

Developing Countries: Chances and Challenges

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August 2009

The Current Crisis

Globalisation and Convergence

Income Inequality

Capital Flows

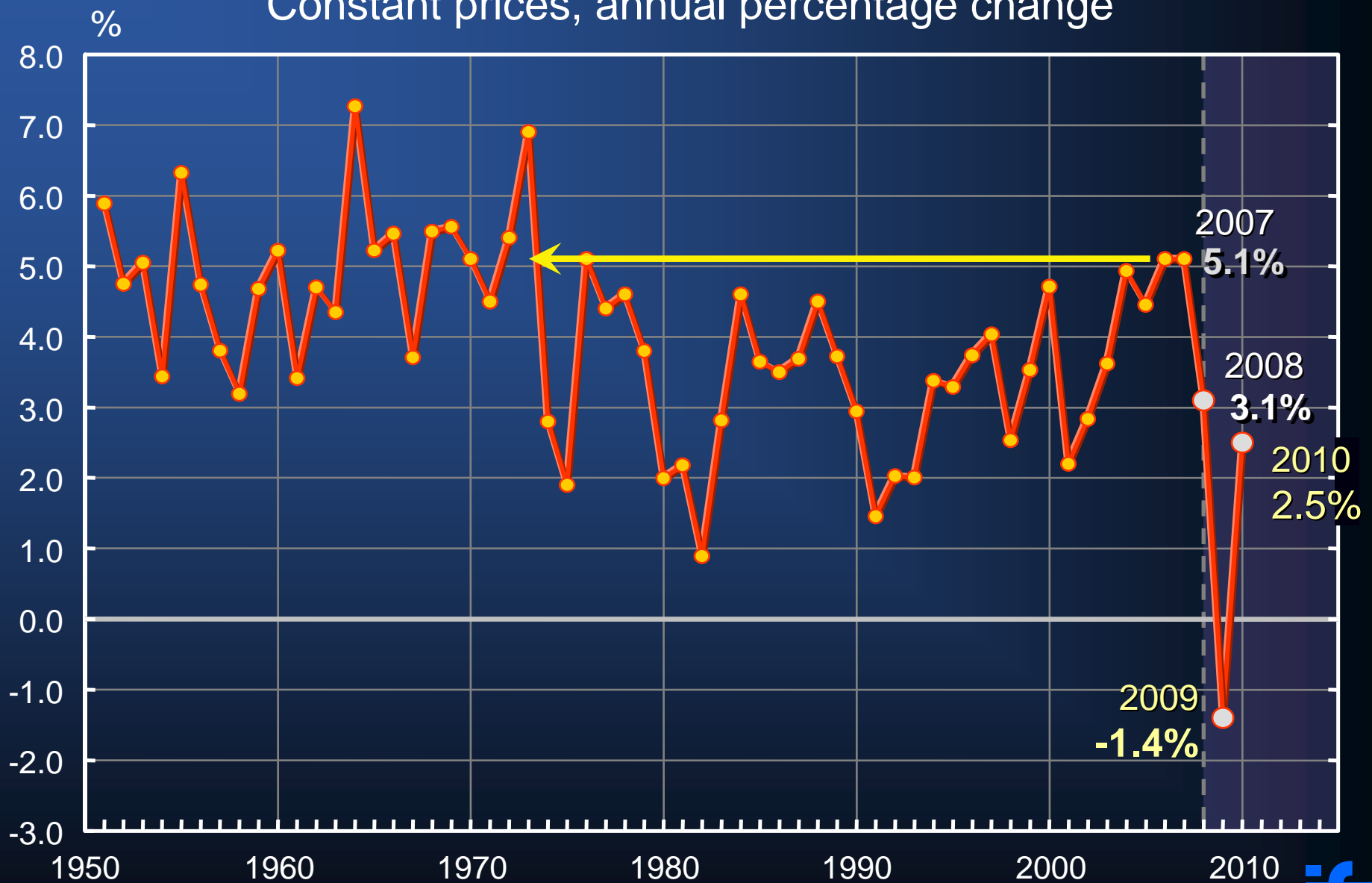
Migration

Nutrition and Biofuel

The Current Crisis

World economy, GDP 1951-2009

Constant prices, annual percentage change

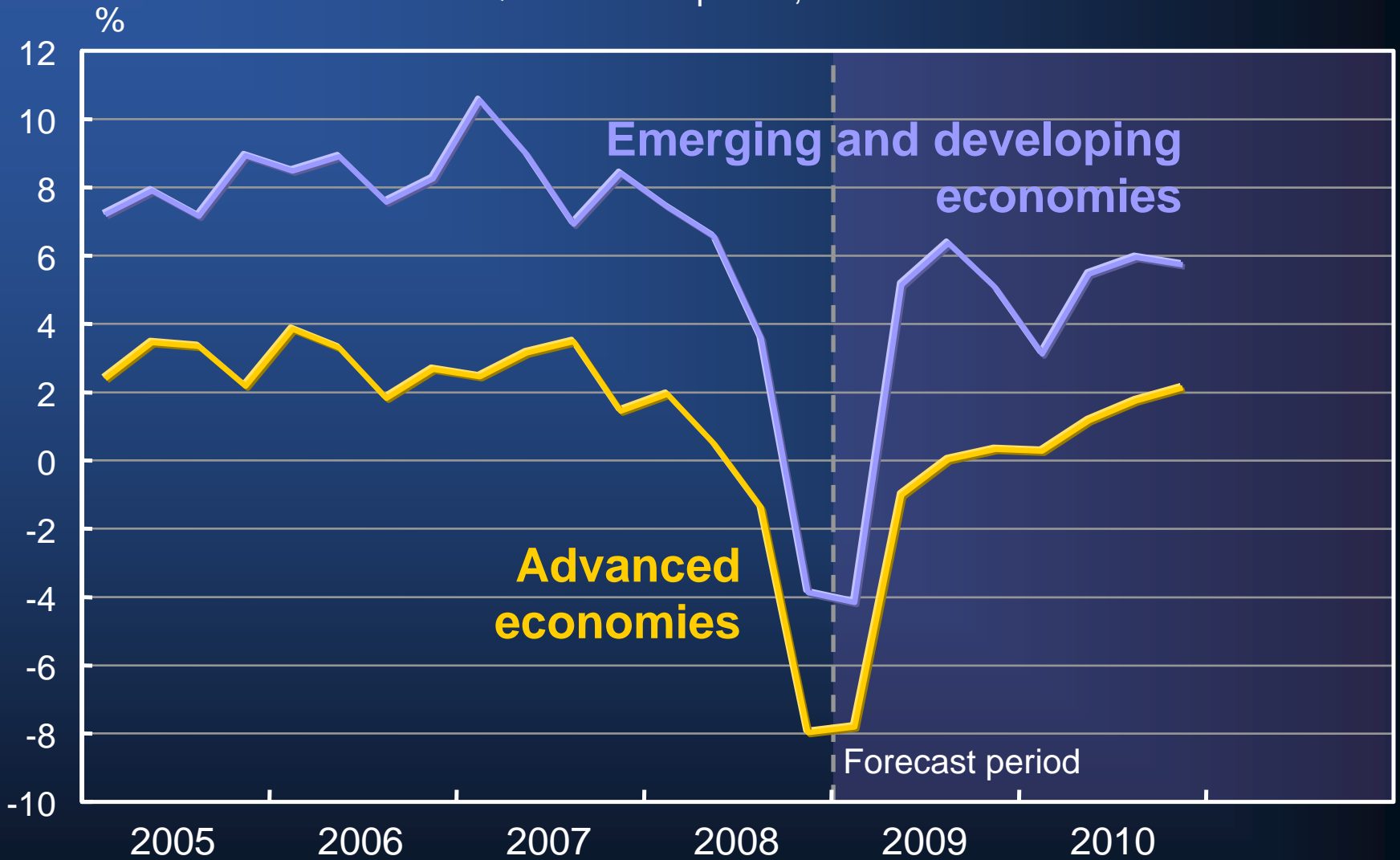


Sources: International Monetary Fund, World Economic Outlook April 2009 Database (1980-2006); 2007-2010: Update July 2009; 1951-1969: Angus Maddison, The World Economy, OECD, 2006.

