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An Empirical Study on BRIC – Opportunities and Threats

Prof. Dr. S.K. Baral*

Abstract

The BRIC (Brazil, Russia, India and China) idea was first conceived in 2001 by Goldman Sachs as part of an economic modelling exercise to forecast global economic trends over the next half century. The bundling of the world's largest emerging economies under the acronym BRIC made sense back in 2001, but the ever-apparent differences between the countries and the subsequent changes in the global economy show that having a clear understanding of the intricacies within each country and its developments remains as important as ever. BRIC Foreign Ministers at their meeting in New York on 21st September 2010 agreed that South Africa may be invited to join BRIC. Accordingly, South Africa was invited to attend the 3rd BRICS (Brazil, Russia, India, China and South Africa) Summit in Sanya on 14 April 2011. As the second largest economy in the world today, China is nearly four times larger than Brazil, the smallest BRIC economy. China is ranked 29th in the World Economic Forum's latest Global Competitiveness Index while Brazil (48th), India (59th) and Russia (67th) are ranked much lower in the Index. Southern Africa ranks closer to these countries (53rd). This paper deals with the opportunities and threats associated with BRIC. Data has been collected from secondary sources of evidence to understand the importance of the topic.

Keywords: BRIC, Global Competitiveness, Economy.

Introduction

The key similarities between the BRIC (Brazil, Russia, India and China) countries up to 2008 were their scale of economy, weak correlation with the global economy, and dynamic growth. Since then, BRIC markets proved to be extremely lucrative for investors with relatively low risks. The tide has since turned for some BRIC countries, and yet together they are now a stronger global force than ever before. They produced a quarter of global output in 2012, and are forecasted to generate about one-third by the end of the decade. This also gives them a strong collective political voice. Due to strong growth rates, BRICS (included South Africa with BRIC) countries are more confident than ever and seek contact with each other.

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The increase in BRICS to BRICS trade over the last ten years has been impressive: approximately a 1000%, from 29 Billion in 2000 to 319 Billion in 2010. The BRIC is described as countries at the same stage of economic development, but not yet at the point where they would be considered more developed countries. The BRIC position argues that, since the four countries are "developing rapidly," their combined economies could eclipse the collective economies of the current richest countries of the world by 2050.

Overview of BRIC

In a time when Europe is fighting a severe recession and growing economic divergence between its member states, China proposes a currency swap with Brazil to assure access to its raw materials and large consumer market and a BRICS Development Bank including a contingent Reserve Arrangement up to 100 Billion to support these countries is in the works. The following tables explain the overview of BRIC through different selected parameters.

Table-1: Global Position of Brazil, Russia, India, and China as on 2011

Categories	**Brazil**	**Russia**	**India**	**China**
Area	5th	**1st**	7th	3rd
Population	5th	9th	2nd	**1st**
Population growth rate	131st	192nd	**89th**	152nd
Labour force	5th	7th	2nd	**1st**
GDP (nominal)	7th	8th	10th	**2nd**
GDP (PPP)	7th	6th	3rd	**2nd**
GDP (nominal) per capita	57th	**47th**	139th	86th
GDP (PPP) per capita	75th	**55th**	126th	94th
GDP (real) growth rate	147th	100th	34th	**18th**
Human Development Index	85th	**55th**	136th	101st
Exports	6th	10th	20th	**1st**
Imports	21st	17th	10th	**2nd**
Current account balance	187th	5th	186th	**2nd**
Received FDI	13th	17th	23rd	**9th**
Foreign exchange reserves	7th	4th	10th	**1st**

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External debt	**25th**	23rd	28th	17th
Public debt	47th	**122nd**	29th	98th
Electricity consumption	9th	3rd	4th	**1st**
Renewable energy source	3rd	5th	6th	**1st**
Number of mobile phones	4th	5th	2nd	**1st**
Number of internet users	5th	6th	3rd	**1st**
Motor vehicle production	7th	11th	6th	**1st**
Military expenditures	11th	3rd	8th	**2nd**
Active troops	15th	5th	3rd	**1st**
Rail network	10th	3rd	4th	**2nd**
Road network	4th	7th	3rd	**2nd**

Source: Global Intelligence Alliance; The World Bank, MIIT China, TRAI India, Anatel Brazil, Minkomsvvaz, Business Monitor International, Deloitte.

