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THE GROUP OF BRICS COUNTRIES: IS IT STILL RELEVANT FOR THE WORLD ECONOMY ?

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Abstract

The BRICS alliance has been formally set up in order to fulfill both economic and geostrategic functions. Even if the latter are more significant than the former, the actual BRICS cooperation framework adds value to the theoretical concept of partnerships for economic development. The group includes four of the largest emerging economies worldwide therefore an analysis of the BRICS from the perspective of quantitative and qualitative indicators is useful at a time when traditional sources of economic growth are not taken for granted any more. The main objective of the present paper is to capture BRICS' shares in world gross product, trade and investment flows and also the strengths and weaknesses of the five emerging economies from the standpoint of specific indicators.

Key words:
BRICS, economic growth, exports, FDI, middle-class, global competitiveness index, ease of doing business, human development index.

JEL Codes:
E21, E22, E23, E24, F21, F24, F44

1. INTRODUCTION: THE STRATEGIC SIGNIFICANCE OF THE BRICS ALLIANCE

The institutionalization of the group in 2009 with the undeclared goal (but suggested by official documents) to redefine the World Economic Order, still dominated by developed countries was possible due to the economic upswing of the BRICS. The echoes of the joint actions of these five countries can be likened to those of the Non-Alignment Movement in the 1960s-1980s, or the Group of 77 (G-77), a coalition of developing countries militating for a New Economic Order International in the 1970s.

The BRICS alliance might be defined as a platform for dialogue and cooperation, with precise aims:

(1) geopolitical/geostrategic, going beyond national/regional borders: reorganizing the World Order for the benefit of all countries of the world, in order to increase multipolarity (defending their own interests within the international organizations dominated by the US-EU-Japan classical triad; accelerating the reform of the Bretton-Woods system and increasing the representation of the South on the international stage; contributing to global problem solving, following the principle of shared responsibility, but differentiated, depending on the level of development);

(2) ensuring dynamic economic growth, based on the intensification of intra-BRICS trade and investment, but also larger South-South and North-South relations (Oehler-Șincai *et al.*, 2016a).

2. LITERATURE REVIEW

The cooperation among the BRICS countries is described in the literature as "an unfinished process of great economic, legal and social interest" (Scaffardi, 2014) and a "symbol of the broader emerging markets phenomenon" (Gu *et al.*, 2016). Stuenkel (2015) emphasizes that BRICS transformation "from an investment term into a household name of international politics" represents "one of the defining developments in international politics of the first decade of the twenty-first century". Moreover, "BRICS as a political vector" underlines that "the international system is in a process of transformation towards multipolarity" (Gu *et al.*, 2016).

Beside the above mentioned arguments, Oehler-Șincai (2017) considers that it is worth taking into consideration also:

1) The reform processes of the Chinese and Indian economies, which have both regional and global impacts;
2) The intensity of cooperation between China and Russia and Russia's "pivot" towards China, which gradually turned into a distinct feature of the system of international relations, this strategic alliance being one of the group's engines; and
3) China as the driving force of the group, given its importance on the international stage, reflected by large-scale initiatives such as "Belt and Road" and the launch of the Asian Investment Infrastructure Bank, but also the inclusion of the national currency, renminbi in the basket of major currencies which determines the value of the IMF Special Drawing Right.

Such assertions strongly contrast with another BRICS perspective, namely that of *economic uncertainty*, accompanied by *some tensions and rivalries between India and China*.

Referring to the latter, India does not accept the role of second-tier economic power in Asia-Pacific, which causes tensions in the relationship with China. Moreover, the offers received by India from the United States but also United Kingdom and others to cooperate in various fields (military, defense, technology exchange) are considered as means to counteract the Chinese influence in Asia-Pacific. Based on this evidence, although China and India have complementary economies, and the potential for cooperation is significant, nevertheless tensions associated to the reconfiguration of forces regionally and hence worldwide have a negative impact on the Indo-Chinese relations (Oehler-Șincai, 2016b).

From the perspective of economic uncertainty, Esposito, Kapoor, Mathur (2016) present these countries as being "in the midst of severe economic and political woes". Indeed, all the five emerging economies are facing significant structural weaknesses, and Russia and Brazil have experienced a new episode of recession in the years 2015-2016. Structural weaknesses are not limited to those caused by the "curse of natural resources" (in the case of Russia, Brazil and South Africa), by the volatility of crude oil prices and the majority of commodities, but are more complex. Besides, for Russia, the sanctions imposed by the West in response to the annexation of the Crimea in 2014 and the Ukrainian crisis are specific factors. Similarly, in Brazil's case, the Petrobras scandal which broke out in February 2014 was the main determinant of the Brazilian recession. At the same time, China's economic growth slows down. Consequently Goldman Sachs gave up in 2015 the BRIC investment fund (which it had launched in 2006), including it in the larger fund of emerging economies.

The former Goldman Sachs chief economist Jim O'Neill, creator of the BRIC acronym in 2001, admits recent weak performances from Russia and Brazil, whose economies are the most reliant on commodity prices. Nevertheless he considers that the group performed better than he initially estimated, due to the Chinese but also the Indian overachievements.