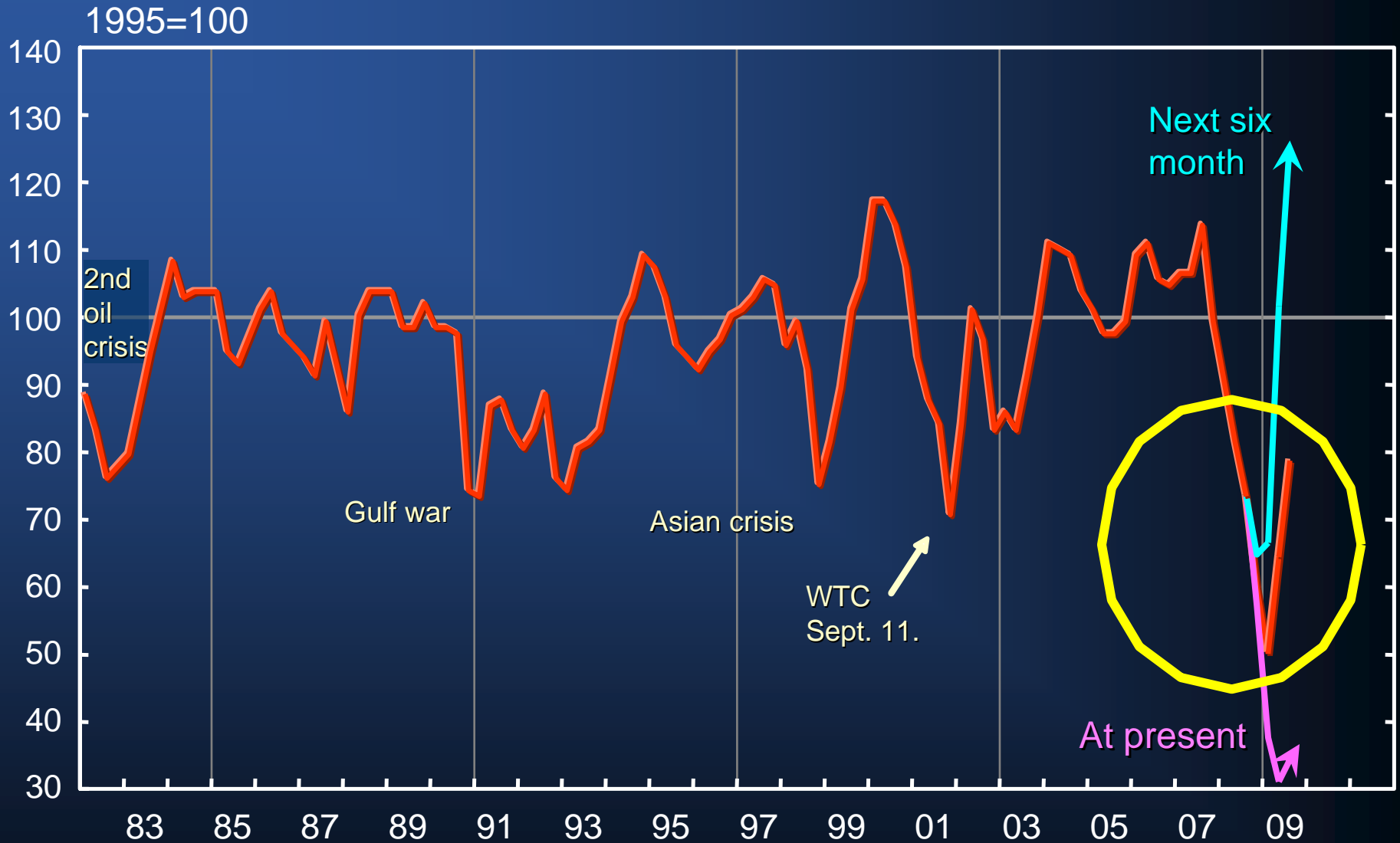
July 8, 2009

Global GDP growth

Quarter-over-quarter, annualized

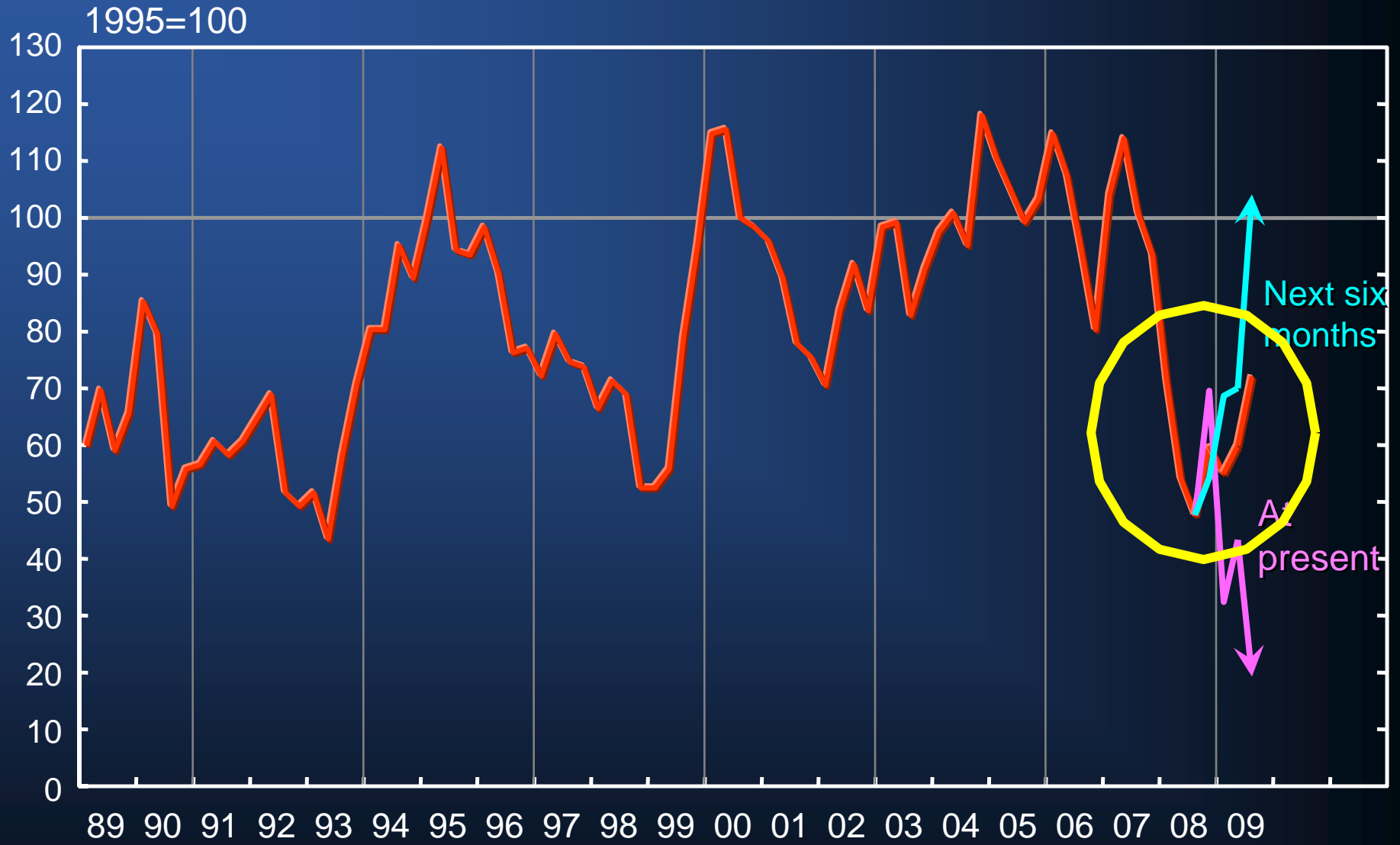


Ifo World Economic Climate*