Table-2: Selected Indicators of Brazil, Russia, India, and China as on 2011

Indicator	**Brazil**	**Russia**	**India**	**China**
Population mid-2011 (millions)	197	143	1,241	1,346
Population 2050 (millions)	223	126	1,692	1,313
Percent of Population <age 15	25	15	33	17
Total fertility rate	1.9	1.6	2.6	1.5
Percent of Population living <$US2/day	10	1	76	36
2010 Gross National Income (in billions)*	$1,830	$1,404	$1,554	$5,721
2010 world rank for GNI	8	12	11	3
2010 Gross National Income per capita*	$9,390	$9,910	$1,340	$4,260
GNI Growth Rate (%), 2009-2010	15.8	6.3	10.1	17.1

*Atlas method. **Sources:** Population Reference Bureau; United Nations Population Division; International Labour Organisation; National Statistical Offices; and World Bank.

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Brazil

Brazil is going through a transition period where the outcomes by 2016 are still unclear. The highly anticipated FIFA World Cup in 2014 along with the Olympics in 2016 are meant to be positive turning points for the country, yet a heavy bureaucracy, a general lack of planning, and corruption still permeate all levels of the economy. This is reflected in Brazil's low World Bank ranking for the ease of doing business: 116th out of 185 countries. The many infrastructure projects that were announced to meet FIFA's requirements, notably those for urban mobility, have either been abandoned or severely delayed. Most will be completed at twice or three times their originally estimated cost. Since a large share of the investments in infrastructure projects came from public money, the concern for 2014-2016 will be who will end up paying the bills.

On another front, the Brazilian Congress continues to lose popularity and credibility with local citizens, reflected by the wave of protests that started in June 2013 and still linger in many cities, albeit on a smaller scale. Protesters, still without a clear leadership, are demanding many improvements, from better public health, education, transport infrastructure and security to lower taxation and corruption.

Opportunities

1. **Infrastructure:** Infrastructure is one of Brazil's most appealing sectors, ranging from telecommunications to energy, roads and ports. Most investments are expected to be made by a combination of local and foreign companies, as these are large-scale projects. Mid-sized and smaller companies will benefit from the natural increase in business-to-business demand generated by these growing infrastructure segments.
2. **Services:** Insurance, financial services, tourism, and the entire retail value chain offer several growth opportunities. Brazil lags behind most global standards in this sector, but expenditures are also expected to increase here as services are a major part of the World Cup and the Olympic Games requirements.
3. **E-commerce and M-commerce:** As the market penetration of smart phones escalate in Brazil from 15% in 2012 to 40% in 2013, many opportunities arise for retailers and other companies that benefit from a mobile and a large, connected customer base.

Threats

1. **Difficulties in doing Business:** Brazil still needs to improve the conditions for companies to effectively conduct business. All sectors are highly taxed, and bureaucracy

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hinders many business initiatives. The long-awaited reforms will still take time to happen, as 2014 is an election year when not many substantive changes are expected.

2. **Global Economies Continue to Struggle:** A large part of the Brazilian economy depends on exports. In 2012, it was valued at approximately $256 billion. Although internal consumption remains strong, Brazil may see a decrease in external revenues while other global economies struggle to recover.

3. **Lack of Investments from Local Companies and from Governments in Local Infrastructure:** Brazil's growth has been based on strong internal consumption, much of it based on expansion of credit and family consumption. A larger investment in local industrialization is needed.

Russia

Looking at its rankings in the World Bank's Ease of Doing Business report, Russia has moved from 95th in 2007 to 123rd position. Prior to 2008, its businesses were able to take advantage of fast economic growth. Now we are seeing a rapid decline in growth rates due to several factors.

