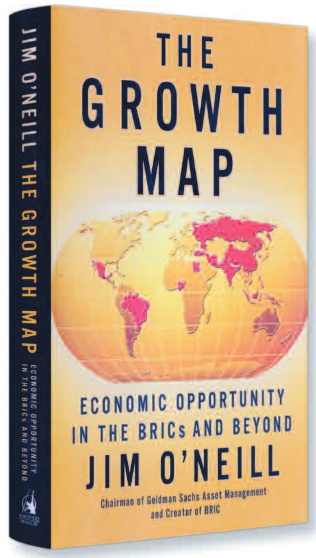
SOUNDVIEW Executive Book Summaries®
www.summary.com

The Growth Map

Economic Opportunity in the BRICs and Beyond



by Jim O'Neill

THE SUMMARY IN BRIEF

In 2001, Jim O'Neill predicted the fastest growing economies of the past decade. Now he's back to explore the new growth markets we should all be watching closely today.

It's been 10 years since O'Neill conceived of the BRIC acronym. He and his team made a startling prediction: Four developing nations — Brazil, Russia, India and China (the BRICs) — would overtake the six largest Western economies within 40 years. The BRIC analysis permanently changed the world of global investing and its accuracy has stood the test of time.

The Growth Map features O'Neill's personal account of the BRIC phenomenon, how it has evolved and where those four key nations currently stand after a turbulent decade. And the book also offers an equally bold prediction about the "Next Eleven" (N-11) countries: Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam. These developing nations may not seem exceptional today, but they offer exciting opportunities for investors over the next decade, just as BRIC did before them.

O'Neill also shares several compelling insights about the world economy. He reveals the value for growing countries in being "willing to play" by meaningfully committing to policies that encourage further engagement with globalization.

IN THIS SUMMARY, YOU WILL LEARN:

- How Brazil, Russia, India, China and emerging nations have joined the global economy.
- How the BRICs are helping the West recover its economic health.
- Why the BRICs and other nations are crucial to a better economic future.
- The countries that form the "Next 11" and why they have the potential to power the next economic boom.

CONTENTS

Published by Soundview Executive Book Summaries®
500 Old Forge Lane, Suite 501, Kennett Square, PA 19348 USA

Concentrated Knowledge™ for the Busy Executive www.summary.com • October 2012 • Order #34R-TFS

THE COMPLETE SUMMARY: **THE GROWTH MAP**

by Jim O'Neill

The author: Jim O'Neill is the chairman of Goldman Sachs Asset Management. He previously served as the firm's head of Global Economics, Commodities and Strategy Research. He created the term BRIC in 2001.

The Growth Map: Economic Opportunity in the BRICs and Beyond by Jim O'Neill. Copyright © 2011 by Jim O'Neill. Summarized by permission of the publisher, Portfolio/Penguin, a member of the Penguin Group (USA), Inc. 248 pages, $29.95, ISBN 978-1-59184-481-5. To purchase this book, go to www.amazon.com or www.bn.com.

Introduction: Audacious Growth

In 2001, I wrote a research paper in Goldman Sachs' *Global Economics* series that examined the relationship between the world's leading economies and some of the larger emerging-market economies.

I thought the global economy in the coming decades would be propelled by the growth of four populous and economically ambitious countries: Brazil, Russia, India and China, and I coined the acronym BRIC from their initials to describe them.

Since then, my career has been shaped, in large part, by that single term. Ten years later I am even more eager to convince the world that they, along with some other rising stars, are the growth engines of the world economy, today and in the future.

Based on my analysis of global gross domestic product (GDP), I wrote that four countries — Brazil, Russia, India and China — which then controlled 8 percent of the world's GDP, would see their share of the world economy grow significantly in the next decade.