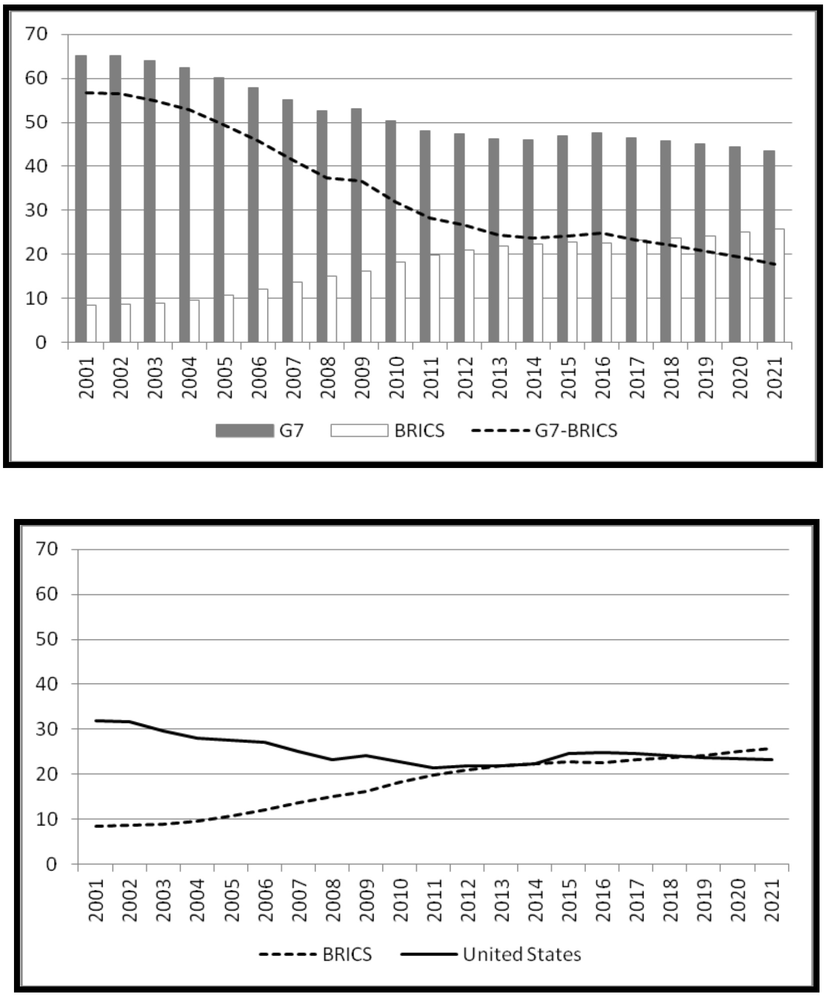
These are just a few factors that justify the question: *how relevant is now BRICS for the actual system of international relations?* We will answer this question in the following sections by resorting to both quantitative and qualitative indicators. This dual perspective and its interpretation is one of the personal contributions of the author.

3. BRICS' RELEVANCE FOR THE WORLD ECONOMY

3.1. Shares in gross world product, exports and FDI

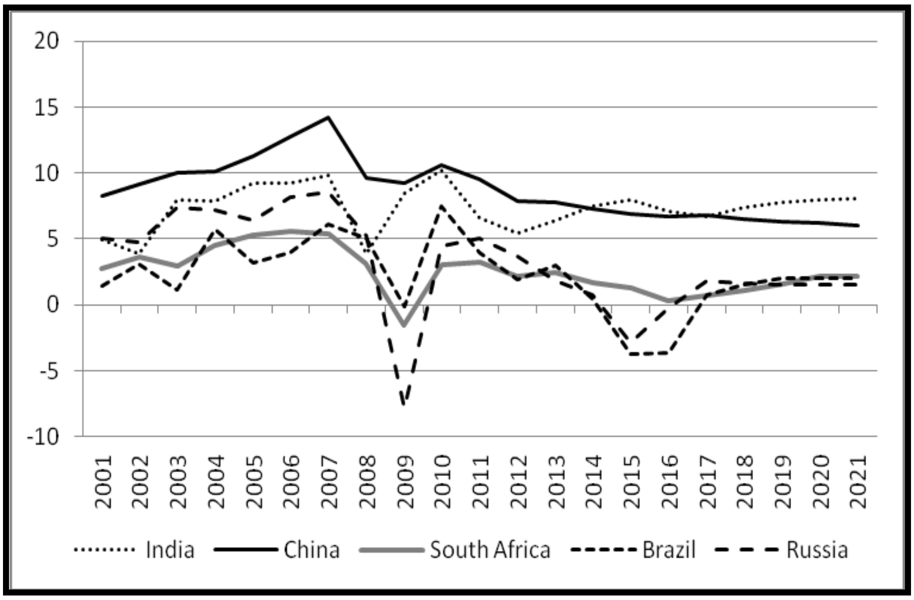
BRICS countries cumulate 30% of the world land area (The World Bank, 2018) and 45% of the total population (IMF, 2017). The group's share in the **gross world product** has been gradually increasing from 8.5% in 2001 to 23.2% in 2017 and the ascending trend will continue (Chart 1) in spite of China's slowing GDP growth rate (Chart 2). In 2017, China was the second economy as regards nominal GDP, India the seventh, Brazil the eighth, Russia the 12th and South Africa the 33rd. In the same year, the gap between G7 and BRICS shares in gross world product was 23.3 percentage points. Our calculations based on IMF data underscore that this gap in terms of shares in gross domestic product will keep decreasing. At the same time, starting in 2019, FDI projections underline that BRICS will surpass United States as regards their shares in gross world product.