Business circles here had hoped that companies would be able to continue to grow in spite of social budget cuts and political stagnation. However, Russia's institutional environment has not changed. No real improvements have yet been made in terms of ease of doing business or protection of property despite the country's accession to the World Trade Organization (WTO). Russia also has a strong dependence on external economic factors in places such as Europe and the volatile Middle East. Hosting the Winter Olympic Games in 2014 will have a major long-term impact on the Russian economy as the infrastructure developed for the games will be actively used afterwards. Also, hosting the FIFA World Championship in 2018 will create an influx of both foreign and domestic investments in tourism, food and beverage, and transportation. Businesses in Russia will need to ensure that they have the latest market facts and are willing to adapt to the constantly changing market situation to maintain and increase their competitive advantage.

Opportunities

1. **WTO Accession:** In 2012, Russia officially joined the WTO. The required adoption of WTO rules opened up many new opportunities across a whole set of industries which were previously highly regulated. Some sectors have a transition period until 2020 when many preferences will be given to local producers. This will provide an opportunity for

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international companies that are considering locating in Russia. For other sectors, the situation will be reversed as custom duties and rules are decreased and simplified, providing new opportunities for imports and a modification of comparative pricing strategies. Sooner or later, the rules of the game will be changed in a majority of the industries and companies will have to thoroughly re-think their strategies.

2. **State Support of Hi-tech Industries:** The ultimate priority of the Russian government is economic diversification, moving it away from its oil and gas dependency. Therefore, the government will allocate many investments to industries with hi-tech technologies. In addition, the focus will be on localization of advanced processing technologies and on transferring R&D activities and knowledge. Russia has significant intellectual potential and competences in software development and information technology. All this provides reasons to consider Russia as good location for hi-tech projects and cooperative ventures.

3. **Service Sector Growth:** The Russian population is becoming richer despite the economic slowdown. The service sector is still underdeveloped compared to that in the EU or US. A high potential still exists for B2C services in banking, insurance, travel, entertainment, restaurants and hotels. In addition, B2B services with much potential include consulting, IT-outsourcing, design, engineering and project management.

Threats

1. **Global Economic Downturn:** Russia is not isolated from the global economy and any downturn will have the potential to depress Russia's growth prospects.

2. **Further Development of Shale Gas Exploration and Production:** This effort could affect the Russian economy in two ways. First, it provides competition for Russian oil and gas producers. Second, increased production could depress global commodities prices.

3. **Further Political Stagnation:** The overall trend in Russian political life is to grow the role of the State in the economy by controlling more and more of the social and business environment. This development would preserve the key weaknesses of the Russian economy (corruption, bad infrastructure etc.) and further suppress entrepreneurial and business activity as well as decrease the ease of doing business in Russia.

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India

In October 2013, the Asian Development Bank (ADB) cut India's economic growth forecast for 2013-14 to 4.7%, considerably lower that 6% projected in April this year. Compared to China, which has attracted relatively more stable foreign direct investment (FDI) inflows, India has seen more volatility in FDI inflows during last five years. For example, FDI inflow rose up to US$36 billion in 2011 and then fell to US$25.5 billion in 2012. The country faces a number of challenges, such as a widening account deficit, near double digit Cost-Price Index inflation (9.52% in August 2013), poor basic infrastructure, corruption, political instability, and slow moving reforms. The impact of these issues can be seen in India's ranking in the World Economic Forum's Global Competitiveness Index, where the country slid down from 56 in 2011-12 to 60 in 2013-14.

Indian general elections are due in May 2014 and there is increasing pressure on the government to restore the country's growth. India's central bank, the Reserve Bank of India (RBI), and the United Progressive Alliance (UPA) government have taken a series of measures to curb inflation, restore FDI inflows, and put the economic growth back on track. Earlier this year, the Finance Ministry increased the import duty on gold, the biggest non-essential item on the import bill, to reduce India's account deficit. The RBI raised the repurchase rate (repo rate) to 7.50% in September 2013 to contain inflation, and reduced the marginal standing facility rate (9.5% in September 2013) to maintain liquidity.

