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New Powers for Global Change? Economic and Human Development of Emerging Economies

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Introduction
While the fast pace of global economic growth has benefited almost all developing countries over the last years, emerging economic powers such as China and India are often referred to as the main contributors to global GDP in the developing world. Bearing in mind the achievement of the Millennium Development Goals (MDGs) by 2015, the question remains, however, if the economic momentum in these countries will translate into human development.

Every year, the Human Development Report (HDR) that is published by the United Nations Development Programme (UNDP) measures whether human development has improved to the same extent as economic growth and serves therefore as a good source to analyze if the new emerging powers of the Global South are dedicated to accelerate it.
This fact sheet examines HDR findings for a group of "new powers", namely China, India, Brazil, Mexico, South Africa, Egypt and Nigeria. It will become clear that economic growth does not necessarily translate into human development.

Facts on Economic Growth
For China and India, mostly referred to as the two biggest "new powers", annual economic growth rates show strong and steady improvements, ranging over the last five years between 8 to 10% in China and 4 to 9% in India (see Table 1). While average economic growth for Egypt, South Africa and Nigeria over the past 5 years is still substantial, the growth performance in Mexico and Brazil is rather disappointing. It should however be noted that economic growth in Nigeria shows an unstable and erratic pattern which raises questions of sustainability.

Table 1: Economic Performance of Emerging Powers: Annual GDP Growth (%) 2000 – 2005

	'00	'01	'02	'03	'04	'05	Ø
China	8.4	8.3	9.1	10.0	10.1	9.9	**8.9**
India	4.0	5.3	3.6	8.3	8.5	8.5	**6.7**
Brazil	4.4	1.3	1.9	0.5	4.9	2.3	**2.1**
Mexico	6.6	0.2	0.8	1.4	4.1	3.0	**1.8**
South Africa	4.2	2.7	3.7	3.0	4.5	4.9	**3.6**
Egypt	5.4	3.5	3.2	3.1	4.2	4.9	**3.8**
Nigeria	4.2	3.1	1.6	10.7	6.0	6.9	**4.7**

Source: World Bank, World Development Indicators, http://devdata.worldbank.org/data-query/, retrieved 11/29/2006).

Measuring GDP (Gross Domestic Product) at purchasing power parity (PPP) takes into account the cost of living in the analyzed countries and therefore makes it easier to compare them with each other. Here again China and India lead the way with the highest GDP/PPP increasing faster than any other of the analyzed countries. As can be seen in Table 2, the GDP/PPP for Brazil, Mexico and South Africa are much lower, and are increasing at much more modest rates. This is even truer for Nigeria's and Egypt's economies which would fit into China's economy 50 and 30 times, respectively.[1]

If we take into account the considerably different population sizes of the countries under consideration and measure GDP/PPP in US$ per capita it will make the picture even more diverse. For instance, South Africa has the highest GDP/PPP in US$ measured per capita. This

[1] United Nations Development Programme: Human Development Report 1999-2006 http://www.infoplease.com/ipa/A0874911.html retrieved 10/30/2006.

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means, taking all final goods and services within a nation at the national PPP rate and dividing it by the average population of the same year, South Africa's development per citizen is higher even than Mexico's and China's. And even though India's economic growth rate is the strongest after China's, the GDP/PPP per capita is still low and has been increasing slowly. For Egypt the GDP/PPP per capita is relatively high, while the GDP/PPP per capita for Nigeria is by far the lowest.[2] The GDP/PPP per capita shows for South Africa, Mexico, Brazil and China a high level and increasing development among the population.

