100 million), Ethiopia is heavily dependent on agriculture, which is 42% of the country's GDP and the livelihood of 85% of its people. The government now wants to diversify by promoting sectors such as textiles, energy, services and tourism.
WB predicts a growth rate of 9% per year until 2020.
Myanmar
It's one of the most promising emerging markets. The country is going through a long process of economic and political reforms, so the sanctions that isolated its economy have been lifted, and the country is opening up to the world. Foreign investors are looking for opportunities in the resource-rich country, especially in energy and infrastructure; the demand is fueled by the country's population of 51 million. These factors have contributed to an average 8.5% annual growth rate since the start of reforms and the lifting of sanctions.
The Philippines
The Philippines has been growing at 6.5% since 2012.

The Philippines' low dependence on exports, together with its strong domestic demand (100 million citizens) and stable flow of investment have contributed to its rapid growth, which is expected to continue in coming years, also thanks to an improving job market and the huge cash flow from the millions of Filipinos working abroad. The 6.5% growth rate will remain stable until 2020 according to IMF economists, pushing the country into the world's top 30 competitors.

Vietnam

The ex-communist country has promoted development and liberalization. Although nearly half of the workforce is employed in agriculture, industrialization and development are speeding up as the country modernizes. Vietnam today produces many more goods and services than in the past.
Like other emerging markets, Vietnam's growth is sustained by its large, growing population and workforce, growing wages and stable low prices. State control is diminishing as investment in infrastructure and industry expands, resulting in 6% annual growth.

Indonesia

The country's giant archipelago occupies two million km^2 (bigger than Spain, France, Italy and Germany combined) and has a population of over 250 million (the world's fourth biggest) and and expanding middle class. The country depends a lot on exports, and the government is struggling to promote reforms and the infrastructural development so essential for linking the archipelago's 17,000 islands. But the middle class is increasing the demand, and this will ensure a 5.5% growth rate in coming years.
Indonesia is already a leading economic power, just behind Brazil and Russia. IMF predicts Indonesia will overtake Brazil by 2018 and Russia by the end of the decade.
A major shift in the economic balance of power is taking shape among emerging markets.

1. **What is happening to Brazil and Russia? What is their decline due to? What should they do to survive, according to the WB?**

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2. **Why are the other BRICS countries more robust?**

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3. **Complete the following chart:**

	annual **growth rate**	**population**	f**actors sustaining the economy**	**sectors they are investing on** (if mentioned)
BANGLADESH				
ETHIOPIA				
MYANMAR				
PHILIPPINES				
VIETNAM				
INDONESIA				

GROUP 4

HUFFPOST

The New BRICS Bank Should Be Green and Focus on Poverty

2015 By Muhammad Yunus

At their annual summit in Russia in July this week, BRICS leaders will announce the world's newest development bank — the New Development Bank — which will have U.S. $100 billion as initial capital to fund infrastructure and sustainable development projects both in their own countries and others.

Obviously, the NDB should not become another World Bank that finances the same types of projects in the same countries, using the same tools and mindset. At the same time, its purpose should not be to show off the BRICS' financial and political power. The reason for its creation must be very substantive.

The NDB should be based on entirely new objectives, to be carried out with new strategies.

I am proposing some **objectives** for the NDB that I feel are globally relevant. The primary objectives of the NDB should be to achieve three zeros by 2050: zero poverty, zero unemployment and zero net carbon emission. Every year the NDB could publish a report on the BRICS' progress on these objectives.

The NDB could achieve these goals using four basic **strategies**.

The first strategy would be to use the creative power and commitment of the new generation of youth. If the BRICS can mobilize the power of the youth, it will become easier to achieve the goals.

The second strategy could be to focus on technological innovations to solve human problems. Technology today is under the command of moneymakers and war-makers. Socially committed people must be in command of technology. They are invisible today.

Combining the power of the youth with that of technology will create a huge force.

This brings us to the third strategy: build up social businesses to solve complex social, economic and environmental problems.

Social business is a new variety of business that does not have a profit motive. They are exclusively devoted to solving human problems. Additional profits made are used to expand and improve the business.

I have been creating and promoting this type of business around the world with great results. I believe that the social business model should be the centre of the NDB's institutional structure and policy package. It is a model that can easily be replicated across a number of contexts.

In fact, unemployment can be brought down to zero through social business initiatives. Human beings are not job-seekers, they are entrepreneurs by birth. They are go-getters and problem solvers. Social business can turn the unemployed into entrepreneurs. We are doing that in Bangladesh. The NDB can adopt this as its prime program.

Once the NDB creates a new window for financing and promoting social businesses, it will attract the young, old, men, women, individuals and organizations with social business ideas. It can encourage each conventional business to undertake social businesses alongside their main business activities.

Ensuring financial services to the poor, healthcare to the poor and hard to reach people can be done through creating social businesses.

Finally, human rights and good governance should lie at the heart of the NDB's operations.

The NDB has the opportunity to create the right objectives and appropriate strategies for their implementation. I wish the NDB every success in redesigning the world to make it sustainable.

1) **What kind of projetcs does the NDB fund?**

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2) **What should NDB *not* do?**

3) **What should its objectives be, according to the writer?**

4) **In what way NDB can achieve those goals?**

5) **What other aspects are fundamental, according to the writer, to create a sustainable world?**