While the recent measures taken by RBI and the government have been somewhat successful in decelerating the rise in inflation and currency depreciation, the business community remains watchful. Despite economic challenges and a complex business environment, India is still an attractive market for investment and business. According to IMF's projection, India's GDP is forecasted to grow at 6-7% during 2013-2018, which is significantly higher than the G7 countries that are forecasted grow at 1-3% in the same period.

With a billion-plus population, a rising middle class and a growing number of young consumers, India presents a multitude of opportunities for a number of sectors including education, retail, technology, clean tech, financial services, and healthcare. In order to exploit market opportunities in India, a company must understand the true market potential as well as the differences in regional markets and customer segments, in order to effectively implement their market strategies. It is equally important to closely monitor the market environment and adapt one's strategies to stay competitive.

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Opportunities

1. **Services Sector:** The services sector in India, which consists of a large number of segments, accounts for nearly 60% of the nation's GDP. The Confederation of Indian Industries (CII), an association of Indian businesses with over 7,100 member companies, projects a 5% growth in the services sector during 2013-14. Sectors such as insurance, e-commerce, IT services for domestic banking, and telecommunications will see significant growth in the next two years. A key driver for growth in insurance is the recent raise in the FDI cap from 26% to 49%. The potential of E-commerce in India still remains untapped. IT services for domestic financial services would benefit from a modernization of the banking system. Similarly, telecom services will continue to grow due to the increasing penetration of mobile and the adoption of 3G and 4G services. The Government is in the process of setting up a task force that would focus on creating enablers for growth in the services sector.
2. **Infrastructure:** The central and state governments are continuing to invest in roads and rail and are also exploring options such as cooperating with China for infrastructure development. The sector presents opportunities for related industries such as construction and maintenance, construction equipment, financing, and transportation technologies.
3. **Healthcare:** A huge gap remains between the demand for and supply of healthcare services, and the unorganized nature of the sector in India offers a unique market opportunity to develop and grow healthcare businesses in India. While tier-1 cities show increasing demand for sophisticated healthcare services, newly urbanized areas and lower tier cities also present a strong potential for developing quality and affordable healthcare services.

Threats

1. **Rising Fiscal Deficit and Currency Fluctuation:** India's large fiscal deficit, combined with the decline of the rupee in recent months and record high inflation, have increased concerns among foreign investors and led to lower savings and lower economic growth of the nation. Although the UPA government has taken a series of measures to tighten fiscal policies, reducing the fiscal deficit requires stronger reforms and an effective implementation of policies.
2. **Upcoming Elections and its Impact on Reforms:** The general elections are due in mid-2014 and we are unlikely to see any major reforms from the government prior to these elections. As a result, the Indian economy is expected to grow at a slower pace in 2014. Opinion is divided on how long after the elections it will take for reforms to pass through the parliament and for them to take effect.

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3. **Complex Business Environment:** Indian taxation, legal, and bureaucratic systems are fairly complex and they create a challenging operating environment for businesses. For example, Nokia threatened to close its factory in Chennai, a metro city in southern India, due to disagreements with the state government on taxation issues.

China

China's general business environment has been improving. Recent VAT reform and more frequent probes into commercial corruption and monopolies demonstrate the government's efforts to improve these areas. However, most business procedures are still lengthy and the efficiency of government departments is still lower than in more developed countries. Investors are quite active in China, especially in the inner parts of mainland China. Many still tend to be cautious as labour cost and legal risk have increased substantially. Meanwhile, the on-going transition from export and investment to domestic consumption might well create some of the best opportunities for investors.

Opportunities

1. Domestic Consumption: China's top economic policymakers set domestic consumption as a main driver for the country's economic growth in 2013, although China has a long and tough road ahead to ensure its transition to a consumer-driven economy.

2. **Urbanization:** China's urbanization rate reached 52.6% in 2012 and is likely to grow to 65% by 2030. According to Chinese news reports, this urbanization could add 400 million more people to the current urban population in the next decade, which will involve a capital investment of RMB 40 trillion. The government is also said to be expanding the bond market to support urbanization. This will objectively promote the further liberalization of China's domestic capital markets, which are driven by comprehensive reform.