Brazil's GDP overtook Italy's in 2010, making it the seventh largest economy in the world with a GDP of around $2.1 trillion. The other three BRICs have made similarly impressive progress. In the first two months of 2011, we learned that China's economy had overtaken Japan's as the world's second largest; IndiGo, a little-known low-cost Indian airline, had ordered 180 A320s, making it two-thirds the size of Europe's long-established easyJet; and Russia had become Europe's largest car sales market.

All four of the BRIC countries have exceeded the expectations I had of them back in 2001. Looking back, those earliest predictions, shocking to some at the time, now seem rather conservative. The aggregate GDP of the BRIC countries has close to quadrupled since 2001, from around $3 trillion to between $11 and $12 trillion. The world economy has doubled in size since 2001 and a third of that growth has come from the BRICs. Their combined GDP increase was more than twice that of the United States and it was equivalent to the creation of another new Japan plus one Germany, or five United Kingdoms, in the space of a single decade.

Given the BRICs' success, it should be no surprise that many other countries are now vying to be dubbed the next BRIC.

The Birth of the BRICs

In 2001, what particularly interested me about Brazil, Russia, India and China was that they all appeared increasingly eager to engage on the global stage. Whatever had occurred in their past was over and done with. Globalization was happening and they wanted to be part of it. The Internet was obviously helping, enabling companies to outsource more and more activities to cheaper parts of the world. China was an easy pick, given its size and the enthusiasm of its leaders to embrace capitalism — or at least large parts of it. If those billion-plus people had access to the same technology and advantages enjoyed in the West, their progress would be prodigious.

That India's demographics were so powerful, and the fact that so many Indians spoke English, put them in a great position to benefit from the Internet and the boom in outsourcing services. Here was another nation of more than 1 billion people that seemed to want to embrace globalization and to allow its workforce and products to enter the global marketplace.

Russia had already been invited to join the G7 in 1997 as the West sought to encourage the country

1-800-SUMMARY
service@summary.com
Published by Soundview Executive Book Summaries® (ISSN 0747-2196), 500 Old Forge Lane, Suite 501, Kennett Square, PA 19348 USA, a division of Concentrated Knowledge Corp. Published monthly. Subscriptions starting at $99 per year.

toward free markets and democracy following the collapse of communism. By 2001, the G7 leaders had given up on Russia to a degree. The replacement of Boris Yeltsin with Vladimir Putin had slowed Russia's progress toward capitalism, to the disappointment of the West. This mind-set lies at the heart of why some Western observers today find it so easy to be skeptical about Russia. Russia can still generate the economic might and opportunities that the G7 perceived back in the 1990s.

Brazil's opportunity came in the brief period after 1999, following yet another economic crisis. Brazil's leader floated its currency, the real, letting it promptly drop in value, and appointed Arminio Fraga, a fan of inflation targeting, as the new head of the central bank. By placing the control of inflation at the center of macroeconomic policy, it at last seemed that Brazil's leaders have the will to end the hyperinflation cycles of the previous two decades and give their country a serious chance to reach its potential.

From Emerging to Emerged

The aggregate GDP of the BRIC countries quadrupled during the decade following my original paper, from $3 trillion to close to $12 trillion. In hindsight I should have been even bolder in my predictions. Even though I had always known it for my basic economics training, I had not fully appreciated the simple but critical importance of demographics and productivity.

The Power of Demographics and Productivity

I often hear people talking enviously about growth in the United States versus Europe, or with astonishment at the growth in India and China. A lot of that is due to the demographics.

Between them, the four BRIC countries are home to close to 3 billion people, not far off half the world's population. China and India are the two huge nations, with populations of more than four times the size of the United States. Brazil and Russia have much smaller populations, with around 180 million and 140 million, respectively, but this is more than any country in Europe and, indeed, more than the 125 million or so in Japan.

More working people make an economy easier to grow, unless, of course, they are extremely unproductive (as can be the case in many developing economies). More people produce more output. More people earn wages and income, which is the basis for their consumption.

The other essential driver of growth is productivity. The more a group of workers can produce with a given set of inputs, from time to materials, the faster their economy will grow.