* Arithmetic mean of judgment about the present and expected economic situation.

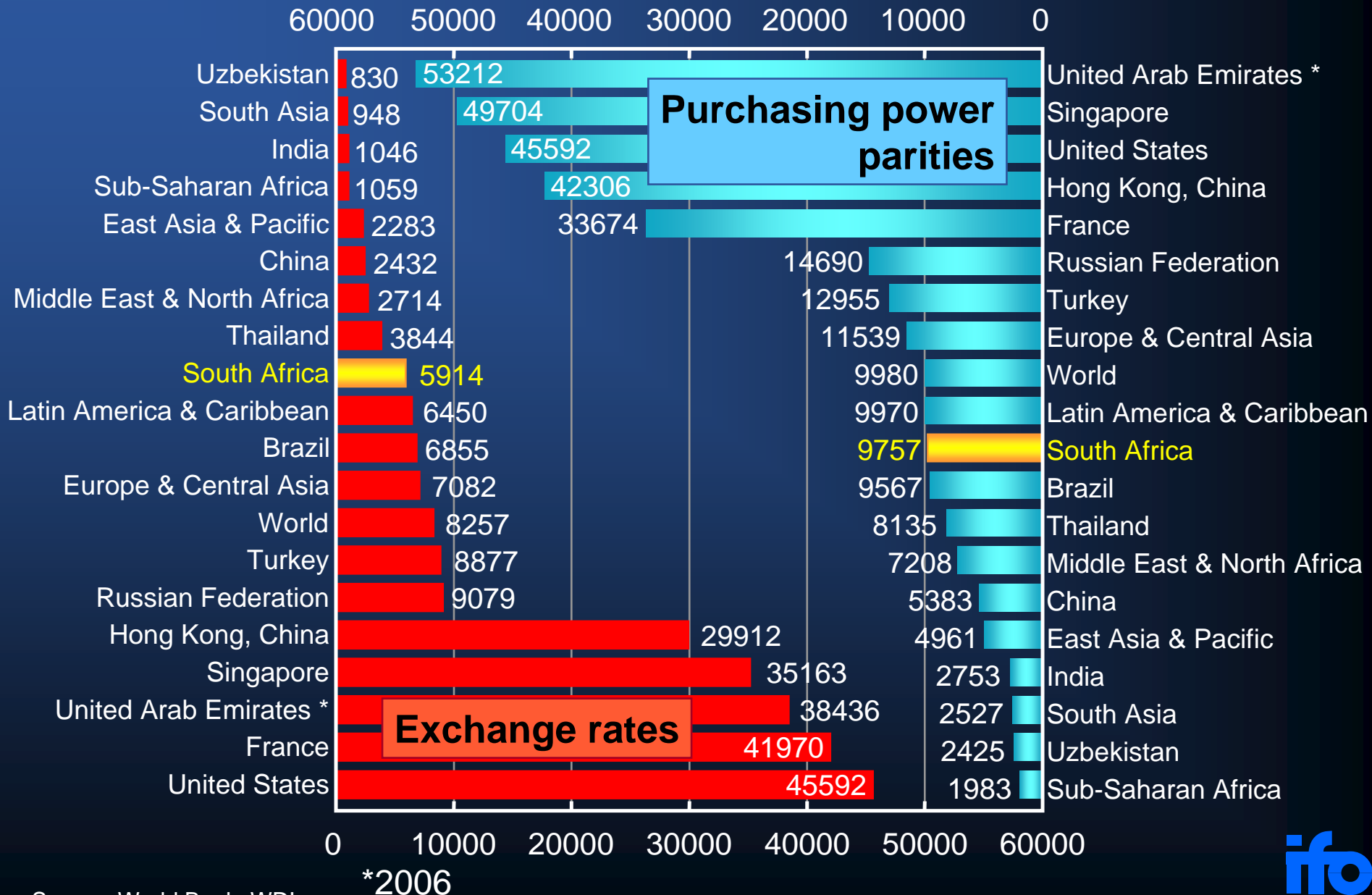
Ifo World Economic Climate for South Africa*