3. Upgrade/Convergence of Industries: The accelerated development of "green" industries and use of telecommunications services are keys to upgrading China's domestic economy. The State Council has decided to stimulate output and sales of solar panels, electric cars and other products that promote energy-efficiency and use of renewable resources.

Threats

1. Standstill of Global Economy Recovery: A slow recovery of the global economic will severely impact China's ability to increase its exports, which account for a significant component of its GDP.

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2. **Overcapacity in many Industries:** The central government is concerned about overcapacity and is making efforts to eliminate outdated production facilities. More than 1,400 companies in 19 industries in China have been asked to reduce their production due to overcapacity, according to China's Ministry of Industry and Information Technology. Overcapacity has not been limited to traditional industries, but also includes emerging sectors, such as the photovoltaic and wind turbine manufacturing industries.

3. **Lack of Proprietary Technologies:** China needs to develop more of its own proprietary technologies across a number of industries, so it is able to move beyond lower value-added industries faster. Collaboration could be encouraged. However, information access is becoming more restricted and supervised in many corporations and governments.

Global Economic Growth Scenario

The following table establishes the list of economies by incremental GDP from 2006 to 2050 by Goldman Sachs. They illustrate that the BRICs and N11 nations are replacing G7 nations as the main contributors to world's economic growth. From 2020 to 2050, nine of the ten largest countries by incremental GDP are occupied by the BRICs and N11 nations, in which the United States remains to be the only G7 member as one of the three biggest contributors to the global economic growth.

Table-3: Economic Growth Contributors from 2006 – 2020, 2020-2035 & 2035-2050

List of Economies by Incremental Nominal GDP from 2006 to 2020			List of Economies by Incremental Nominal GDP from 2020 to 2035			List of Economies by Incremental Nominal GDP from 2035 to 2050		
Rank	**Country**	**Incremental GDP in billions**	**Rank**	**Country**	**Incremental GDP in billions**	**Rank**	**Country**	**Incremental GDP in billions**
1	**China**	9,948	1	**China**	21,718	1	**China**	36,362
2	United States	4,733	2	United States	8,119	2	**India**	27,154
3	**India**	1,939	3	**India**	7,666	3	United States	12,417
4	**Russia**	1,572	4	**Brazil**	2,769	4	**Brazil**	6,403
5	**Brazil**	1,130	5	**Russia**	2,711	5	Mexico	5,238
6	Mexico	891	6	Mexico	2,360	6	Indonesi	4,818

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							a	
7	Japan	888	7	Indonesia	1,440	7	Nigeria	3,557
8	United Kingdom	791	8	South Korea	1,136	8	**Russia**	3,315
9	Germany	668	9	Turkey	976	9	Vietnam	2,438
10	Italy	635	10	Vietnam	896	10	Turkey	2,227
11	France	621	11	United Kingdom	836	11	Philippines	2,128
11	South Korea	621	12	Nigeria	777	12	Egypt	1,884
13	Canada	440	13	France	752	13	South Korea	1,439
14	Indonesia	402	14	Iran	729	14	Iran	1,390
15	Turkey	350	15	Japan	662	15	Pakistan	1,376
16	Iran	299	16	Canada	602	16	United Kingdom	1,196
17	Vietnam	218	17	Philippines	593	17	France	1,025
18	Nigeria	185	18	Germany	529	18	Bangladesh	1,015
19	Philippines	172	18	Egypt	502	19	Germany	976
20	Pakistan	139	20	Pakistan	441	20	Canada	847
21	Egypt	128	21	Bangladesh	301	21	Japan	791

China Ahead Of India – An Analysis

The fundamental question at the core is why is it that while we rate democracy as the better form of government, it is single party ruled China that has been more successful at bringing

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more people out of poverty than democratic India. The implications for India are clear; investing in education and health for all its citizens is the best solution for long term growth. It is not the nature of government that is the main factor in China's success but its investment in health and education that provided fuel to its explosive growth. India has under-invested in these key areas and hence its economic growth is poorly supported by quality human capital. It is that countries could grow economically first and then invest in education later saying that it was the reverse that is true. The historical evidence of Japan says the rapid growth since the second decade of the 20th century being driven by its investment in health and education after the Meiji restoration on the 1868. More recently, similar investment by Korea and the South East Asian countries provided impetus to economic growth in these countries.