The scale of the opportunity for productivity growth is much larger in developing countries than in developed ones. Countries with young and expanding labor forces, which are becoming increasingly efficient, will show the largest gains in real GDP.

Growth Environment Scores

By 2005, when my colleagues Dominic Wilson, Roopa Purushothaman and I, together with another colleague, Anna Stupnytska, wrote our next major review of the BRICs, we had evolved our understanding and measurement of their growth prospects even further by introducing a measure called the growth environment score (GES).

Economists believe that higher productivity is critical for sustaining growth and helping to improve welfare. What is not known is exactly what causes productivity to increase. If it were so easy, then growth would be more predictable, achievable and easy to attain.

The GES index consists of 13 different variables, five macroeconomic in nature and eight microeconomic. We simply average out the scores without giving one variable any more weight than another.

In 2005, China's GES ranked highest among the BRICs, followed by Russia, Brazil and India. As a measurement tool, the growth environment scores have proved extremely useful. We now calculate them for 180 countries, and they have played a significant role in our thinking about the N-11 growth economies as we defined them in 2005.

BRIC by BRIC

To understand fully what the BRICs are all about, it is necessary to examine each country individually.

Brazil

Brazil today is the most popular of the BRICs so far as foreign direct investment is concerned. Investors, ranging from global private equity firms to hedge funds, are battling it out to acquire Brazilian assets.

The decision to include Brazil among the BRICs was far from automatic. Many were skeptical and some, including some Brazilians, even begged me not to include it.

Goldman's own Brazilian economist, Paulo Leme, shared the concerns of many. Brazil, after all, had always been "the country of the future" that somehow never got there. In the 1960s, people predicted that Brazil and

Argentina would soon be the biggest economies in the world. Inflation and inept, highly centralized political leadership killed that dream. Brazil was undone by perpetual economic and political crises.

Brazil's rise as an economic power has happened far more quickly, at least in U.S. dollar terms, than we envisaged back in 2001 and 2003. It has the capacity to become an economy close to $10 trillion, about five times bigger than it is today.

Russia

It is hard to find people quite so optimistic about Russia. In fact, it is the one country many think should be dropped from the BRICs. It is not a view I share. The argument goes that Russia's unfavorable demographics, excessive dependence on energy and raw materials, and its poor record in governance and legal structures make it an unworthy recipient of the power bestowed by its status as a BRIC.

While Russia does have serious challenges, it also has the potential to have a higher GDP per capita than the other BRICs, and even higher than all other European countries.

At the core of Russia's present challenges are its demographics. Anecdotes about Russia's poor life expectancy abound. Its population has been falling since the collapse of the Soviet Union owing to a combination of emigration, rising death rates and falling birth rates. Putin proposed a wide range of subsidies and financial incentives to increase Russia's birth rate. By 2007, the government was claiming progress. If Russia can pull off this demographic shift, its economic prospects will improve dramatically.

Russia's GDP could grow to $7 trillion by 2050, around four times where it is today. If its population simply stops declining, Russia could quite easily become as large as Brazil, at around $10 trillion in 2050.

India

India is the greatest mystery among the BRICs. Its demographics are astonishing, the most favorable in the world. Over the next 25 or 30 years, its working population might increase by the same number of people as currently live in the United States, 300 million. Its population in 2011 was already 1.2 billion and by 2050 could reach 1.7 billion — that's 10 to 20 percent more than China's, and with far more young people.

India also has the great advantages of a credible legal system, many English-language speakers and homegrown technology companies that are expanding globally. India is the most vibrant, beautiful, creative, inspiring place I have ever seen. But the scale of poverty is astonishing and the difficulties of getting things done are equally so.

Its regions are very autonomous, so central government cannot dictate policy. Ordinary permits and approvals can take months to come through, gumming up even the simplest procedures. India attracts the least foreign investment of the BRICs partly because of this mystifying bureaucracy.