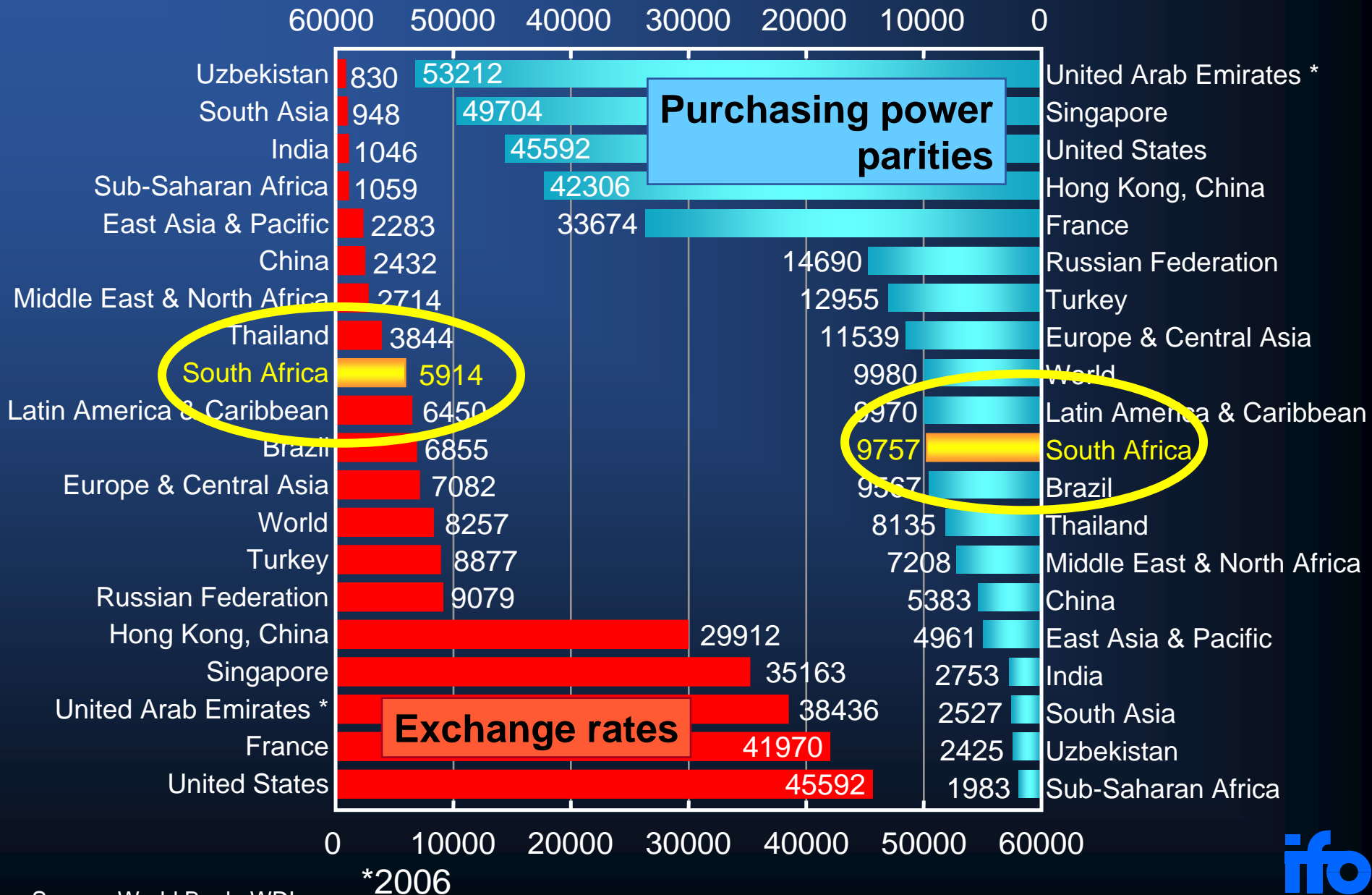
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Globalisation and Convergence