Chart 1: BRICS, United States and G7 shares in gross world product, G7-BRICS gap, 2001-2021 (% and percentage points)



Source: Own representation, based on IMF (2017)

Chart 2: BRICS – GDP, constant prices, 2001-2021 (percentage change)



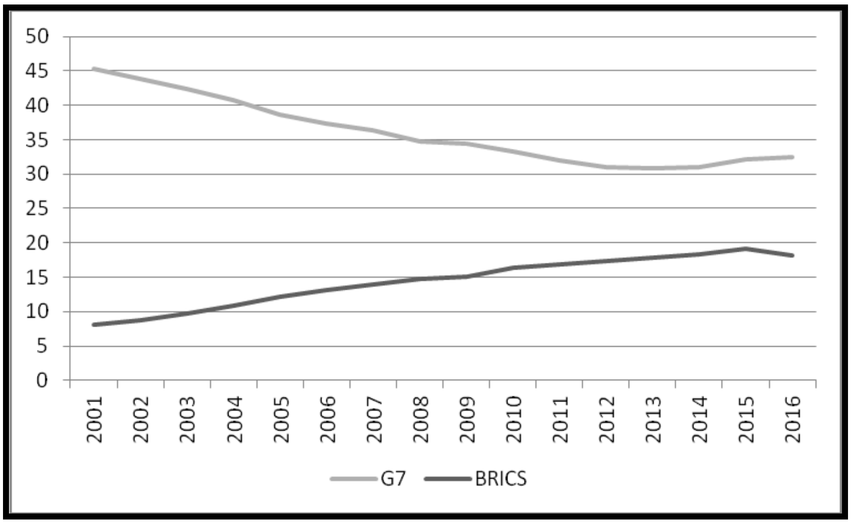
Note: Estimation for 2017 and projections for 2018-2021.

Source: Own representation, based on IMF (2017)

BRICS shares in **world exports of goods** increased from 8% in 2001 to 19.1% in 2015 and slightly decreased to 18.2% in 2016. That favorable evolution was mostly due to China, the largest exporter of goods worldwide since 2009.

During 2001-2015, G7 recorded a decreasing trend (from 45.3% to 32.1% of world exports of goods), however the gap between G7 and BRICS remained over 10 percentage points (Chart 3).

Chart 3: BRICS and G7 shares in world exports, 2001-2016 (%)



Source: Own representation, based on WTO (2017)

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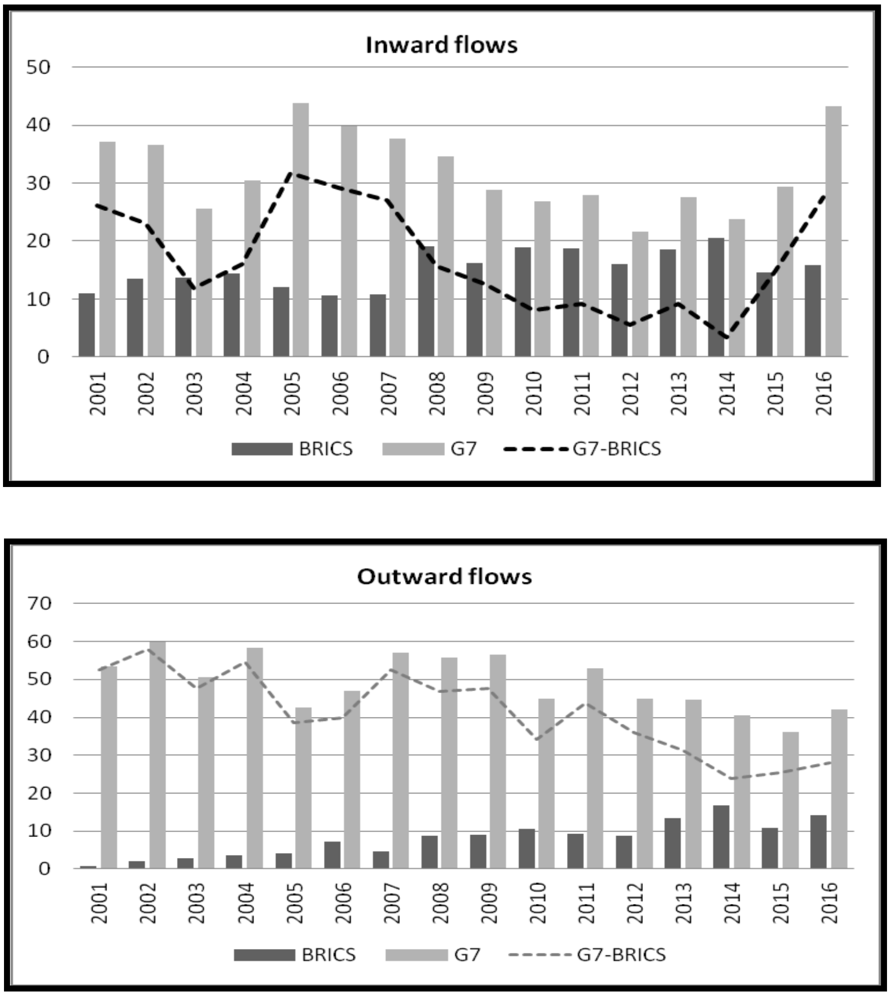
Concerning **inward and outward FDI flows**, our calculations show the following trends (Chart 4): (1) In spite of ups and downs, over 2001-2014, BRICS shares in both global FDI inflows and outflows had a general trend of increase, but in 2015 it was recorded a steep decline; (2) the increase of 2016 did not make it possible the return to levels of 2014 (historical maxima for both inflows and outflows); (3) BRICS shares in FDI outflows remain lower than those in inflows; (4) G7-BRICS gaps recorded a general trend of decrease until 2014 but it increased again in 2015-2016; (5) In both inflows and outflows cases, the minimum gap was recorded in 2014 but the value was much larger in the latter case than the former (circa 24 percentage points as compared to 3.4 percentage points); (6) For the first time in 2016, China's FDI outflows value surpassed the inflows. China was in the same year the second largest source of FDI after the United States and the third major FDI destination, after the United States and United Kingdom.

