



THE EMERGING WORLD OF ACRONYMS AND THE EMERGING ACRONYMS OF THE WORLD

Alexis Giannoulis
(RIEAS Senior Analyst)

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In 2003 the Goldman Sachs' 'Global Economics Paper No: 99th' publication confirmed Jim O'Neill's term 'BRIC' (first coined in 2001) and set forward the prospect of the then-most dynamic countries with regards to medium and long-term future growth and development. The BRICs were the countries with the biggest populations and with economies set to surpass most, if not all of the G7 nations in a rather speedy fashion by 2025. Brazil, Russia, India and China are all countries with substantial and young (in most cases) populations with good growth outlooks, vast resources and governments willing to enter the global markets as the most dynamic and major economies of the future.

This may be the first time in history that international groups of countries with common denominators are born by a third, in this case financial, institution and which increasingly act indeed as international organisations. This is the first time alliances of interests are born not out of common geographical objectives, defensive concerns or ideological and imaginary global religious enemies but with common financial and monetary prospects and characteristics which, ironically may be exactly those which will create great frictions in the future, frictions that may and most probably will involve the West.

After the BRICs which are fairly established powers at the moment, in December 2005 Goldman Sachs' O'Neill made public yet another acronym he had coined the so-called Next Eleven (N-11) which included the next wave of emerging markets that can have significant impact on the global economy in a number of ways, bearing again some common characteristics of social and economic nature. N-11 includes various countries of different levels of achieved development and growth so far but all again with common features including growth, future potential and diversity to name a few. The 'top end' of N-11 includes South Korea (the richest and most westernised of the N-11 countries), Indonesia (vast and very young population), Mexico (strategically located, also with large population and fast growth), Nigeria (young and fast growing population, very important natural resources) and Turkey also with very young and dynamic population and important geographic position whereas in the lower end we find countries such as Iran, Egypt, Bangladesh, Pakistan, Philippines and Vietnam-all of them fairly populated countries as well with young and dynamic populations and natural resources. Geography does not remain artless in this respect. Most of the BRICs and the N-11 are strategically located or cover vast lands-in short most of them cannot be missed or avoided as far as many aspects of international economy, finance and trade are concerned.

The last major group is yet another acronym, this time engineered by The Economist group, the so-called CIVETS. The rationale is the same-high future potential, diverse economy and global economic and political impact-all of them in the short-to-long term future. CIVETS stand for Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa. As far as CIVETS and N-11 are concerned, critics say that these countries is difficult to constitute a single group even for investment purposes since their population and some recent growth are the only common features among them.

Almost all the different countries making up the BRICs, CIVETS and N-11 groups are members of the G20 Developing Nations (DN), which as of October 2008 included 23 countries. Russia, Bangladesh and Iran are currently the only countries from the above groupings that are not G20+3 DN members, each for a different reason.

Beyond the macro-economic stability and growth the 26 frontier economies are promising, it is interesting to look that the regions of South America and the arc of the sub-Indian continent and SE Asia are hosts to the vast majority of the

frontier economies. If one includes Iran it is interesting to note that Egypt and the Islamic Republic are the only broader MENA region representatives. Libya could join some of those groups (mainly due to its population and natural resources), however as the situation stands Libya lacks several key characteristics. The BRICs and the N-11 nations combined represent around 75% of the global population and according to Jim O'Neill the subgroup "GROWTH 8" which includes the BRICs along with the N-11 members Turkey, S. Korea, Indonesia and Mexico will grow 4-5 times as quickly as the US economy by 2020.

As far as the 'promising' groups BRICs, CIVETS and N-11 and the different countries that make them up are concerned, although the above figures and assumptions may look financially romantic, the emergence of these kind of groupings with few real things in common marks the beginning of a flux, truly multi-polar international order that may bring the world before serious antagonism, not ideological or cultural this time but strictly of resource-security, economic, trade and financial nature and throughout history these kinds of confrontations have always been the most intense.

The volatility of the situation can be traced both in the easiness of forming such, in many respects, diverse groups as well as in the fact that some sectors and aspects of those countries' political systems and society are elaborately being left out from the characteristics-to-watch and indicators forming a 'frontier economy'. A brief look, for example, at the 2011 Failed States Indexⁱⁱ will show that from the 17 promising countries (including some much-advertised nations such as Indonesia, Nigeria, Mexico, Turkey and all the BRICs) only S. Korea is to be found in the "moderate" category, that is countries with score between 59.9 for Antigua and 30.1 for Iceland. All the rest are classified in the worst two categories, that is "alert" and "warning" respectively with most of them in the second worst category, that of "alert" with scores from 89.4 for Togo and 63.7 for Trinidad and Tobago (Brazil is second from the end with 65.1 on its way to join the "moderate" group if this trend continues even by the next edition of the Index). It becomes obvious from the above that those groups, including the BRICs, constitute potential growth leaders of the future mainly (if not solely) on economic and financial terms.

