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Jim O'Neill: Russia could surprise us all

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Russia is often singled out as the Bric country that doesn't belong in the Brics. Critics say that with its ageing population, dependence on oil and gas and widespread corruption, it's not in the same league as its dynamic rivals – Brazil, India and China.

Jim O'Neill, the Brics' inventor, disagrees. In [The Growth Map](#), a book marking the 10th anniversary of his coining of the acronym, he rejects suggestions that Russia should be dropped from the team. He argues, in his characteristically forthright way, that in terms of GDP per head, Russia has the potential to beat not just the other Brics but "all other European countries" – and join the European Union.

"If Russia fulfils its potential, it will create all sorts of interesting and complex political and social issues for the European Union and the world, besides the obvious economic ones. For the EU to have a wealthier neighbour on its borders would be quite remarkable. Provided it does not provoke conflict, it could raise the possibility of Russian membership of the EU," writes O'Neill.

The former Goldman Sachs chief economist, who is now chairman of the group's asset management arm, rightly addresses the challenges Russia faces. These start with the demographic – reducing deaths through alcohol and promoting the birth rate.

If Russia stems population decline it could easily reach a gross national product of \$10,000bn by 2050 – about the same as Brazil, he predicts. Even if it doesn't, it has the potential to hit \$7,000bn, about four times today's figure. O'Neill says:

This is important to bear in mind in view of the 'gloom' about Russia's potential. Russia doesn't need dramatic growth rates. It just needs to avoid crises. If it were to achieve this, its GDP could overtake that of Italy as soon as 2017, and in the decade 2020 to 2030, steadily sweep past France, the UK, and ultimately Germany.

O'Neill has little time for western critics of Russian authoritarianism, arguing that a lack of democratic development does not seem to concern most Russians. He suggests that political 'antipathy' blinds western critics to Russia's advantages, such as its strong position in technology and education.

He concedes Russia does badly on corruption and the rule of law, but claims that Italy's economy has "rolled along for years", despite having weak rule of law for a long time.

O'Neill agrees with many economists – and Russia's own economic reformers – that a key to success is diversification from natural resources production into high quality manufacturing. He goes as far as to say that Russia could become an important export base for global multinationals wanting to reach other former Soviet republics, Iran, Iraq and the rest of the Middle East.

To Russia's critics this will smack of wishful thinking. O'Neill does not give any detail on how he expects crucial economic diversification to take place – something worth examination given that Russian reformers have tried with little success to push it forward for most of the past 20 years.

A collapse in prices could force restructuring by robbing the Russian state of revenues and pushing it to encourage economic activities not related to energy and minerals. But a shock-induced shift could well

be accompanied by recession – and perhaps social unrest. That could well threaten O’Neill’s sunny forecasts.

“The Growth Map: Economic Opportunity in the BRICs and Beyond” covers the broad sweep of the Brics’ development since O’Neill coined the expression in 2001 and his forecasts for the next 10-40 years.

As well as the Brics themselves, he deals with the prospects for South Korea, Mexico, Turkey, Indonesia and other emerging markets. But he doesn’t like the “emerging market” label. It’s out of date, he says, preferring “growth markets”. It doesn’t have the same ring to it as Brics. But it’s surely right to look outside the original quarter. Beyond Brics, perhaps?