As of FDI stocks, BRICS shares in world total remains lower than in the case of FDI flows (in 2016, 10.5% versus 15.8% as for FDI inward stocks and flows, respectively and 8.1% versus 14.2% as for FDI outward stocks and flows), as these countries' integration into the global economy started later as compared to the developed economies. However the pace of their integration was very fast during the last decade.

Chart 4: BRICS and G7 shares in FDI, 2001-2016 (%)



Source: Own representation, based on UNCTAD (2017)

3.2. The role of the middle-class

Middle-class, a key source of demand, is significant from the perspective of its contribution to economic growth. There is no generally accepted measure of a country's middle-class, as the national ranges (e.g. persons spending between USD x and USD y per day or number of persons with an income ranging from USD x to USD y per year, relative to the total population) are not the same, because of the different and changing cost of living. Even international organizations such as the World Bank do not offer the same definition of middle-class.

China's rebalancing of its economy (i.e. reducing the reliance on old growth engines such as investment and exports, saving less and spending more on consumption, switching from external demand to domestic demand and from industry to services, stimulating innovation and new technologies – Li *et al.*, 2015 –) will continue to be accompanied by lower GDP growth rates than the average of 10% during 1980-2010. This will impact the other trade partners, especially the commodities exporters. However the Chinese demand of certain categories of goods and services will become more and more robust due especially to the middle-class. China's urban middle-class population is already larger than the total US population and there are segments with specific consumption behaviours/spending habits such as the new generation born after mid-1980s and raised in relative material abundance (the so-called *Generation 2* or *G2*) (Barton *et al.*, 2013).[i] Recent forecasting (Kharas, 2017) emphasizes that Chinese middle-class[ii] consumption will continue its ascending trend, it will become the largest worldwide and it will represent 16% of the world total in 2020, as compared to the United States 11%, India 9%, Japan 5%, Russia and Germany each 4%, Indonesia, Brazil, United Kingdom and France each roughly 3% (Table 1).

Table 1: Middle-class consumption – top 10 countries in 2015, 2020 and 2030 (PPP, constant 2011, 1,000 billion dollars and global shares)

Country	2015	Share (%)	Country	2020	Share (%)	Country	2030	Shares (%)
U.S.	4.7	13	China	6.8	16	China	14.3	22
China	4.2	12	U.S.	4.7	11	India	10.7	17
Japan	2.1	6	India	3.7	9	U.S.	4.7	7
India	1.9	5	Japan	2.1	5	Indonesia	2.4	4
Russia	1.5	4	Russia	1.6	4	Japan	2.1	3
Germany	1.5	4	Germany	1.5	4	Russia	1.6	3
Brazil	1.2	3	Indonesia	1.3	3	Germany	1.5	2
U.K.	1.1	3	Brazil	1.2	3	Mexico	1.3	2
France	1.1	3	U.K.	1.2	3	Brazil	1.3	2
Italy	0.9	3	France	1.1	3	U.K.	1.2	2

Source: Kharas (2017)

Taking into account the range of USD 10.01–USD 50 (expressed in 2011 purchasing power parities in 2011 prices), circa 37% of the Russian population and 30% of the Brazilian population represented middle-class in 2011. In the same year, in China, 18% of the population was included in the category of middle-class, as compared to 3% in India, 13.6% in South Africa and 13% globally (Willige, 2017, Pew Research Center, 2015).

