The Coming of "The Ten"

Ten economies are becoming the new locomotive for the global economy

The economic crisis of 2008-2009 appears to be over, but along the way it has transformed the shape and dynamics of the global economy. This unexpected and dramatic development has not been due to the vigor of the Chinese economy or the economies of Brazil, Russia, India and China (BRIC) as a whole. Rather, it comes from the emergence of a major new force in the global economy — the 10 middle-income emergent countries.

Ten emerging economies represent a force that, with remarkable speed, is becoming a whole new motor for the global economy.

Middle-income emergent economies are becoming a whole new motor for the global economy. The 10 biggest of these — Mexico, South Korea, Turkey, Poland, Indonesia, Saudi Arabia, Taiwan, Iran, Argentina and Thailand — had a collective nominal GDP of $5.6 trillion in 2008, according to the IMF, larger than the GDPs of Japan or China. In purchasing power parity (PPP), their collective GDP was $8.8 trillion, larger than the economies of Japan and Germany combined *(see figure 1)*. Indeed, these 10 non-BRIC countries constitute the world's third largest economic group, after the European Union and the United States.

Considered in this light, the global economy takes on an interesting new shape with five dominant components: The European Union, the United States, China, the rest of BRIC, and "The Ten" *(see figure 2 on the following page)*.

FIGURE 1: These 10 emerging countries constitute the world's third largest economic group

The Ten	2008 GDP (nominal)[1]	GDP (PPP)	GDP per capita
Mexico*	1.10	1.6	$14,500
South Korea*	0.93	1.4	$27,600
Turkey*	0.73	0.9	$13,100
Poland	0.53	0.7	$17,500
Indonesia*	0.51	0.9	$4,000
Saudi Arabia*	0.47	0.6	$23,800
Taiwan	0.40	0.7	$30,900
Iran	0.34	0.8	$11,000
Argentina*	0.33	0.6	$14,400
Thailand	0.27	0.6	$8,200
TOTAL	**5.60**	**8.8**	

*Indicates member of G20
[1]In US$ trillions

Source: A.T. Kearney analysis

FIGURE 2: The five dominant components of the global economy

Components	2008 GDP (nominal)*	2009 estimate	GDP by PPP
European Union	18.4	17.8	15.2
United States	14.4	14.0	14.3
China	4.4	4.7	7.9
Brazil, Russia, India	4.5	4.7	7.5
The Ten	5.6	5.9	8.8

Note: Under either measurement of GDP, these five groups account for 78% of global GDP.
**All sums in US$ trillions*
Source: A.T. Kearney analysis

Trade among emergent nations, sometimes called South-South trade, is now the most dynamic component of the global economy. This is *not* simply a factor of the BRIC countries; Brazil, India and Russia accounted for just 5.8 percent of China's trade. The most striking development is China's impact on the other emergent markets. Indeed, these other emergent markets helped rescue the Chinese economy from its 2008 nosedive. Taking the year-on-year export figures for November 2009, while Chinese exports to the European Union fell by 8 percent, and its exports to the United States fell by 1.7 percent, China's exports to the ASEAN nations rose by a dramatic 20.8 percent, and China's imports rose 45 percent.

Within this decade, current trading trends suggest that South-South trade could overtake trade among the G7 nations, and should also exceed North-South trade. Fueled by rising populations and increased amounts of foreign direct investment, the non-G7 economies are likely to produce more than half of the world's GDP. (Currently, the G7 economies account for 57 percent of nominal global GDP.)

A Host of New Competitors

Of course, the G7 nations will remain far richer, both as countries and individually, and are likely to continue to enjoy the fruits of their traditional dominance of higher education and technological innovation, among other things. But the large advantage the G7 nations long enjoyed—of comprising the world's biggest, richest and most attractive consumer market—is being eroded with remarkable and unexpected speed. That means that their consumer tastes and habits will no longer be the global norm. New products are less likely to be developed and launched with Western consumers in mind. Research funds and projects are less likely to be predicated on a Western consumer base. The long tradition of Western cultural dominance, and the political influence and soft power that it generated, is likely to face increasing challenges.

The significance of the growth of "The Ten" as a new locomotive force for the global economy is that there will be no single rival to Western culture, but a host of competitors. Brazilian music, Mexican singers, Turkish literature, Argentine dance, Thai sports, Polish architecture, Saudi calligraphy and Indonesian design will all jostle together in the vast new marketplace, alongside Bollywood movies, Russian space tourism and Chinese manufacturers. The new world order in the wake of the recession is going to be much less predictable, much more culturally eclectic and even chaotic. Some will find it an uncomfortable Babel; others will thrill to the rich excitements of choice and diversity.

Most should be relieved that some gloomy recent suggestions of an inevitable clash of civilizations between China and the West are likely to give way to something more confused. The really good news is that when China's growth rate slows, as it is likely to do this decade as the labor force peaks and the number of retirees soars, there are now new candidates for future growth ready to take China's place and maintain global demand.

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