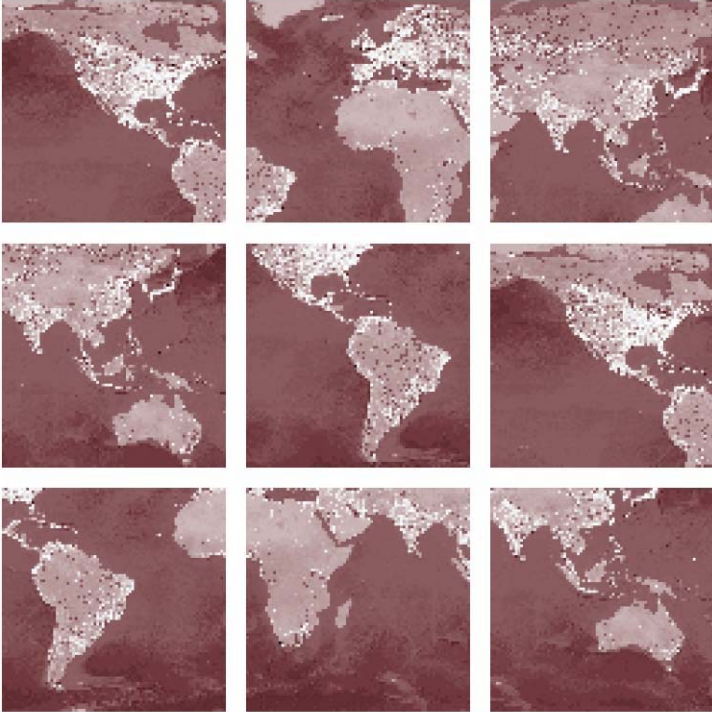


CHAPTER THIRTEEN

BEYOND THE BRICS: A LOOK AT THE 'NEXT 11'

April 2007





BEYOND THE BRICS: A LOOK AT THE 'NEXT 11'

Which countries will be the next BRICs? We recently identified 11 countries that could rival the G7 over time, even if they lack the scale to become the next BRICs. Here we look at these 'Next 11' (N-11) in the context of several important BRICs themes—energy, infrastructure, urbanisation, human capital and technology.

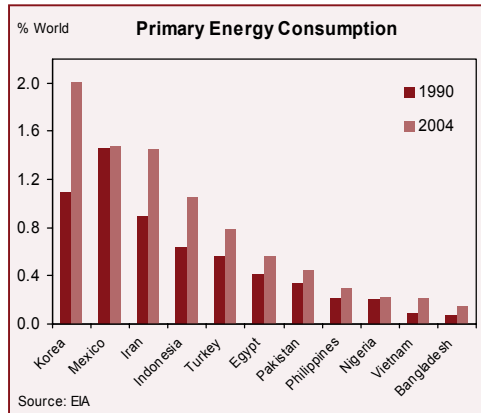
With the BRICs story largely having moved into the mainstream, we are often asked 'Who will be the next BRICs?'. While the N-11 may not have the same transformative impact on the world economy that the BRICs may realise, they nonetheless present interesting growth stories, and several countries in this group could rival the G7 in time. As laid out in our *Global Economics Paper* No. 153, the N-11 include Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam.

That paper, by Dominic Wilson and Anna Stupnytska, analyses the growth potential of the N-11 and the conditions needed to realise that potential. Here, we assess their performance and prospects along a range of measures that we have discussed in other *BRICs Monthly* reports: energy, urbanisation, infrastructure, health and technology. Highlights include:

- The N-11, which comprise 7% of the world economy, account for 9% of the world's **energy** consumption and an equal share of global CO₂ emissions, well below the BRICs' 30% share of emissions.
- On the whole, the N-11 are already highly urbanised. In five, more than half the population is urban; some, including Korea, Mexico, Iran and Turkey, are roughly at G6 levels. At the opposite end of the spectrum, Vietnam and Bangladesh remain overwhelmingly rural (some 75%). **Urbanisation** in these countries should support economic growth, particularly by underpinning productivity growth, as has already been the case in China and is beginning to materialise in India.
- Some of the N-11 are attractive destinations for **infrastructure** investment. Four (Mexico, Philippines, Indonesia and Turkey) saw nearly \$170bn invested in infrastructure projects between 1990 and 2005. Yet much more is needed going forward. We have previously estimated that the N-11 together require around \$600bn—4% of GDP—of infrastructure investment between 2006 and 2010.
- **Human capital** is a critical aspect of the long-term growth story. Life expectancy among the N-11 today (65 years) is in line with the BRICs but nearly a decade below the G6 average. The UN projects that life expectancy rates in the N-11 and the BRICs will converge around the current G6 level (75 years) by mid-century. But health spending will need to rise significantly outside just a handful of the N-11. Pakistan, Bangladesh and Nigeria currently spend less than \$25 per head on health each year.
- **Technology** adoption is also important to long-term growth and a key factor in the 'virtual connectivity' that we discussed last month. The explosive growth story in mobile phones is spreading to the N-11, with the poorest countries posting triple-digit growth in recent years.