4. BRICS MAIN MACROECONOMIC INDICATORS

Regarding the **economic growth outlook** of the BRICS countries in 2017-2019, IMF experts forecast the following (IMF, 2018; 2017):

a) End of recession in **Russia and Brazil**; economic recovery takes place at a slow pace (because of the raw material price developments) but faster than earlier projected in both countries. However, the GDP growth is accelerating for Brazil and decelerating for Russia (GDP growth rates of 1.1% in 2017, 1.9% in 2018 and 2.1% in 2019 in Brazil, 1.8% in 2017, 1.7% in 2018 and 1.5% in 2019 in the case of Russia, respectively);

b) A moderate GDP growth rate in the case of the **South Africa**, also in the context of raw material price developments (0.9% in each of the three years);

c) The slight acceleration of **India's GDP growth** (to 6.7% in 2017, 7.4% in 2018, 7.8% in 2019) due to the continuation of the reform process initiated by Prime Minister Narendra Modi in 2014;

d) The slowdown in **China's growth rate** (to 6.8% in 2017, 6.6% in 2018 and 6.4%) – a "new normal" reflecting the rebalancing process –, but less pronounced than earlier projected, as a result of effective economic policy measures.

Di Battista and Corrigan (2015) underscore that **India**, despite sustained economic growth, faces multiple structural weaknesses and social problems: increasing inequalities, the highest number of poor people in the world (out of which 300 million in extreme poverty, half of which are concentrated in five Indian states), a poorly modernized agricultural sector with a contribution of over 16% to GDP, but concentrating about half of the country's population, underdeveloped infrastructure, limited access to finance (400 million people without access to the financial system), 25% of the population without access to electricity, only 20% of the population with Internet access on a regular basis, 1/3 of the urban population living in poor peripheral areas and 65% of the population without access to sewage services.

From the perspective of other macroeconomic indicators, one can remark that:

- South Africa and Brazil are facing the highest unemployment rates (27.4% in 2017, 27.7% in 2018, 12.1% in 2017 and 11.6% in 2018, respectively).

High inflation is a problem for Brazil, Russia, South Africa and India. The IMF projections indicate a decreasing trend for Brazil and Russia, while the inflation rate in India is projected to increase to 5% and South Africa to 5.5% in 2018.

- Of the five countries, Brazil and India are experiencing the largest fiscal deficits relative to GDP and, at the same time, the highest levels of government debt-to-GDP ratio. For Brazil, the budget deficit as a share of GDP is projected to decline from 9.1% in 2017, to 7.5% in 2018 and, in the case of India, to remain at a similar level (over 6%). However, while India's public debt is on a downward trend (from almost 70% of GDP in 2016 to 67.8% in 2017, respectively, 66.1% in 2018), Brazil increases its public debt from 78.3% of GDP in 2016 to 81.2% in 2017 and 82.7% in 2018, respectively. Among BRICS countries, the level of government debt of Russia is the lowest (roughly 17% of GDP).

- Russia and China continue to register current account surpluses, while Brazil, India and South Africa record increasing deficits relative to GDP. In terms of macroeconomic indicators, Brazil and South Africa appear as most vulnerable to possible external shocks among the BRICS countries.

5. RESULTS FROM THE PERSPECTIVES OF QUALITATIVE INDICATORS[iii]

Beausang (2012) considers that BRICS countries do not have the capacity to become global economic and political powers, because of "excessive inequality and insufficient innovation". These are indeed hindrances but BRICS are at the forefront of the group of emerging economies in terms of catching up with the developed economies.

One fifth of the world largest 100 multinational enterprises are from the BRICS countries (15 of them are Chinese, 3 Russian and 2 Brazilian – indeed, there is no Indian or South African company in the world's biggest companies list) (Forbes, 2017a). As regards the most innovative 100 companies, 12% are from BRICS (6 Chinese, 3 Indian, 2 Russian and 1 Brazilian) (Forbes, 2017b).

Definitely this evidence is not enough, therefore we will analyze the BRICS progress in terms of other indicators, namely: the global competitiveness index, ease of doing business and human development index.

The world hierarchy according to the **global competitiveness index** reveals China on the 27th place, Russia on the 38th, India on the 40th, South Africa on the 61st and Brazil on the 80th (Annex 1). China, Russia and India are catching up with the leaders but they are still behind six of the G7 countries (United States, Germany, United Kingdom, Japan, Canada and France). Brazil and South Africa record instead a deterioration of their competitiveness scores, both because of corruption scandals associated with political uncertainty.

Among the BRICS, the components of the global competitiveness index underline that China surpasses the others four countries as regards: macroeconomic environment, health and primary education, labour market efficiency and market size. China together with India is better positioned as regards institutions, and together with India and South Africa surpasses the others regarding goods market efficiency and business sophistication. Russia is the first among the five countries as regards infrastructure and higher education and training. Brazil and South Africa are the leaders as concerns technological readiness, while India and South Africa are better positioned in terms of financial market development (Table 2).