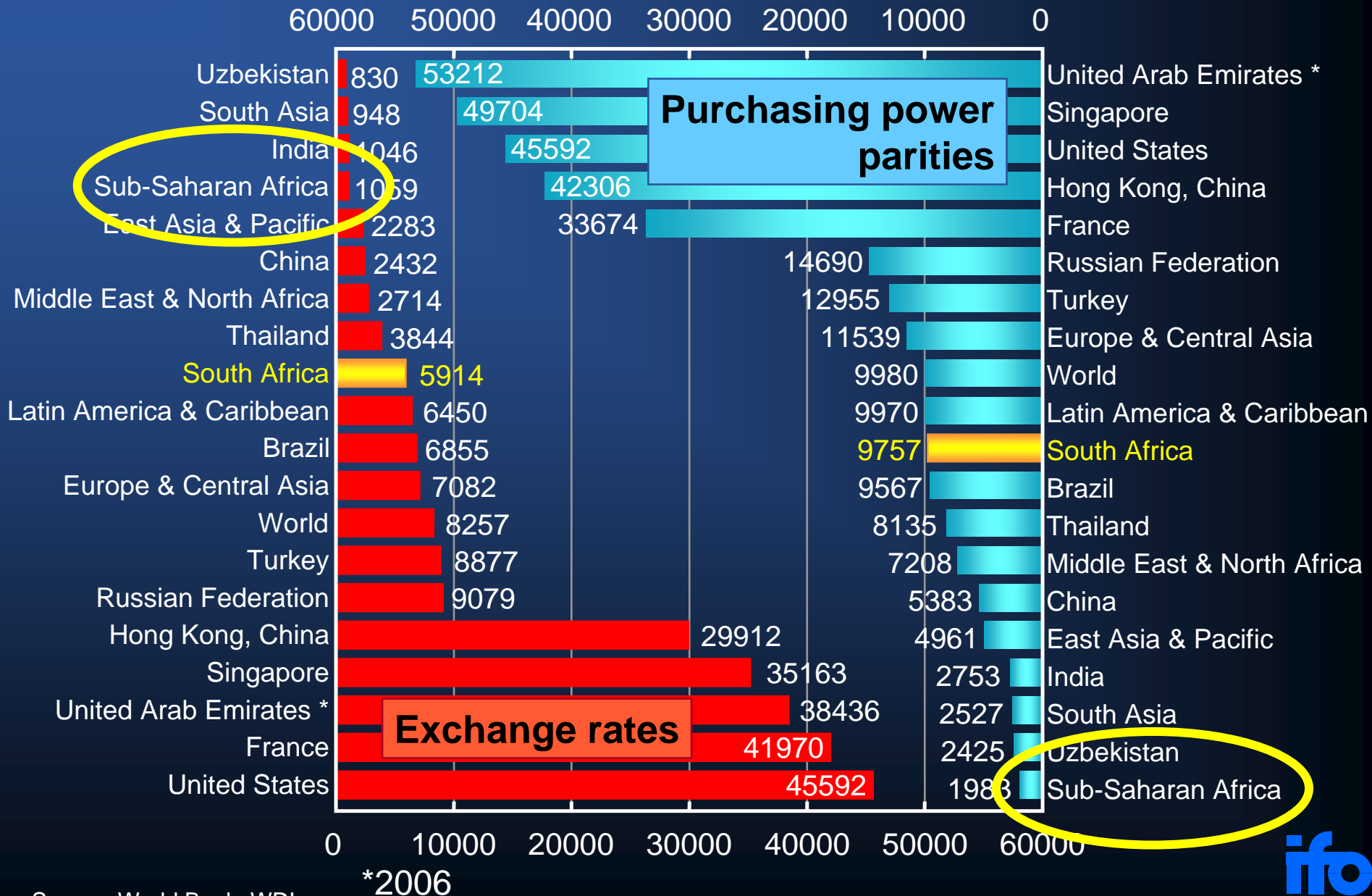
GDP per capita in different regions and countries (2007)



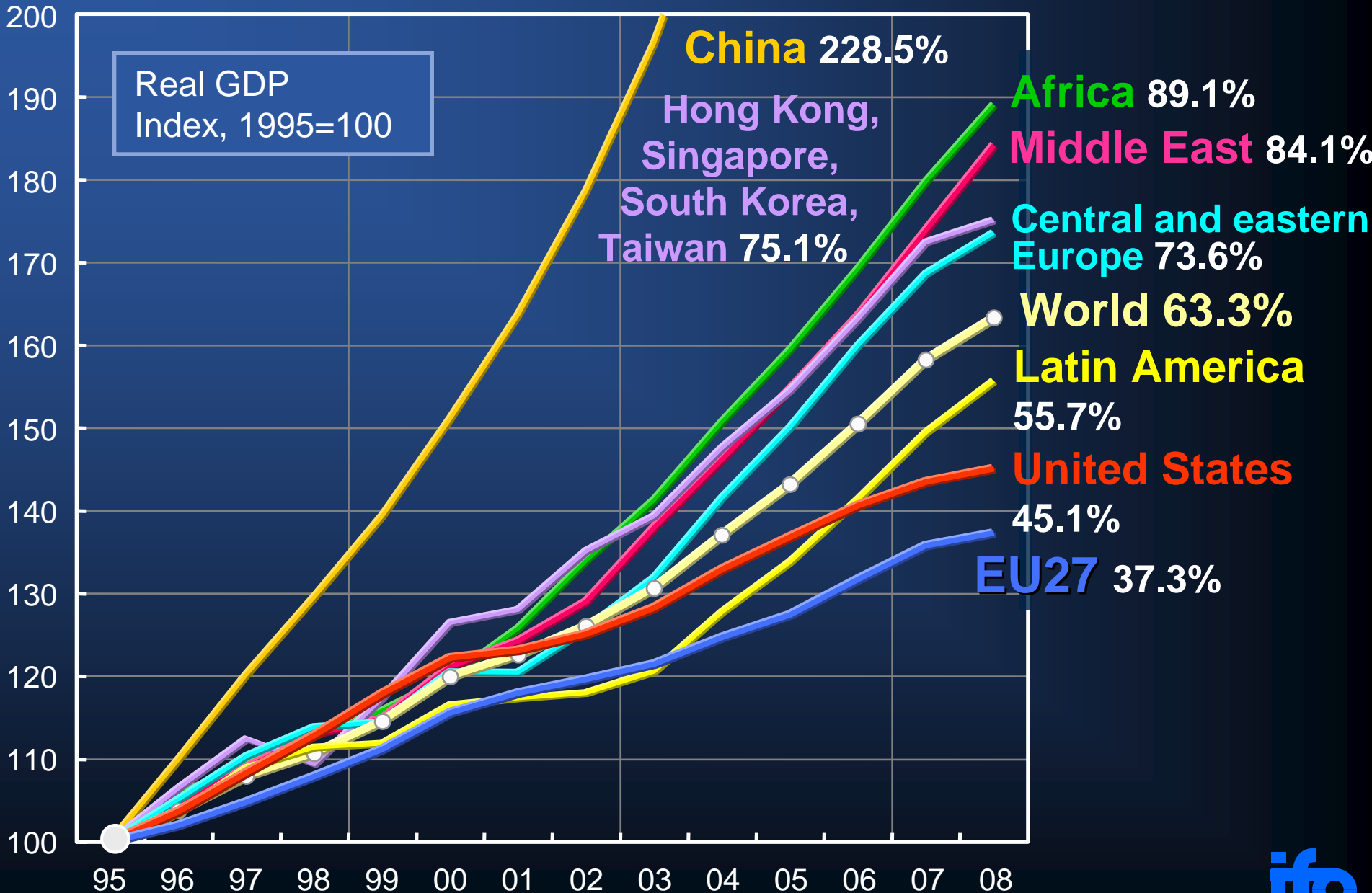
GDP per capita in different regions and countries (2007)