Table 2: Economic growth and the distribution of income

	GDP/ PPP 2005 (US$ billion)	Average GDP/PPP Growth Rate 1999-2005 (%)	GDP/PPP per capita 2005 (US$ billion)	Gini Index in 2000
China	8,859	14.9	6,800	44.0*
India	3,611	10.4	3,300	32.5
Brazil	1,556	5.8	8,400	58.0**
Mexico	1,067	6.1	10,000	49.5*
South Africa	533	7.7	12,000	57.8
Egypt	304	7.3	3,900	34.4
Nigeria	174	11.7	1,400	43.7**

*2002; **2003;

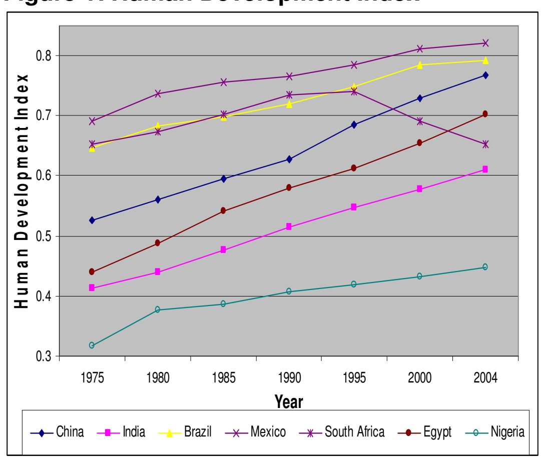
Source: HDR 2000-2006, United Nations Development Programme, Oxford University Press, New York.

However, this finding should be adjusted by taking into account the Gini Index. It measures the inequality of the distribution of income and in consumption between 0 and 100, while 100 represents the highest level of inequality in income and consumption of the population and 0 the lowest. Despite a high GDP/PPP per capita, Brazil, South Africa and Mexico's Gini Indexes are high, as the same can be stated for China. In South Africa for example, the richest 20% of the population consume 62% of the national income and in Brazil they consume 62.1%. Conversely, even though Nigeria's data for economic performance are the worst of the seven countries listed, its Gini Index is the lowest, concluding that economic performance in Nigeria developed more equally than in the other analyzed countries.[3] From these findings it can be inferred that poverty reduction needs not only economic growth, but also a redistribution of income.

Facts on Human Development

In this vein, the Human Development Reports of the UNDP criticized to convert economic growth into human development.[4] The reports therefore use alternative measures to evaluate a country's human development in contrast to solely economic factors. On a scale between 0 and 1, the Human Development Index (HDI) measures a country's average achievement in three dimensions of human development: prospect of a long and healthy life by measuring life expectancy at birth; knowledge according to adult literacy rate and gross school enrollment; and a decent standard of living measured in GDP/PPP per capita. As can be seen in Figure 1, China's HDI, even though it has been accelerating quickly is still at a medium level, and still lower than in Mexico and Brazil. However, China has been advancing human development since 1975. Starting at a higher HDI in 1975, Brazil and Mexico were not able to advance human development as significantly. India ranks in the 126th place in human development worldwide and behind all other countries listed here, except for Nigeria, which ranks in 159th place out of 177 countries. For South Africa we can observe the most surprising development. Here the HDI decreased despite economic progress and has reached in 2004 the same level as in 1975. The single biggest factor for driving down the HDI in Africa's biggest economy has been a low life expectancy of merely 49 years due to the HIV/AIDS pandemic.[5]

Figure 1: Human Development Index



Source: HDR 2000-2006, United Nations Development Programme, Oxford University Press, New York.

Government Expenditures to advance Human Development

Education and health are two critical indicators on which governments of the analyzed countries need to concentrate. It is crucial for them to enhance equal access to education and health for their population to advance human development. The percentage of public spending on education for Brazil is quite close to the spending of OECD countries. The same is true for Mexico, Egypt and South Africa, who have been spending a relatively high share of GDP on education (see table 3)

[2] UNDP: Human Development Report 1999-2005, http://www.infoplease.com/ipa/A0874911.html, retrieved 10/30/2006.

[3] http://www.photius.com/rankings/economy/distribution_of_family_income_gini_index_2004_0.html, retrieved 11/30/2006.

[4] United Nations Development Programme: Human Development Report 2005, p.19.