Table 2: BRICS – components of the global competitiveness index

The 12 pillars of the global competitiveness index	Brazil	Russia	India	China	South Africa
1. Institutions	3.4	3.7	4.4	4.4	3.8
2. Infrastructure	4.1	4.9	4.2	4.7	4.3
3. Macroeconomic environment	3.4	5.0	4.5	6.0	4.5
4. Health and primary education	5.4	6.0	5.5	6.2	4.5
5. Higher education and training	4.2	5.1	4.3	4.8	4.1
6. Goods market efficiency	3.8	4.2	4.5	4.5	4.5
7. Labour market efficiency	3.7	4.3	4.1	4.5	4.0
8. Financial market development	3.7	3.4	4.4	4.2	4.4
9. Technological readiness	4.6	4.5	3.1	4.2	4.6
10. Market size	5.7	5.9	6.4	7.0	4.9
11. Business sophistication	4.1	4.0	4.5	4.5	4.5
12. Innovation	3.2	3.5	4.1	4.1	3.8

Note: Values are on 1-7 scale, from inferior to superior.

Source: Own representation, based on World Economic Forum (2017)

For China, the 2017-2018 edition of the global competitiveness index reveals that: “The score for the infrastructure pillar decreases for the second year in a row, the result in part of a decline in the quality of port infrastructure and the reliability of electricity supply as perceived by the business community. The largest gains are observed in technological readiness, owing to higher ICT penetration and the extent to which foreign direct investments have been bringing new technologies to China. Despite the remarkable progress already made, further improvement on this front would foster the growth of emerging digital industries and create the conditions necessary to kick-start new ones. Other significant advances have been made in the goods market efficiency pillar as a result of a slight reduction in the number of procedures for starting a business compared to last year.”

In India, the score improves across most pillars of competitiveness, due to recent public investment supported by initiatives such as *Make in India, Digital India* or *Skill India*.

The private sector considers the most problematic factor for doing business: corruption in South Africa, India and Russia, access to financing in China and tax rates in Brazil.

The World Bank’s hierarchy according to the **ease of doing business** reveals Russia on the 35th position (after United States 6th, United Kingdom 7th, Canada 18th, Germany 20th, France 31st, Japan 34th but before Italy 46th), China 78th, South Africa 82nd, India 100th, and Brazil 125th. The following table underscores the most significant challenges of doing business in each of the BRICS countries.

Table 3: BRICS – the most significant challenges of doing business

Brazil	Russia	India	China	South Africa
1. Paying taxes 2. Starting a business 3. Dealing with construction permits 4. Trading across borders 5. Registering property 6. Getting credit	1. Dealing with construction permits 2. Trading across borders	1. Dealing with construction permits 2. Enforcing contracts 3. Starting a business 4. Registering property 5. Trading across borders 6. Paying taxes 7. Resolving insolvency	1. Dealing with construction permits 2. Paying taxes 3. Protecting minority investors	1. Trading across borders 2. Starting a business 3. Enforcing contracts 4. Getting electricity 5. Registering property

Note: Are recorded those topics where positions in the world hierarchy are lower than the 100th rank.

Source: World Bank (2017)

As of UNDP's hierarchy according to the **human development index,** Russia is on the 49th place (after Germany 4th, United States and Canada 10th, United Kingdom 16th, Japan 17th, France 21st and Italy 26th), Brazil 79th, China 90th, South Africa 119th and India 131st.

6. CONCLUSIONS

China and Russia appear as leaders of the BRICS group in terms of overall qualitative indicators. Russia is the first among the five countries as regards infrastructure and higher education and training. Even if Brazil is well positioned from the standpoint of human development index and together with South Africa is a leader concerning technological readiness, these two countries' attractiveness is diminished by corruption scandals associated with political uncertainty. Middle-class rapid development appears as a significant strength for both China and India.

In spite of their structural weaknesses, differentiated according to specific factors, the BRICS countries continue to be relevant for the world economy. Even if some critics consider that these countries do not have the capacity to become global economic and political powers, because of "excessive inequality and insufficient innovation", we argue that if the proposed national reform plans are successfully implemented and the complementarities of the five economies are tapped through concrete joint projects, weaknesses can be diminished and BRICS's ability to become actors of change on the international stage will increase.

Acronyms

BRICS – Brazil, Russia, India, China, South Africa
FDI – Foreign direct investment
GDP – Gross domestic product
G7 – Group of seven largest advanced economies in the world, namely United States, Japan, Germany, France, United Kingdom, Italy, Canada
G20 – Group of twenty
HDI – Human development index
ICT – Information and communication technology
IMF – International Monetary Fund
PPP – Purchasing Power Parity
UNCTAD – United Nations Conference on Trade and Development
UNDP – United Nations Development Programme
USD – United States Dollar
WTO – World Trade Organization