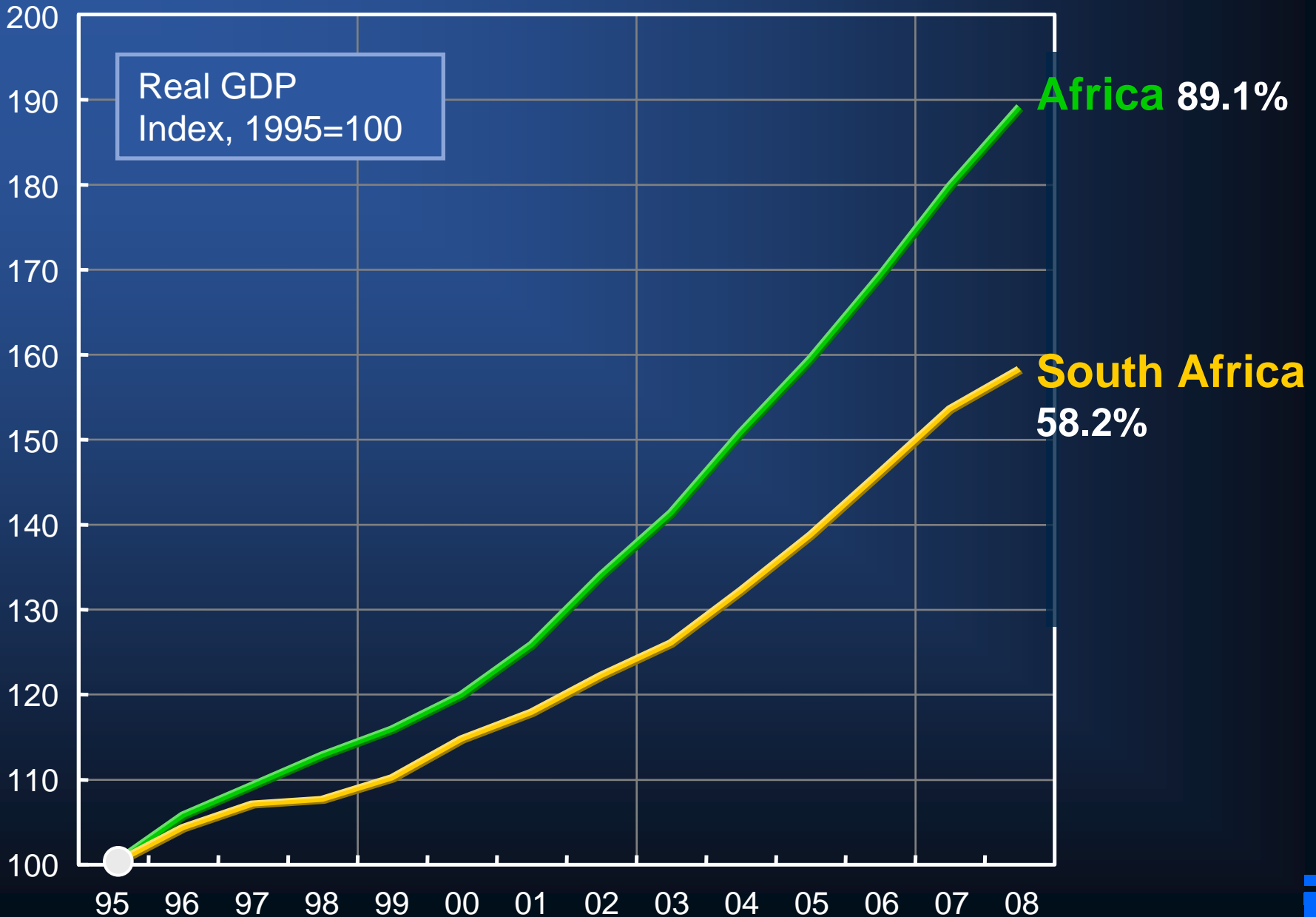
GDP per capita in different regions and countries (2007)