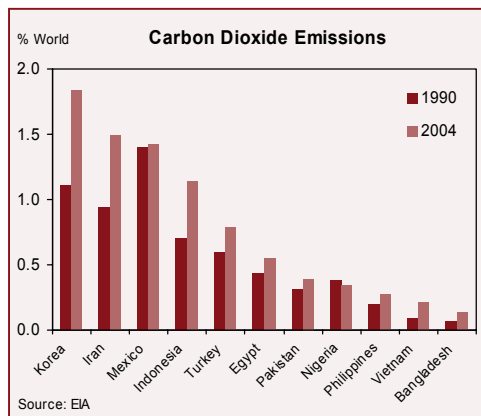
Sandra Lawson, David Heacock and Anna Stupnytska
April 18, 2007

Beyond the BRICS: A Look at the 'Next 11'



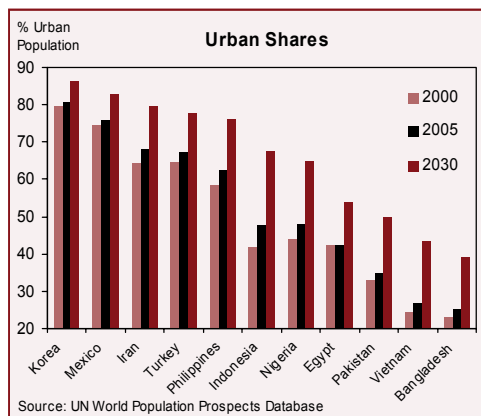
Energy Consumption Increasing in N-11...

- The N-11 together account for 7% of global GDP and 9% of the world's energy consumption, while China accounts for 6% of GDP and 13% of energy consumption. This reflects more industry-intensive economies and less energy-efficient technologies than in the developed world.
- Since 1990, each country's share of world energy consumption has risen. The increase is highest in Korea (by 1ppt) and lowest in Nigeria and Mexico (each a mere 0.03ppt). The latter two have seen a significant improvement in energy intensity. Pakistan is another N-11 country where energy consumption per Dollar of GDP has fallen.



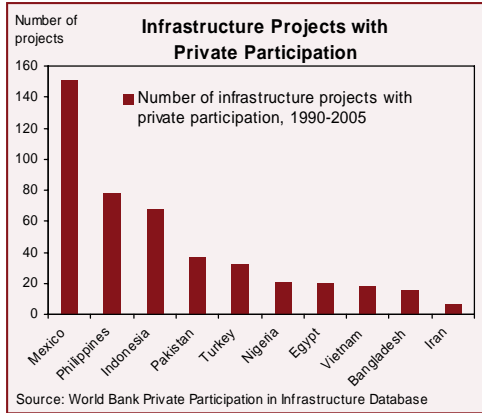
...Leading to Rising CO₂ Emissions

- The N-11 and BRICs together accounted for more CO₂ emissions than the G6 in 2004, making these countries' cooperation critical to future global efforts to curb emissions. In 2004, the N-11 (with almost 19% of the world's population) accounted for 9% of total emissions, compared with 29% for the BRICs and 35% for the G6 (with population shares of 43% and 11%, respectively).
- On a per capita basis, even the largest emitters among the N-11—Korea and Iran—trail the US by an huge margin. Korea's 48mn people account for less than 2% of global CO₂ emissions, and Iran's 70mn for just 1.5%, compared with 20% for the 300mn people in the US.



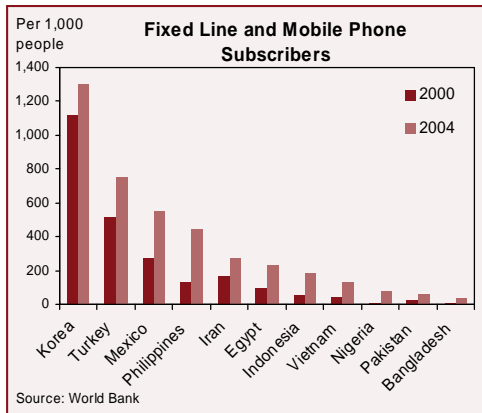
N-11 Urbanisation Potential Is Lower Than That of the BRICs

- Many of the N-11 countries are already highly urbanised. While no N-11 country beats Brazil on this metric, eight of the 11 are more urbanised than China and India. Philippines, Nigeria and Indonesia have seen the largest increase in their shares of urban population since 2000.
- The process of urbanisation should help to underpin growth, particularly productivity growth. Among the N-11, only Bangladesh, Vietnam and Pakistan (and India and China in the BRICs) have a scope for a significant increase in urbanisation over the next 25 years.