China

I love traveling to China and sharing its people's optimism. It's a change from the cynicism and negativity I hear constantly in the West, where people seem to have lost their excitement about the future.

There is simply no overstating China's importance to all of us, not just to 1.3 billion Chinese. The entire planet is invested in China's success. When I joined Goldman Sachs in 1995, China's economy was worth around $500 billion. It has grown more than tenfold in just 15 years, averaging more than 10 percent real GDP growth throughout that period. In 2010, China overtook Japan to become the second largest economy in the world.

The key, of course, to China's extraordinary growth has been its population. China does have some challenges in this regard. Its working population is aging and may soon peak, which could land China with the kind of challenges faced by Italy, Japan and perhaps Russia. China's growth rate will not be as strong in the future as it has been in the past 20 years.

China's challenges, like everything else about the country, are monumental. A popular criticism of China is that investment spending is too high, too unprofitable

The Path to 2050

My colleagues Dominic Wilson and Roopa Purushothaman had helped to push the BRIC concept firmly into the mainstream with their 2003 paper "Dreaming with BRICs: The Path to 2050." What they did so effectively was to compare the BRICs in 2050 to the then current world economic superpowers. "If things go right," they wrote, "in less than 40 years, the BRIC economies together could be larger than the G6 in dollar terms."

A simple chart they produced showing what they expected to be the largest economies in the world by 2050 — with China first, followed by the United States, India, Japan, Brazil, Russia, the UK, Germany, France and then Italy — was downloaded from the Goldman Sachs website 10 times more often than any other document.

and thus unsustainable, as it was in Japan in the 1980s. There are significant doubts about the accuracy of Chinese official data.

When I meet young Chinese people and hear them talk and sense their energy, then I am back to being optimistic again. I remain as intrigued about China's future as I was that first time I visited Beijing.

The New Growth Markets

The rise of China and the BRICs has not gone unnoticed among other large emerging economies. The remarkable success of China alone has encouraged other countries to explore ways of boosting their prosperity by becoming more engaged with the rest of the world.

Back in 2001 and 2003, many people wondered why we singled out only the four BRIC economies for dramatic growth. This prompted us to explore more closely the growth opportunity for other countries and, in our 2005 paper "How Solid Are the BRICs?", we introduced the "Next 11" (N-11).

The N-11 grouping is not particularly cohesive, but all 11 are developing countries with large populations and many would have exciting potential if they were to participate more fully in the global economy. It includes several contrasting nations: Mexico from Latin America, Turkey on the edge of Europe and Asia, Egypt and Iran from the Middle East, Nigeria from Africa, and six countries that span the whole of Asia — Bangladesh, Indonesia, South Korea, Pakistan, the Philippines and Vietnam.

Mexico's GDP could make it the world's sixth largest economy, comparable to that of Russia, and Indonesia, Nigeria and South Korea could overtake Italy and Canada.

There are countries with specific weaknesses: Vietnam needs to reduce its government deficit, Turkey must improve its technology scores and be more open to international trade, while Iran's political system scores low. Then there are those with broad-based challenges like Egypt, Indonesia, the Philippines, Bangladesh, Nigeria and Pakistan, which underperform in every area, from fiscal discipline to education, investment rates and health care.

In addition to the critical policies each BRIC nation will individually need to introduce, there is one common variable that suggests that the next 50 years are to be more supportive for their economies than the last: technology.

Chinese Contradictions

Like all the BRICs, China is rife with contradictions, and no experience captures these better than a visit to Mao's mausoleum in Tiananmen Square in Beijing. It was like going to a soccer match, with thousands of poor Chinese crowding around, pushing and spitting on the ground. It was a little scary at first. The police herd you and you worry you might get trampled. Near the entrance is a shop where you can buy flowers for three renminbi (yuan), and so many people were buying a bunch to present before the embalmed body of China's Great Helmsman. We saw banks of flowers rising up around Mao. But then I noticed a man picking up the flowers and taking them back around to the store to resell them. So we had huge crowds coming to pay their respects to a man who had authorized the killing of millions of people and buying flowers knowing they would be resold the moment they laid them down. Within a few hundred yards of the mausoleum there is a Lamborghini showroom, where China's new rich buy sports cars with cash. If you can process this mess of confusing images, then you have a chance at understanding modern China.