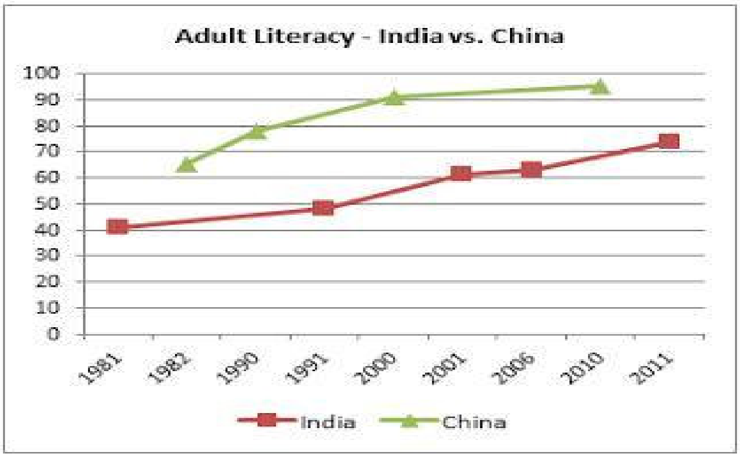

Fig-1: Adult Literacy (India vs. China)

In the case of India, while efforts have been made to improve literacy, its literacy rate in 2011 is 74% well below China's at 95% (in 2010). In fact India's literacy level today is even less than what China's was in 1990 (figure-1)

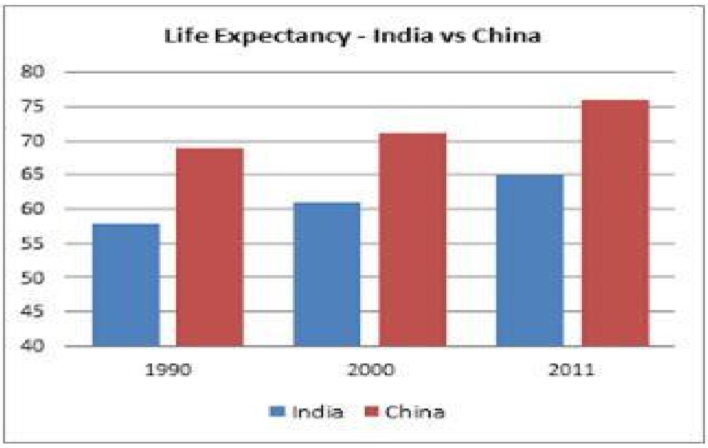

Fig-2: Life Expectancy (India vs. China)

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The case of health is no different. In the case of life expectancy, once again India's life expectancy in 2011 is below what it was in China's in 1990 (figure-2). Today India's life expectancy is 11 years below that of China. India's low literacy rates and poor health outcomes as compared to China's may explain a big part of the disparity in development between the two countries. Both China and India still have substantial proportions of their labour force engaged in agriculture, but in India the proportion is a whopping two-thirds. In India, only about 7 million people work in the "organized" manufacturing sector (factories that register with the government and, supposedly, maintain records and pay workers required benefits). These workers, however, account for about two-thirds of manufacturing output while earning a comparatively high wage equivalent to US91 cents per hour in 2006.[1] The great majority of India's labour force of 400 million work in the unorganized sector, where work varies from casual day labour to work in small shops and fabrication facilities and for which comparable labour force data are not available.