ANNEX 1
Global competitiveness index – BRICS countries

Brazil

80th /137

The Global Competitiveness Index 2017-2018 edition

WORLD ECONOMIC FORUM

Key indicators, 2016

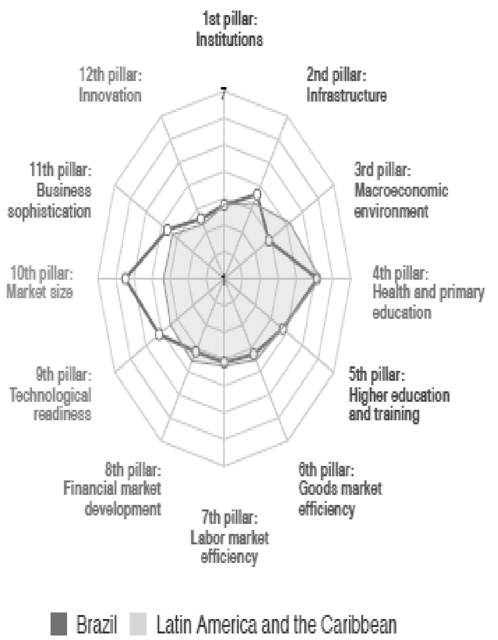
Source: International Monetary Fund; World Economic Outlook Database (April 2017)

Population millions	206.1	**GDP per capita** US$	8,726.9
GDP US$ billions	1,798.6	**GDP (PPP)** % world GDP	2.62

Performance overview

Index Component	Rank/137	Score (1-7)	Trend	Distance from best
Global Competitiveness Index	80	4.1		
Subindex A: Basic requirements	104	4.1		
1st pillar: Institutions	109	3.4		
2nd pillar: Infrastructure	73	4.1		
3rd pillar: Macroeconomic environment	124	3.4		
4th pillar: Health and primary education	96	5.4		
Subindex B: Efficiency enhancers	60	4.3		
5th pillar: Higher education and training	79	4.2		
6th pillar: Goods market efficiency	122	3.8		
7th pillar: Labor market efficiency	114	3.7		
8th pillar: Financial market development	92	3.7		
9th pillar: Technological readiness	55	4.6		
10th pillar: Market size	10	5.7		
Subindex C: Innovation and sophistication factors	65	3.7		
11th pillar: Business sophistication	56	4.1		
12th pillar: Innovation	85	3.2		

Edition	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Rank	48 / 144	56 / 148	57 / 144	75 / 140	81 / 138	80 / 137
Score	4.4	4.3	4.3	4.1	4.1	4.1



Russian Federation

38th /137

The Global Competitiveness Index 2017-2018 edition

WORLD ECONOMIC FORUM

Key indicators, 2016

Source: International Monetary Fund; World Economic Outlook Database (April 2017)

Population millions	143.4	**GDP per capita** US$	8,928.7
GDP US$ billions	1,280.7	**GDP (PPP)** % world GDP	3.17

Performance overview

Index Component	Rank/137	Score (1-7)	Trend	Distance from best
Global Competitiveness Index	38	4.6		
Subindex A: Basic requirements	48	4.9		
1st pillar: Institutions	83	3.7		
2nd pillar: Infrastructure	35	4.9		
3rd pillar: Macroeconomic environment	53	5.0		
4th pillar: Health and primary education	54	6.0		
Subindex B: Efficiency enhancers	38	4.6		
5th pillar: Higher education and training	32	5.1		
6th pillar: Goods market efficiency	80	4.2		
7th pillar: Labor market efficiency	60	4.3		
8th pillar: Financial market development	107	3.4		
9th pillar: Technological readiness	57	4.5		
10th pillar: Market size	6	5.9		
Subindex C: Innovation and sophistication factors	57	3.8		
11th pillar: Business sophistication	71	4.0		
12th pillar: Innovation	49	3.5		

Edition	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Rank	67 / 144	64 / 148	53 / 144	45 / 140	43 / 138	38 / 137
Score	4.2	4.2	4.4	4.4	4.5	4.6

India

40th /137

The Global Competitiveness Index 2017-2018 edition

WORLD ECONOMIC FORUM

Key indicators, 2016

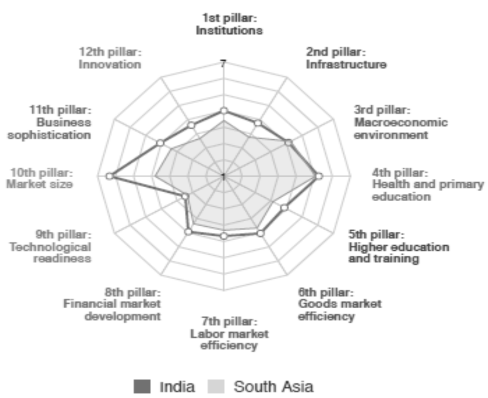
Source: International Monetary Fund; World Economic Outlook Database (April 2017)

Population millions	1,309.3	**GDP per capita** US$	1,723.3
GDP US$ billions	2,256.4	**GDP (PPP)** % world GDP	7.23