Economic growth in selected regions and countries

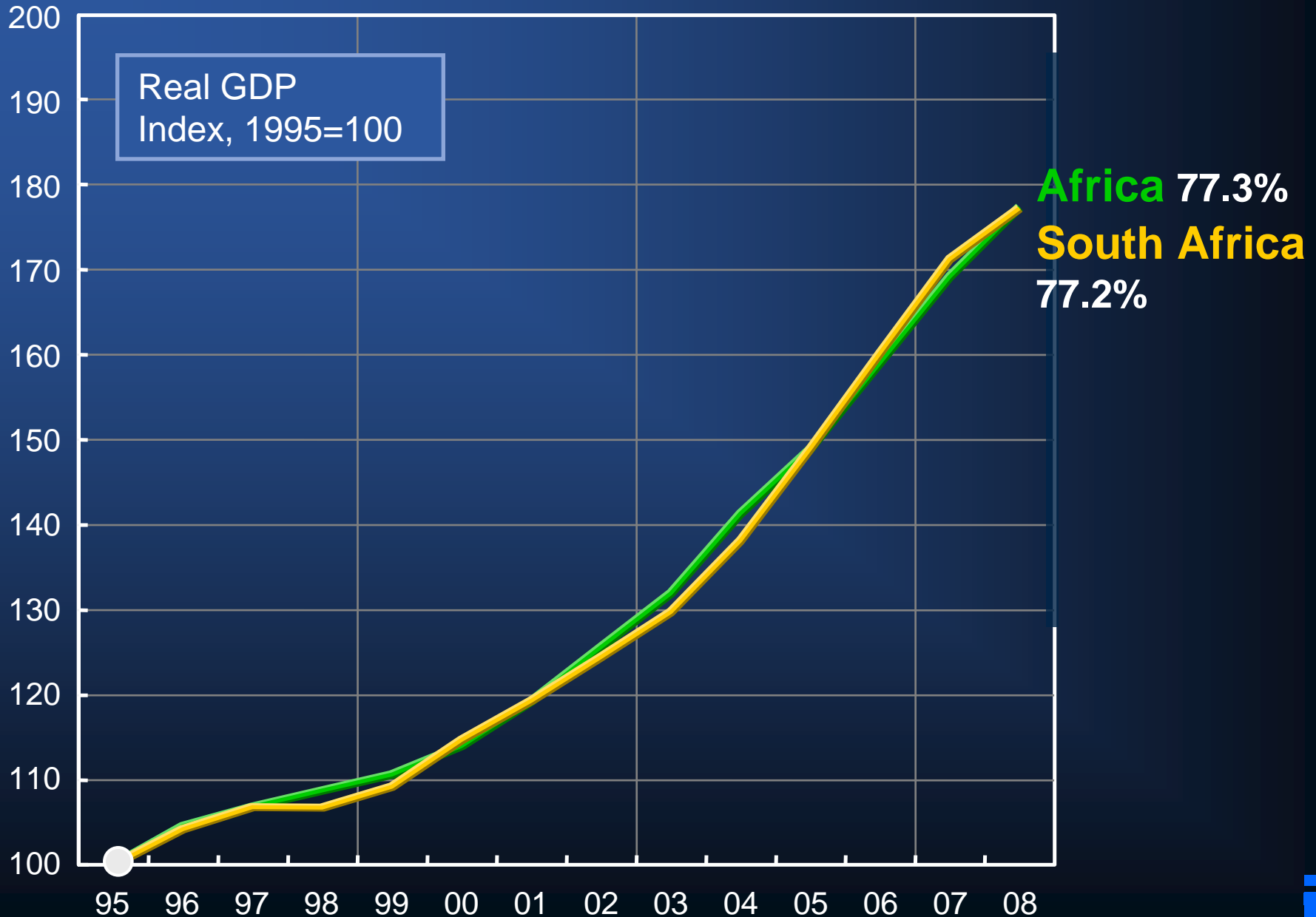


Economic growth in selected regions and countries



Source: IMF, World Economic Outlook Database, April 2009.

GDP in PPP per capita

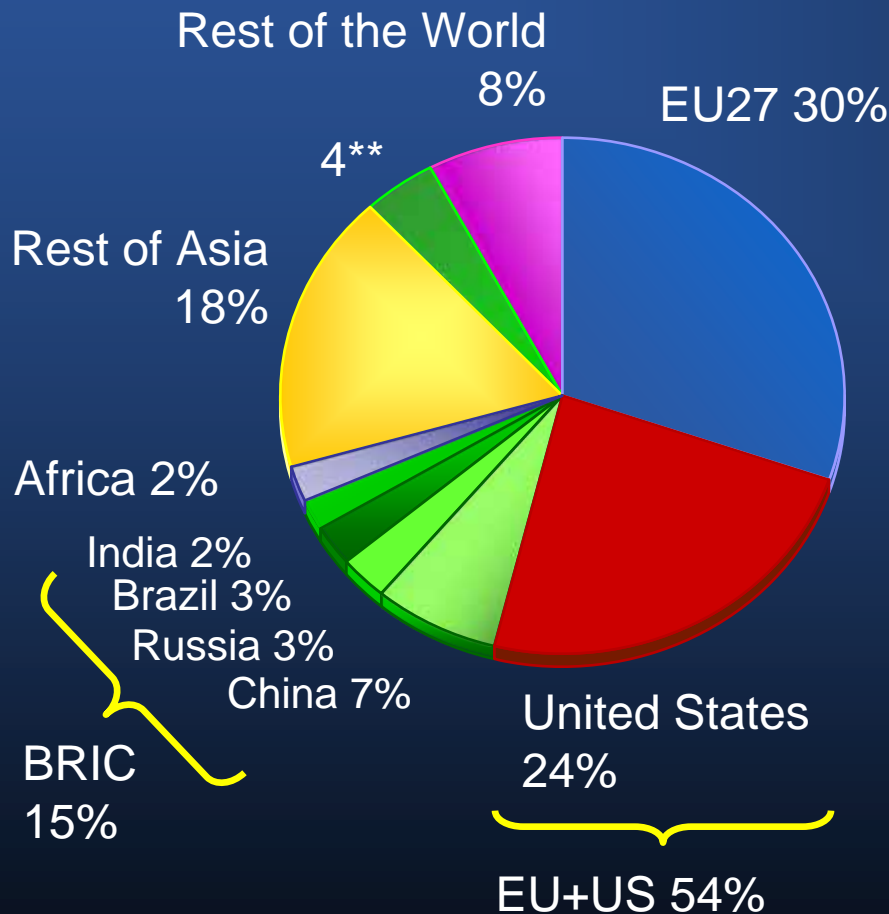


Source: IMF, World Economic Outlook Database, April 2009.