[5] http://hdr.undp.org/hdr2006/statistics/countries/data_sheets/cty_ds_ZAF.html, retrieved 2/12/2007.

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Table 3: Public Spending on Education (in % of GDP)

	1990	1995-1997	2002-2004
Norway	7.1	7.7	7.7
United States	5.1	5.4	5.9
Brazil	-	5.1	4.1
China	2.3	2.3	2.1*
Egypt	3.9	4.8	-
India	3.7	3.2	3.3
Mexico	3.6	4.9	5.8
Nigeria	0.9	0.7	-
South Africa	5.9	7.6	5.4

*2000;
Source: HDR 2000-2006, United Nations Development Programme, Oxford University Press, New York.

But the low HDI for Egypt and South Africa show that spending needs to be translated more effectively into school enrollment and the literacy rate. The same applies for Mexico and Brazil where secondary school enrollment falls considerably behind enrollment in OECD countries.[6] Meanwhile, spending is stagnating in China and India. Nigeria even reduced the percentage of GDP spent on education to the low rate of 0.7 %.

The public health effects of governments' expenditures on health programs show an equally complex pattern (see Table 4).

Table 4: Public Spending on Health (in % of GDP)

	1990	1995-1997	2002-2004
Norway	7.0	6.5	8.6
United States	5.7	5.8	6.8
Brazil	2.9	3.4	3.4
China	2.1	2.0	2.0
Egypt	-	1.8	2.5
India	-	0.9	1.2
Mexico	1.8	2.6	2.9
Nigeria	0.8	0.5	1.3
South Africa	3.3	3.7	3.2

Source: HDR 2000-2006, United Nations Development Programme, Oxford University Press, New York.

While Mexico has been increasing its spending on health, the spending in Brazil and South Africa remained the highest, but it decreased slightly in South Africa and stagnated in Brazil. Yet Brazil, which has the highest spending on health within the "new powers" group, is still stuck with a high infant mortality rate. The same is the case for Mexico. Also South Africa was not able to improve the HDI through high spending on health.[7] In China and India, on the other hand, public spending is not keeping up with economic growth[8], while Egypt and Nigeria are trying to improve their health systems despite less economic growth.

Key Challenges for the New Powers

- For China and India economic growth is very encouraging. However, both countries are still not advancing human development sufficiently. Policy changes leading to increased investments in education and health would be necessary to enable these two "new powers" to achieve the MDG´s.
- Mexico, Brazil and South Africa still have to prove whether they can become real emerging economic powers. Mexico and Brazil, more than South Africa, need to accelerate economic growth. And even if the GDP/PPP per capita is high for the three countries, the Gini Index and the public spending on education and health compared to their HDI increase reflect that economic growth does not benefit sufficiently the poorer parts of their populations. In these countries inequality remains high and access to education and health is limited to a small percentage of citizens. Assuming that economic growth is a precondition for human development, the income and the opportunities have to be spread more equally.
- Egypt is showing a trend toward increasing economic growth indicators while Nigeria falls behind in improving human development, despite some economic growth. Overall, they are not yet comparable to bigger emerging economies in terms of economic and human development such as China or India.

Further Reading

- OECD: Economic Survey of Brazil 2005: Strengthening social policies and expenditure http://www.oecd.org/document/21/0,2340,en_2649_34571_34415765_1_1_1_1,00.html, retrieved 10/31/2006.
- OECD: China should boost public spending on health and education, says OECD study http://www.oecd.org/document/13/0,2340,en_2649_201185_36131917_1_1_1_1,00.html retrieved 11/01/2006.

[6] http://www.oecd.org/document/21/0,2340,en_2649_34571_34415765_1_1_1_1,00.html, retrieved 10/31/2006.

[7] United Nations Development Programme: Human Development Report 1999-2006

[8] http://www.oecd.org/document/13/0,2340,en_2649_201185_36131917_1_1_1_1,00.html, 1.11.2006