Are There Enough Resources?

It has been a natural fear for centuries that the more of us occupying the planet, the fewer resources there will be to go around. The 18th-century English scholar Thomas Malthus painted the most famous and grimmest picture in his *Essay on the Principle of Population*. Whenever there are too many people, he wrote, what follows is "misery and vice" in the form of epidemics, famines, war and extreme poverty, until the balance between people and their means of subsistence is restored.

There are many today who look at the rise of the BRICs and see the realization of Malthus's fears. If there is a single reason the BRIC dream I outlined for 2050 won't materialize, goes their argument, it is the lack of resources to satisfy this hungry new world.

There is no doubt that resources will be crucial to the growth of the BRICs and their relations with the rest of the world. In 2004, my colleagues analyzed the energy markets in the context of our predictions for the BRICs in 2050. They found that if the BRICs grew at the pace we thought they could between 2005 and 2050, that a major imbalance would develop between supply and demand of energy resources.

I side more than ever with the optimists, who argue that the reason Malthus's fears never came to pass and will not in the foreseeable future is technology.

At key moments in human history, man has found solutions to his most acute problems. An oft-quoted example of this was the great horse manure crisis that afflicted America's cities in the late nineteenth century. In New York, in 1900, the population of 100,000 horses reportedly produced 2.5 million pounds of manure every day. Streets were apparently covered with the stuff and the air thick with flies. The future of cities was at stake. What saved them was the arrival of motorized transport. The entire manure problem vanished at a stroke, courtesy of men like Henry Ford.

I'm not suggesting that feeding the BRIC's appetite for resources will be easy. Nor do I wish to trivialize the challenge it presents. But I do have faith that scientific innovation, wise government policy and the markets can provide solutions that will help us avoid the doomsayers' scenarios.

We have a complex world evolving in the commodity markets, with strong price pressures influencing many aspects of the world economy. Much will depend on how countries can coordinate and cooperate to respond to these immense challenges. ●

Consumption

The rising levels of consumption in the BRIC countries are a compelling sign of how quickly these economies are changing. Consumption and foreign direct investment are the components of GDP that I follow most closely. They tell me how a country is maturing, how much wealthier its people are becoming, what they are choosing to buy and to what extent their economy is opening up to the world.

In London, the top end of the property market is almost entirely driven by non-British buyers, many from the BRICs. Apartments in South Beach in Miami are now being snapped up by Brazilians. Wealthy Chinese travel and shop in Paris and Tokyo en masse. Russian tourists have been a fixture in the most fashionable European resorts for years now.

At the end of 2010, consumption and the BRIC countries came to about $5 trillion. In the United States it was $10.5 trillion, in the European Union $9.5 trillion and in Japan around $3 trillion.

When I talk to auto executives, I find that their concerns about the global economy have changed in the past decade. In recent years, they have wanted to hear my projections for the BRICs, and to better understand the risks and opportunities in these markets.

Take China: many multinationals first went to the country to take advantage of its cheap labor. They saw a chance to improve profitability through lower costs. But what first brought them into this market is not what is keeping them there. As wages rise, the labor cost advantage of manufacturing in China is eroding. These days, the greatest opportunity is for those companies with the strongest brands. A huge and expanding population now desires and can afford their products.

Another important indicator of BRIC consumption is the pace of urbanization. People who live in close proximity to others want what they have or more and this stimulates economic competition, which leads to faster growth.

In India, at least 50 cities have a population of more than 1 million people. So many people living close together, inching up the economic ladder and wanting what so many others have, is a dream for consumer companies.

Switzerland does not worry about the growth of France, Germany and Italy. In fact, it wants it to grow, as it means the Swiss can export more and earn more income. European countries should think about the BRIC countries in the same way, as export markets to be expanded for their own economic benefit. ●

New Allies Ahead

The rise of the BRIC economies and the growth markets will result in dramatic changes in relationships between those countries and the rest of the world, and regional economic and political ties will be subject to deep and lasting change.

Brazilian commodity exports to China have risen so much that China is now easily Brazil's number one export market. China's direct investments into Brazil are rising sharply. China's expanding investment into Africa is a similarly exciting development, and raises the prospect of very different external relations for many African countries.

Asian Axis

Within 20 years, China might be the world's biggest economy and India the third largest. More than two-thirds of the world's population is in Asia. Six of the N-11 economies are in Asia, as, of course, are China and India. Taken together, the prospects for the continent are incredible.

How will the new giants, China and India, treat each other? What will be the regional role of the still prosperous but economically much smaller Japan? The same issue faces South Korea and all those large population countries with great potential, such as Bangladesh, Indonesia, the Philippines, Pakistan and Vietnam, and the smaller, more prosperous economies, such as Singapore. The often fraught relationship between India and Pakistan could be tested even more by India's emergence as the world's third largest economy. These are all significant challenges for Asia's fall leaders, who need to find ways of rising to them.

The BRICs and the United States

The dynamics involving the United States are nearly as complicated and exciting. How will the world's only superpower continue to deal with the prospect of losing this mantle, especially to a "communist" regime in China? How will the United States manage its Asian relationships? Will Japan remain its pre-eminent geopolitical partner in the East as it has been for much of the modern era, despite its relative decline? Will the United States "drop" Japan? How should the United States support the emergence of Russia without dramatic changes in how the Kremlin presides over business and general life in Russia? And what about Latin America, in which Brazil and Mexico may emerge as more forceful voices?

Despite the threat to its sole dominant world leadership, many signs suggest that U.S. policymakers are coping admirably with the emergence of the BRICs, allowing the economic forces of globalization to benefit their globally minded companies and thereby supporting an environment in which the BRICs can emerge.

During the next five years, the most important goal of U.S. economic policy will be to double its exports and reduce its large foreign debt. If the United States is to succeed in reversing its balance of payments deficit, managing the trade relationships with the BRIC economies is vital.

A New World Order

Unless the BRICs are embraced more fully by the powers that now dominate the world's economic policy councils, we cannot enjoy the full benefits of their growth.

G7, G20 and the BRICs

The G6 club of the richest and largest industrialized countries was founded in 1975 when U.S. President Gerald Ford convened a summit to discuss the first oil price crisis. He invited Japan, the United Kingdom, Germany, France and Italy to talks with the U.S. In 1976, he added Canada, to balance the large European contingent, thus forming the G7. As large economies with reasonably similar income levels per head and shared democratic values, the G7 countries are vaguely alike. But they are hardly representative of the world economy in the way they were back in the 1980s. Back then, China was economically irrelevant. Today, it is the second largest economy in the world. Brazil is bigger now than Italy. Brazil, India and Russia are each bigger than Canada. Yet the G7 still meet and their leaders still behave as though their nations dominate the world.

If membership hinged only on economic criteria rather than political influence, I would suggest that a new "Growth 8" grouping comprising the Growth Markets (Brazil, Russia, India, China, Indonesia, Mexico, South Korea and Turkey) would be a much more sensible club than the G7. From 2011 to 2020, the change in the aggregate GDP of the "Growth 8" is likely to be around double that of the G7 in U.S.-dollar terms.

The G20 members include 19 of the world's largest economies plus the European Union, as well as the heads of the International Monetary Fund and World Bank. As of now, it has become the most representative group to discuss truly global economic issues. It may include more members than is ideal for frequent decision-making, but has more legitimacy than the (still influential) G7, as it includes BRIC countries.

The BRICs, however, are not just standing by waiting to be invited by the traditional economic powers to join one or the other of their clubs. In 2009, their leaders decided to hold their first summit. I was delighted to see an acronym I had created evolve into a rival to the G7. They met again in 2011, with South Africa added to the mix.

The BRICs and Monetary Policies

As the BRICs and the other Growth Markets become ever more intertwined with the rest of the world, their political leaders will exert ever more influence on the global monetary system and their demands from it will be increasingly relevant. But, at the same time, their internal stability will continue to be paramount. Their ability to control inflation, and thus keep their citizens happy, will partly depend on what they choose to do about their currency regimes.

Consider again the possible path for the world economy in the current and next decade. Before the end of 2020, the BRIC economies combined will become larger than the United States. Before the end of 2030, China may become as large as the United States, and the other big economies may match those of the G7. Can we have a global monetary system that does not include the currencies of all its biggest economies? No.

For the BRIC countries themselves, this is a vital domestic issue. Adopting a more flexible exchange rate system would be a useful tool in targeting inflation, which, as I've said, should be a priority for any ambitious developing economy.

The rise of the BRIC currencies might ultimately threaten the supremacy of the dollar in the currency of international trade, finance and exchange rate setting. It is apparent from the communiqués of BRIC finance ministers and leaders I read that an increasing amount of bilateral trade among the BRICs is bypassing the dollar and being conducted in their own currencies.

One thing is for sure: if the world economy continues to unfold in the manner I expect, the monetary system is likely to evolve into something very different.

Invest and Prosper

It should be clear by now that I no longer regard the BRICs as emerging markets. They are a fundamental part of the modern world.

At Goldman Sachs we came up with the Growth Markets concept to help people get out of this old way of thinking.

Talk to multinational companies such as JCB, Burberry, WPP or General Motors. Do they think of China as an emerging market or as an essential part of their present and future?

The key is to pay attention to the evidence and keep your emotions at bay. Investing in BRICs is no different from investing anywhere else.

In my 30 years in finance, I realized that the day everything becomes crystal clear is probably the day we should stop investing in that idea: they could not get any better or perhaps something new will appear.

Having said that, I have little doubt that as the BRICs comprise ever more of the world's GDP, their capital markets will develop and the opportunities will multiply for domestic and foreign investors to participate in their growth.

Comparing Investment Concerns

Ironically, and in contrast to many international companies, financial investors typically find India a lot easier to invest in than China, partly due to India's colonial history or perhaps its English-based legal system. In Russia, the main concern is also often the government. That said, the Russians today are talking seriously about creating a special center for trading financial instruments. Brazil is probably the easiest of the BRICs from an investing perspective. It is more Western than the others and has better-established domestic capital markets.

One cannot invest around the world these days and ignore or be frightened by the rise of the BRICs and the Growth Markets. It is much better to be open-minded. Despite the instability such changes bring, for millions of people around the world economic growth on this scale is a very positive story — and one that can be good for our investments.

A Better World

The exciting prospects of these countries are good not just for them, but for us all. As we go through dramatic changes in the economic landscape, it is important for people to keep remembering this.

For the overindebted, burdened nations of the West, selling goods to the rising Growth Markets is their future. Before this decade is over, I expect the dollar value of consumption in the BRIC economies to exceed that of the United States. Many of us in business and finance have grown up thinking that the U.S. consumer drives the world. By 2020, this notion will be a mere historical observation.

Tens of millions of people from the BRICs and beyond are being taken out of poverty by the growth of their economies. We at Goldman Sachs estimate that 2 billion people are going to be brought into the global middle class between now and 2030 as the BRIC and N-11 economies develop. The same is beginning to happen in some of the most challenging parts of Africa, and, while it is very early days, the uprisings in the Middle East suggest it could happen there, too.

Rather than be worried by such developments, we should be both encouraged and hopeful. Vast swaths of mankind are having their chance to enjoy some of the fruits of wealth creation.

This is the big story.