The large proportion of the population living in poverty—abject poverty—is often overlooked. The World Bank estimates that 76 percent of the population in India lives on less than US$2 per day, compared to 36 percent in China. Over 900 million people living in poverty in India, most with little effective education, are not likely to share in the prosperity enjoyed by a few and are not likely to form the basis for an exploding consumer market anytime soon. China's future is difficult to foresee in that it now faces unaccustomed population aging should it not relax its stringent one-child policy. But China, unlike India, is one of the world's largest exporters. Of the four BRIC countries, Russia seems a true outlier. Despite an up tick in the birth rate, it still had 130,000 more deaths than births in 2011, primarily due to a decrease of 106,000 deaths in 2011 from the 2010 level. It had reported nearly 1 million more deaths than births in 2000. Childbearing among women ages 20 to 29 and the number of women moving into those ages will diminish sharply over the next 20 years, even with some offsetting effects of immigration.

Several things need to happen for the BRIC to reach their advertised potential. In India, a massive campaign to provide potential workers with education and training will be required. The government is trying to tackle this daunting task but provincial politics can be a major obstacle. As an official from the impoverished state of Bihar once commented to me regarding the demographic dividend in his state, "Having a huge amount of illiterate people is not an advantage!" Relaxed regulations in the early 1990s for foreign investments jump-started the Indian economy. China has a clearly disadvantageous demographic profile, and may need to alter it through immigration or by allowing the birth rate to rise. At the very

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least, Russia will likely have to rely on immigration to fill its labour force gaps. Finally, Brazil does have the appearance of a country whose economy has reached an advanced stage with a high per capita GNI. This indicates, the current world economic situation can too easily reshape the very different societies of the BRIC.

Prime Minister of India, attended the BRICS summit in Brazil for the first time on July 17, 2014, pitched for a peaceful, balanced and stable world and told the leaders of the five-nation grouping that it should be driven by people-to-people contact led by the youth of the five nations. Terming the agreement towards setting up BRICS's New Development Bank a significant step, Prime Minister also said an open international trading regime is critical for global economic growth. In his statement on the agenda "Sustainable Development and Inclusive Growth" at the sixth BRICS summit, he said the global economic environment remains uncertain and recovery was still fragile despite improved prospects.

Conclusion

As the third-largest economy in Asia, India is especially hard hit by the flight of capital from international investors. Yet India continues to import more than it sells abroad, thus remaining dependent on foreign capital. Above all, oil and coal imports feeding the electrical network put pressure on the trade deficit. Although India could mine its own coal, the sector is riddled with corruption and inefficiency. India's growth and its feeble industrial sector aren't enough to support any sort of noteworthy export economy. In addition, corruption and a sprawling bureaucracy scare away potential investors.

Although it is a well-known fact that the Asian countries experience a much higher economic growth than Europe at the moment, the EU-economy is still three times the size of China, measured in GDP. Low growth rates in a large economy still generate more new market demand than high growth in a smaller economy. Other than that, the majority of the BRICS export-basket still consists of raw materials and the EU market remains one of the biggest destinations. Brazil for example is the single biggest exporter of agricultural products to the EU. Furthermore, the EU is China's biggest trading partner. It illustrates that these emerging economies for a large part still rely on the EU, so a strategy based on pure relative gain might not be the smartest move. Despite recent trade liberalizations, the Brazilian market for example, is still relatively high protected with an applied customs averaging tariff of 12%. The EU therefore consistently encourages Brazil to reduce tariff barriers and to maintain a stable regulatory environment for European investors and traders. Russia and China on the other hand recently joined the WTO and the latter has made good progress in its membership

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commitments but industrial policies and non-tariff measures in China still discriminate against foreign companies. India has embarked on a process of economic reform and progressive integration with the global economy that aims to put it on a path of rapid and sustained growth. Negotiations on a free trade agreement with the EU started in 2007. Considering the theory of 'realism', the EU does everything in their power to develop sustainable trade relations with the BRICS. According to the Global Competitiveness Index 2013 from the World Economic Forum, the EU is still miles ahead of the BRICS when it comes to key factors like infrastructure, higher education and business sophistication. This lack of development in some of the most essential market characteristics will keep the BRICS from taking over EU's top position in the world market in the short to medium term. However, the EU is challenged and should keep up its focus on increasing its (cost) competitiveness.

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