

## BRIC and BOP

		Brazil	Russia	India	China	BRIC	USA
GDP GSachs *2010 Forecast	<b>\$Trln</b>	<b>0.67</b>	<b>0.85</b>	<b>0.92</b>	<b>3.0</b>	<b>5.44</b>	<b>13.3</b>
GDP 2010Actual	<b>\$Trln</b>	<b>2.14</b>	<b>1.52</b>	<b>1.71</b>	<b>5.93</b>	<b>11.3</b>	<b>13.2</b>
GDP GSachs* 2020 Forecast	<b>\$Trln</b>	<b>1.3</b>	<b>1.7</b>	<b>2.1</b>	<b>7.1</b>	<b>12.2</b>	<b>16.4</b>
Population 2010	<b>Mln</b>	<b>196</b>	<b>139</b>	<b>1184</b>	<b>1348</b>	<b>2867</b>	<b>309</b>
Population 2020 Forecast	<b>Mln</b>	<b>212</b>	<b>132</b>	<b>1362</b>	<b>1431</b>	<b>3137</b>	<b>336</b>
Working Population 2010	<b>Mln</b>	<b>129</b>	<b>93</b>	<b>722</b>	<b>917</b>	<b>1861</b>	<b>190</b>
Working population 2020 Forecast	<b>Mln</b>	<b>139</b>	<b>80</b>	<b>852</b>	<b>914</b>	<b>1985</b>	<b>193</b>

**Source : \*Goldman Sachs (2003 forecast), US Census**

**Two concepts, BRIC an economic and investment concept and BOP (Bottom of the Pyramid) a Business philosophy concept changed the relation between rich and poor countries, the structure of organizations, and the delivery of products and services last decade. One would not have been successful without the other.**

**BRIC was coined in November 2001 by Jim O' Neill at Goldman Sachs. It was great shorthand for economics, investment and growth for the future. It separated four countries Brazil, Russia, India and China as**

great investment destinations. O'Neill argued that long term GDP growth is dependent on a country's working population and its labor productivity. In 2020, only 13 countries will have a population of more than 100 million. O'Neill predicted that BRIC would contribute to 14 % of global GDP by 2010. He was short, it turned out to be 18 %!! The BRIC story so far has turned out far better with China being the clear star. Last year the incremental GDP growth of the BRIC nations was more than the GDP of Italy, a top ten country and BRIC nations will beat 2020 estimate handsomely.

BRIC injected a Pygmalion effect and the BRIC leadership tried to be attractive to investors within their political ideology. Increased investment gave the BRIC group political clout and diplomatic seat. BRIC leaders met formally in 2009 and in 2010, they invited South Africa to be partner and now plan to start a BRICS bank. Seeing this, every emerging country wants inclusion in some list to attract investment. The Next 11 list is out, again on the population theory, and everyone agrees that neither Nigeria nor Indonesia amongst this group will challenge the BRICS.

The expression 'Bottom of the Pyramid' was first used by President Roosevelt in 1932 where he argued that government must work bottom up in terms of the economic pyramid. CK Prahalad and Stuart Hill wrote an article in 1998 but the BOP philosophy caught on with their book in 2004. They argued that millions of people earning below \$2.5 per day weren't on the radar of global companies. It was a deprived population argument and stirred companies to rethink product offerings, pack sizes, brands and business models.

By 2005 multinational firms started combining the two ideas and placed bets in the BRIC countries. Investment in BRIC Innovation centers, and investment in manufacturing flourished. A BOP strategy was mandatory for every BRIC nation. Board members asked the CEO if he had a BRIC

**strategy, specifically an India and a China strategy. BRIC also attracted expats to come and work for sheer CV value.**

**Serving the world's poor using technology enhanced the productivity of operations. Mobility hit full stride by 2004 and the BRIC countries added millions of subscribers, fueling productivity and adding people from the informal economy to the formal economy. The next productivity jump in BRIC will come with the Internet on mobile phones and tablets.**

**The BRIC nations have their challenges, some unique and some common. Inflation, corruption, policy, Climate change and the inequality between the rich and the poor is common. Infrastructure is strength in China but a weakness in Brazil and India. India enjoys a free media, freer than the other BRIC nations. India lags behind in urbanization, something that aids productivity as rural folk move from low productive agriculture jobs to more productive industry and service jobs. BRIC needs to do more in education if future productivity needs to improve. India has the best demographic break as it will add more than 100 million to the workforce.**

**The BRIC story can disintegrate if the BRIC countries do not manage their Politics and Policy to be attractive. There could be a suicidal tendency to 'protectionism'. Data from India clearly shows that opening up markets has raised quality of goods and services. Increased productivity via Information Technology is a must. Lagging infrastructure can trip BRIC on productivity. Education is crucial to build better productivity.**

**The BRIC countries have to move up the value chain in establishing their own brands. The luxury market is blossoming in BRIC. Design capability, Innovation and Marketing capabilities have to be imbibed. BRIC countries have to address the growing power of China as an economy and a commodity consumer. China will become the No 1 economy in**

**2027. India will become the No 2 economy in 2050. The world might not be prepared for this. Are we prepared for it?**