Nevertheless, this situation is something to watch. If the 'rule of law', more democratic and stable political systems and the civil society (even in local versions given the various cultural and historic backgrounds) do not gradually emerge and stabilise even by regional standards, then the post-2025 future (a usual benchmark in financial analyses) might be even more volatile and antagonistic than many can imagine. For the time being and for the foreseeable future all the frontier economies including the front-running BRICs (especially China, India and Russia) need the West as much as the West needs them, maybe slightly more as some still seeking WTO membership and have significant trade deficits vis-à-vis the US or the EU collectively. It has certainly been the case that without western investment and outsourcing the production and wealth (both national and per capita) in those countries, including China, India and even Russiaⁱⁱⁱ would never have reached such wild growth levels and development.

However, given the fragility and flux nature of common interests, all this may, in the medium-to-long term future, change. For instance, the growing middle class across those nations (a major common feature) will lead to increased needs, which in turn will lead to efforts to achieve greater independence as far as resources are concerned but also as far as their own economic and national interests are concerned. The key development to watch at this point is the extent those groups will be acting collectively since power can indeed be found in unity. Certain developments indicate some common understanding among the country members of all the above groups, especially the BRICs and the G20 DN (collectively) while a number of bilateral agreements among countries making up the N-11 and CIVETS groups can be found. The G20 DN is already a group lately given a greater say and tends to form a major international forum and decision centre in the medium future. In 2008 the G20 DN Leaders met in Washington and laid an action plan. At their London meeting in 2009 they agreed to finance the IMF to achieve greater liquidity whereas in Pittsburgh in 2011 they agreed on collective action on major global issues such as unemployment^{iv}.

On the other hand the leaders of the BRICS (BRICs plus South Africa) have met on a few occasions, the most important being their meeting in April 2011 in Hainan region in China when they signed the Sanya Declaration^v marking, in this way, the beginning of collective activity by the BRICS on a global scale. The declaration states in its 3rd paragraph (after 'welcoming' South Africa to the group in the second) that *"It is the overarching objective and strong shared desire for peace, security, development and cooperation that brought together BRICS countries with a total population of nearly 3 billion from different continents"*^{vi}. There are a few things to notice out of that meeting and declaration. First, a group that was born and created by an investment bank acquired self-consciousness and in fact decided to grow bigger by adding South Africa, which also belongs to the CIVETS group. Second, it is obvious that the leaders of those countries, even at a theoretical level for the time being, recognize common interests and the fact they should work collectively in order to achieve those interests. They also acknowledge their collective importance and gravity on the world stage. The final important observation to make is the reference to peace and security, something that goes astray of typical financial objectives although political and security risk are important factors in the international investment and business. Finally, the groups of N-11 and CIVETS might still be very diverse, loose and only used by third parties for investment and business purposes, however, organisations such as Goldman Sachs (which coined the N-11) and the credit rating agency S&P have already started to use the terms. S&P even has the S&P CIVETS 60 Index.

The impact on the international system if the trend of collective consciousness, thinking and action by these economies continues and indeed gets stronger, might be severe to the point that will change to a big extent the current international balances and order. As far as the BRICS are concerned it is obvious that each country views the BRICS membership from its own perspective, using the vehicle of membership to suit its interests. The problem, however, may lie in exactly this very pursuit of interest, as this is not a naturally formed (after mutual agreement) block as explained further up.

The West, which at the moment keeps producing wealth out of the larger and smaller emerging economies should now start adopting to this new global trend and cautiously allow those nations to become increasingly integrated with the developed world. The cautiousness applies to the fact that the powerful western nations should not be looking the other way when it comes to serious social, political and environmental issues just in order to increase profit. The emerging world and especially the BRICs collectively and individually must make efforts to align not only with the western economies but also with the democratic and liberal values and ideals, which, at least in theory are what characterize the West and what eventually paved the way for this increasing prosperity of the past few centuries that is rightfully desired by the developing world.

Endnotes:

ⁱ Goldman Sachs "Global Economics Paper No: 99", October 1, 2003 accessed via: <http://www.goldmansachs.com/our-thinking/brics/brics-reports-pdfs/brics-dream.pdf>

ⁱⁱ For brief description and lists see wikipedia.org: http://en.wikipedia.org/wiki/List_of_countries_by_Failed_States_Index

ⁱⁱⁱ Mainly because of its heavy dependence on oil and gas exports.

^{iv} For more information on G20 activities see: Global Brief "The G20 and the Developing World" accessed via: <http://globalbrief.ca/blog/features/the-g20-and-the-developing-world/1668>

^v The Sanya Declaration can be accessed at: <http://in.china-embassy.org/eng/zt/bric/t815431.htm>

^{vi} Ibid.