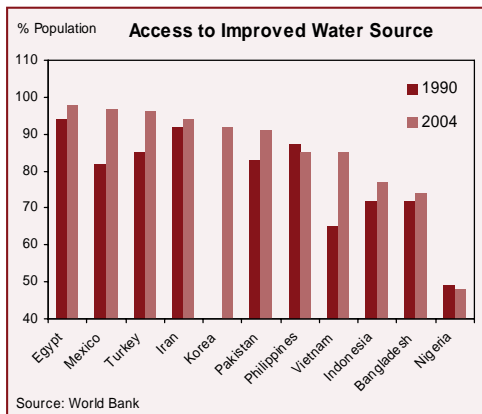
Some Benefit From Private Infrastructure Investment

- Private-sector investment in infrastructure projects has somewhat sidestepped the N-11 since 1990. Only Mexico is among the top 10 developing economies ranked by the number of infrastructure projects involving private participation, trailing the BRICs and Argentina. In Dollar terms, Philippines, Indonesia and Turkey join Mexico in the top 10. These four together accounted for almost \$170bn invested in infrastructure between 1990 and 2005.
- Much more is needed to support growth. We have previously estimated that the BRICs as a whole will require \$120bn in annual infrastructure spending between 2006 and 2010 (*Global Economics Weekly 06/22*).



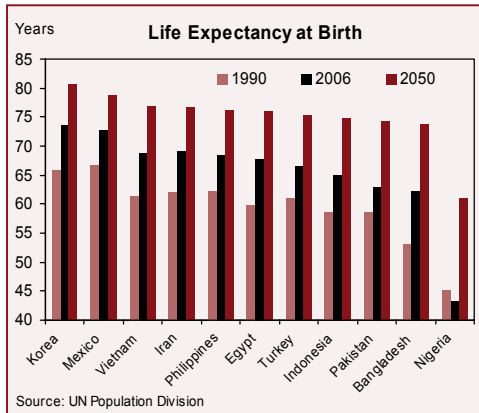
Some N-11 Countries Rival the BRICs in Technology Adoption

- Virtual infrastructure is an important growth driver in the developing world, as we highlighted last month in our look at virtual connectivity. Communications technology in the N-11 has spread fast in recent years.
- In levels of phone penetration, Korea and Turkey rival Brazil and Russia, the two best-scoring BRICs. In terms of growth rates, poorer countries have posted outstanding performance since 2000. Phone penetration in Bangladesh and Nigeria increased by roughly 140%-150% in 2004 (albeit from a low base), mainly driven by mobiles, reflecting a broader trend in many low-income countries.



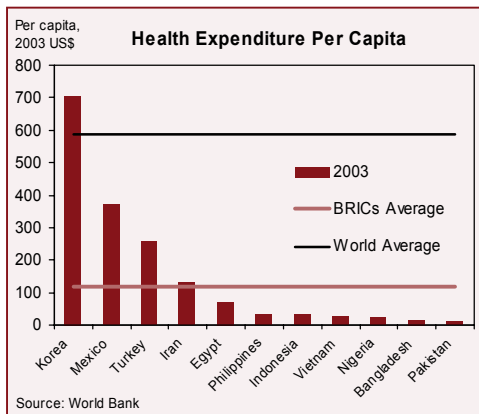
Expanded Access to Water Has Been Mixed

- The water supply picture varies across the N-11. In six, more than 90% of population have access to improved water source, almost as high as levels in the developed world. The other five still have a substantial gap to close.
- The N-11's progress since 1990 in expanding water access has also been mixed. Vietnam and Mexico have shown most improvement, raising their share of population with access to improved water sources by 20ppt and 15ppt, respectively. Yet water access in Nigeria and Philippines has deteriorated even further.



N-11 Life Expectancy to Approach G6 Levels by 2050

- The N-11 countries had an average life expectancy of 65 years in 2006, slightly higher than the estimated 64 years for the BRICs, but nine years below the G6. Both the N-11 and the BRICs are projected to near G6 current life expectancy levels by 2050.
- Nigeria stands out as the clear laggard, with a life expectancy in 2006 of just 43 years, nearly 20 years lower than Bangladesh, and the only country in the N-11 to see life expectancy fall since 1990. As access to healthcare and safe water sources increases, life expectancy there is expected to rise, reaching 61 years by 2050.



The N-11 Surpass the BRICs in Healthcare Expenditure

- Per capita health expenditure (both public and private) in the N-11 exceeded that of the BRICs in 2003, averaging \$152 against \$117 in the BRICs. However, N-11 health expenditure is just one-quarter of the world average.
- Korea's per capita healthcare spending more than doubled between 1998 and 2003, reaching \$705. This is well above the \$587 world average. Mexico and Turkey also exceeded all four of the BRICs on healthcare expenditure. Pakistan is the marked underperformer, spending just \$13 per person on healthcare in 2003, a figure that has fallen 13% since 1998.