Performance overview

Index Component	Rank/137	Score (1-7)	Trend	Distance from best
Global Competitiveness Index	40	4.6		
Subindex A: Basic requirements	63	4.7		
1st pillar: Institutions	39	4.4		
2nd pillar: Infrastructure	66	4.2		
3rd pillar: Macroeconomic environment	80	4.5		
4th pillar: Health and primary education	91	5.5		
Subindex B: Efficiency enhancers	42	4.5		
5th pillar: Higher education and training	75	4.3		
6th pillar: Goods market efficiency	56	4.5		
7th pillar: Labor market efficiency	75	4.1		
8th pillar: Financial market development	42	4.4		
9th pillar: Technological readiness	107	3.1		
10th pillar: Market size	3	6.4		
Subindex C: Innovation and sophistication factors	30	4.3		
11th pillar: Business sophistication	39	4.5		
12th pillar: Innovation	29	4.1		

Edition	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Rank	59 / 144	60 / 148	71 / 144	55 / 140	39 / 138	40 / 137
Score	4.3	4.3	4.2	4.3	4.5	4.6



China

27th/137

The Global Competitiveness Index 2017-2018 edition

WORLD ECONOMIC FORUM

Key indicators, 2016

Source: International Monetary Fund; World Economic Outlook Database (April 2017)

Population millions	1,382.7	**GDP per capita** US$	8,113.3
GDP US$ billions	11,218.3	**GDP (PPP)** % world GDP	17.76

Performance overview

Index Component	Rank/137	Score (1-7)	Trend	Distance from best
Global Competitiveness Index	27	5.0		
Subindex A: Basic requirements	31	5.3		
1st pillar: Institutions	41	4.4		
2nd pillar: Infrastructure	46	4.7		
3rd pillar: Macroeconomic environment	17	6.0		
4th pillar: Health and primary education	40	6.2		
Subindex B: Efficiency enhancers	28	4.9		
5th pillar: Higher education and training	47	4.8		
6th pillar: Goods market efficiency	46	4.5		
7th pillar: Labor market efficiency	38	4.5		
8th pillar: Financial market development	48	4.2		
9th pillar: Technological readiness	73	4.2		
10th pillar: Market size	1	7.0		
Subindex C: Innovation and sophistication factors	29	4.3		
11th pillar: Business sophistication	33	4.5		
12th pillar: Innovation	28	4.1		

Edition	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Rank	29 / 144	29 / 148	28 / 144	28 / 140	28 / 138	27 / 137
Score	4.8	4.8	4.9	4.9	5.0	5.0

South Africa

61st/137

The Global Competitiveness Index 2017-2018 edition

WORLD ECONOMIC FORUM

Key indicators, 2016

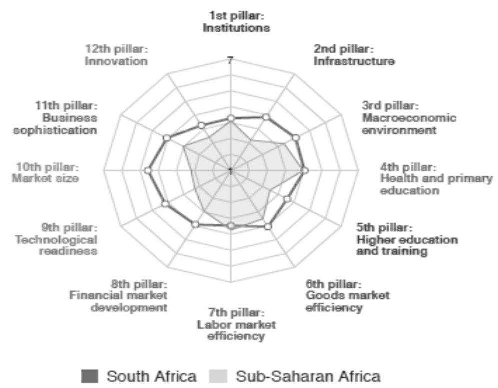
Source: International Monetary Fund; World Economic Outlook Database (April 2017)

Population millions	55.9	**GDP per capita** US$	5,260.9
GDP US$ billions	294.1	**GDP (PPP)** % world GDP	0.62

Performance overview

Index Component	Rank/137	Score (1-7)	Trend	Distance from best
Global Competitiveness Index	61	4.3		
Subindex A: Basic requirements	92	4.3		
1st pillar: Institutions	76	3.8		
2nd pillar: Infrastructure	61	4.3		
3rd pillar: Macroeconomic environment	82	4.5		
4th pillar: Health and primary education	121	4.5		
Subindex B: Efficiency enhancers	52	4.4		
5th pillar: Higher education and training	85	4.1		
6th pillar: Goods market efficiency	54	4.5		
7th pillar: Labor market efficiency	93	4.0		
8th pillar: Financial market development	44	4.4		
9th pillar: Technological readiness	54	4.6		
10th pillar: Market size	30	4.9		
Subindex C: Innovation and sophistication factors	39	4.1		
11th pillar: Business sophistication	37	4.5		
12th pillar: Innovation	39	3.8		

Edition	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Rank	52 / 144	53 / 148	56 / 144	49 / 140	47 / 138	61 / 137
Score	4.4	4.4	4.4	4.4	4.5	4.3



Source: World Economic Forum (2017)

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[i] According to this study, the middle-class is defined from the perspective of annual disposable income per urban household in 2010 in real terms between USD 9,000 and USD 34,000 (upper middle class, $16,000 to $34,000, mass middle-class, $9,000 to $16,000).

[ii] Kharas (2017) takes into account the ranges of 2011 PPP USD 11 to 2011 PPP USD 110 a day.

[iii] We will focus on three of them. (1) The Global Competitiveness Index 2017-2018 (calculated by the World Economic Forum) "presents a framework and a corresponding set of indicators in three principal categories (sub-indexes) and twelve policy domains (pillars) for 137 economies". (2) According to the World Bank's ease of doing business, economies are ranked from 1–190. "A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm". (3) The UNDP's Human Development Index (HDI) is "a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions".