



The BRIC

"The Discussion of Why India Has Not Become an Economic Superpower and Analysis of How India Can Become One by 2050"

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Coined in 2003 by Goldman Sachs, one of the most respected and leading global financial firms, the acronym BRIC describes four of the fastest growing economies in the world (BRIC). These economies include Brazil, Russia, India, and China. Over the next 50 years, analysts at Goldman Sachs predict that the BRIC economies will surpass the current richest economies in the world. The BRIC countries provide excellent growth potential as the four countries combined account for a quarter of the world's land mass and 40% of the world's population (BRIC). These countries have not formed an official alliance such as the European Union, but if they do, they would become the single largest global entity with a combined GDP of \$15.435 trillion according to Jim O'Neill, a global economist at Goldman Sachs (BRIC). With an unmatched potential, the BRIC provides an opportunity for investors and foreign companies to take advantage of low labor and production costs while also penetrating newer markets ("Brazil, Russia, India, and China- BRIC."). Several of the countries such as India have been on the cusp of becoming an economical superpower, but have been unable to because of a lack of adequate resources such as a satisfactory infrastructure and advanced education.

Investors and foreign companies have been salivating at the prospects of the future growth potential in each of the BRIC countries. Goldman Sachs's global economist, Paul O'Neill mentions that China and India will become the world's dominant suppliers of manufactured goods and services while Brazil and Russia will become dominant suppliers of raw materials by 2050. China and India, the two most populous countries in the world have populations in excess of one billion people, which bode well for penetration by multinational firms looking to cut costs and increase market share. On the contrary, Brazil and Russia provide an abundance of natural resources and raw materials that they are able to export to other nations and use to develop their respective infrastructures.

The development of an adequate infrastructure is essential for any country to succeed. Without a solid infrastructure, overall development and the transportation of goods and raw materials from one part of a country to another will be limited. Investors will steer away from investing into countries that do not have a developed infrastructure because it presents a high level of risk and uncertainty. A hindrance to the aggressive growth and development of India has been the inability to maintain a solid infrastructure and an effective government.

India has been on the brink of economical success since it gained its independence on August 15, 1947, but has not been able to establish itself as a superpower because of several issues (India). Many of the problems that have plagued India over the past few decades have been its corrupt and inefficient government. The government has caused all types of problems that have hindered the growth of India's economy and the status of India's citizens. The caste system among citizens has prevented citizens from teaming up and demanding better services from the government (O'Neill, Jim, and Tushar Poddar). Instead, the government favors the higher castes to meet their needs rather than providing the services needed by the entire population to ensure economic prosperity. There has been no incentive for the government to provide extra services such as water, education, and healthcare to its citizens because of a large gap between the physical access to the services and the actual quality (O'Neill, Jim, and Tushar Poddar).

An excellent education system with government support is another characteristic that developed economies share. In India, education has not been at the forefront of government policy in past years. The government has failed to provide education to all of its citizens due to the discrimination between upper castes and the lower castes. Currently, only 61% of India's one billion citizens are literate ("South Asia: India."). The rate of literacy has been increasing steadily since India gained its independence, but unfortunately has continued to be a major

reason for the widespread disparity between the castes and a reason for why India has not reached its full potential. Education is essential for growth and prosperity of any economy. When citizens are educated, the innovation of new ideas and technology begin to take the forefront and replace the old inefficient habits of previous practices. Citizens begin to question the previous practices and inefficiencies of their governments and look to improve their status and the status of their family.

For India to develop into an economical superpower, it must improve its government and education system. India is on pace to be the second largest economy in the world nestled in between China and the United States (O'Neill, Jim, and Tushar Poddar). India's economy is to grow by 8.3% annually until 2020. Currently, India's GDP is approximately \$1.2 trillion, which ranks 11th but it is expected to grow to \$45 trillion and rank 2nd by 2050 (O'Neill, Jim, and Tushar Poddar). Analysts attribute several variables that must occur in the future for such a drastic turnaround of India's economy to happen.

According to Goldman Sach's 2003 report, India is slowly making steps in the right direction to correct their longstanding governance and education problems. Global economist Jim O'Neill and his team of analysts at Goldman Sachs present several interesting reform ideas that if followed, subsequently may lead to India's expected growth. O'Neill notes that India's government should focus on the decentralization of public goods, which will allow responsibilities across each level of government and institute a checks and balances type of approach that is similar to that of the U.S. (O'Neill, Jim, and Tushar Poddar). This system would create ownership and initiative among Indian policymakers and citizens. O'Neill also notes that greater transparency and dispersion of information from the government to individuals would be very beneficial to creating more accountability among the approximately 1 billion Indians.

Effective channels of communication and collaboration are essential for Indians to begin to produce the expected levels of GDP in 2050.

Having effective communication and collaboration among citizens is only possible with the implementation of an effective education system. Many people believe that all Indians are inherently intelligent and that the education system in India is one of the best in the world. Unfortunately, all of those that believe this are greatly mistaking because India has the largest absolute number of illiterate people in the world (Velkoff, Victoria). Thirty-nine percent of the 1.1 billion Indians are illiterate ("South Asia: India."). Of the four BRIC countries, India has the lowest literacy rate of men and women. Approximately 75% of men and only 55% of women are literate in India (O'Neill, Jim, and Tushar Poddar). This presents a severe problem as numerous studies show that illiterate women have higher levels of fertility and mortality, and low earning potential (Velkoff, Victoria). Illiteracy among women in India also presents negative effects to their own children (Velkoff, Victoria). According to Pratham, the largest non-profit organization in India, approximately half of the 200 million children in primary schools are unable to read and write (O'Neill, Jim, and Tushar Poddar). This poses a significant problem for India moving forward as literacy of the younger population is crucial for developing and sustaining a growing economy. In past decades, India's government has spent very little on education but has realized the need to increase spending and to promote education throughout the country.

India's government has also turned its attention to improving the universities within India (O'Neill, Jim, and Tushar Poddar). By 2020, analysts predict that Indian citizens seeking higher education will increase by upwards of 400% and the number of universities will increase from 350 to approximately 500 by 2016 (O'Neill, Jim, and Tushar Poddar). Increasing the number of universities within India is essential for spurring creativity and technological advances

that will lead India to unreached levels. For India to become one of the most powerful manufacturing countries in the world, it must invest heavily in higher education and develop regulations to promote learning from early primary education to the university level.

The prognosis for India is very good if they implement changes to their governance and education policies. Having a relatively corrupt free government that is able to negotiate and collaborate with other countries is necessary for sustaining trade relations and a diplomatic presence. Developing trade relations is essential for any country but especially for India. Recently, India's trading activity has skyrocketed due to lower tariff barriers but its overall impact to the global economy is less than 1.5% of all global trading (O'Neill, Jim, and Tushar Poddar). Even though India's trading activity has increased, it still has yet to tap into large markets such as China and other neighboring Asian and European markets (Goldman Sachs). Neighboring countries such as China, Russia, and Indonesia present lucrative opportunities for India to export many of its products and to develop market share. By 2050, various analysts predict that India will be a global leader in the manufacturing and service sectors so it is crucial for India to build positive trade relations with other economic superpowers to achieve many analysts' expectations and to realize the country's full economical potential.

It will be interesting to see if the various castes will cooperate and develop a democratic government that will promote innovation and personal accountability within India. It will also be fascinating to see if India can develop an excellent education platform that can lift hundreds of millions of people from illiteracy and inevitable poverty. It will not be surprising to see India become a leader among the BRIC countries and the global economy if they utilize the assets that are abundant within the country and fix the glaring problems that have plagued the country from achieving economic supremacy for the past decades.

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