Juggernaut: How Emerging Markets are Reshaping Globalization

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Carnegie Endowment for International Peace

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Human History Characterized by Economic Stagnation

Population and Per Capita Income

Shaded area represents forecast

Millions of People

Constant dollars

Sources: Maddison, “Juggernaut.”
Only Recently, Catch-up Conditions Spread…

- Japan was the first non-Western breakthrough around 1850.
- A century later came a few “Asian Tigers.”
- In the last 20 years, the catch-up affected very large numbers of people:
  - Failure of central planning and import substitution
  - China and India
Demographic Divergence

Change in Labor Force Since 2000

Millions of people

- More developed regions
- Less developed regions

Source: UN Population Division.
## Largest Economies

World economies by PPP GDP

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>China</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>United States</td>
</tr>
<tr>
<td>3</td>
<td>Japan</td>
<td>India</td>
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<tr>
<td>4</td>
<td>India</td>
<td>Brazil</td>
</tr>
<tr>
<td>5</td>
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<td>Mexico</td>
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<td>6</td>
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<td>Russia</td>
</tr>
<tr>
<td>7</td>
<td>Brazil</td>
<td>Indonesia</td>
</tr>
</tbody>
</table>

Source: “Juggernaut.”
Opportunity

Size of the middle and rich class

Millions of people

Source: “Juggernaut.”
Poverty is Declining

Percent of population living on less than $1.25/day

Sources: World Bank, “Juggernaut.”
Risks

• Geopolitical breakdown
• Financial crisis and depression
• Protectionism
• Climate change
Political Tensions

Circle represents relative size of economy
Real U.S. dollars

1990

China

Japan

India

Political Tensions

Circle represents relative size of economy
Real U.S. dollars

2010

China
Japan
India

Source: “Juggernaut.”
Political Tensions

Circle represents relative size of economy
Real U.S. dollars

China

Japan

India

2050

Source: “Juggernaut.”
Financial Crises More Dangerous

Number of Banking Crises by Year by Income Group

Source: “This Time is Different.”
Developing Economies Changing Trade

Share of World Imports

<table>
<thead>
<tr>
<th>Year</th>
<th>Developing Economies</th>
<th>Advanced Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>26%</td>
<td>74%</td>
</tr>
<tr>
<td>2050</td>
<td>38%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Source: “Juggernaut.”
Carbon Emissions

Atmospheric Carbon Concentrations by Emitter

Parts per million

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>2050</th>
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<td>300</td>
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<td>2020</td>
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<td>2050</td>
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</tr>
</tbody>
</table>

Source: “Juggernaut.”
Largest Economies Will Stay Relatively Poor

Per Capita Income
PPP

Source: “Juggernaut.”
Income Gaps are just the Headline

Measures of Governance, Openness, and Institutional Strength

10 represents best ranking of countries surveyed; 1 represents worst ranking
## Trade in The Best Shape

<table>
<thead>
<tr>
<th></th>
<th>Domestic Policy</th>
<th>International Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade:</td>
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<td>C</td>
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<td>Finance:</td>
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<td>Migration:</td>
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<tr>
<td>Global Commons:</td>
<td>D</td>
<td>F</td>
</tr>
</tbody>
</table>
Critical Mass Agreements Needed

• Universal, consensus-based attempts fail

• Agreement among a critical mass can be both efficient and legitimate

• Group can vary by issue
Greater Country Awareness Crucial

- Nation states will decide
- Role of civil society, analysis and advocacy
- International dialogue contributes, does not determine
- Expectations must be set accordingly