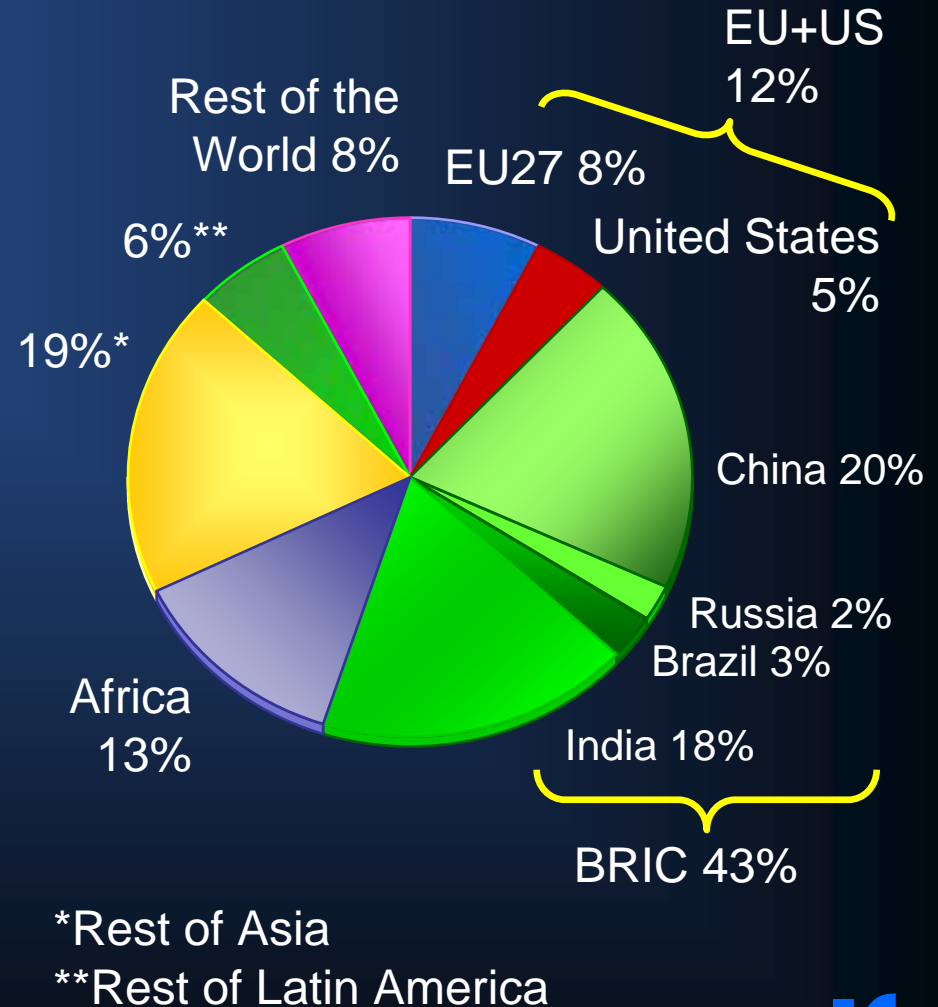
Income Inequality

Share of global GDP and global population in 2008

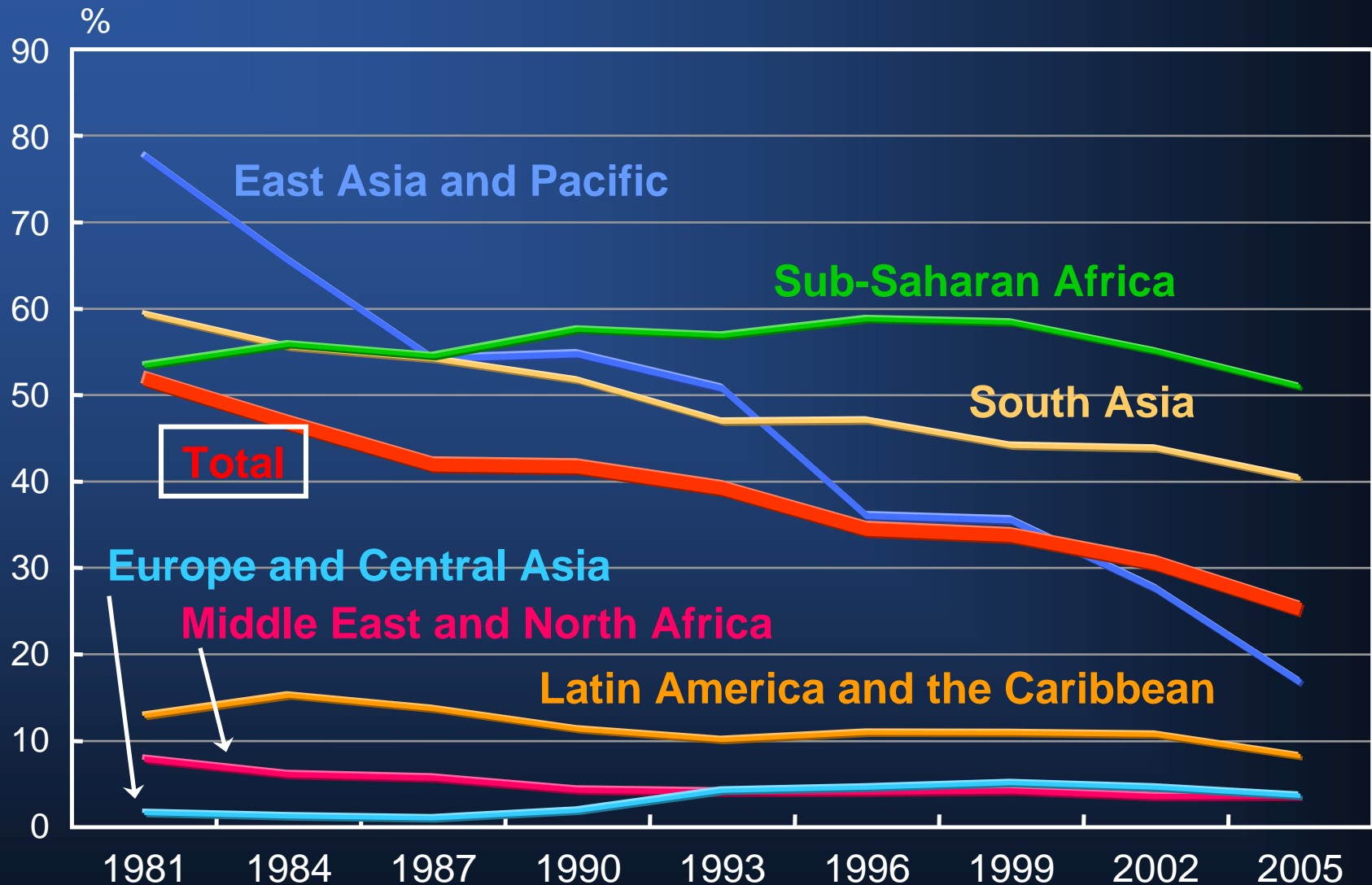
Share of GDP



Share of population

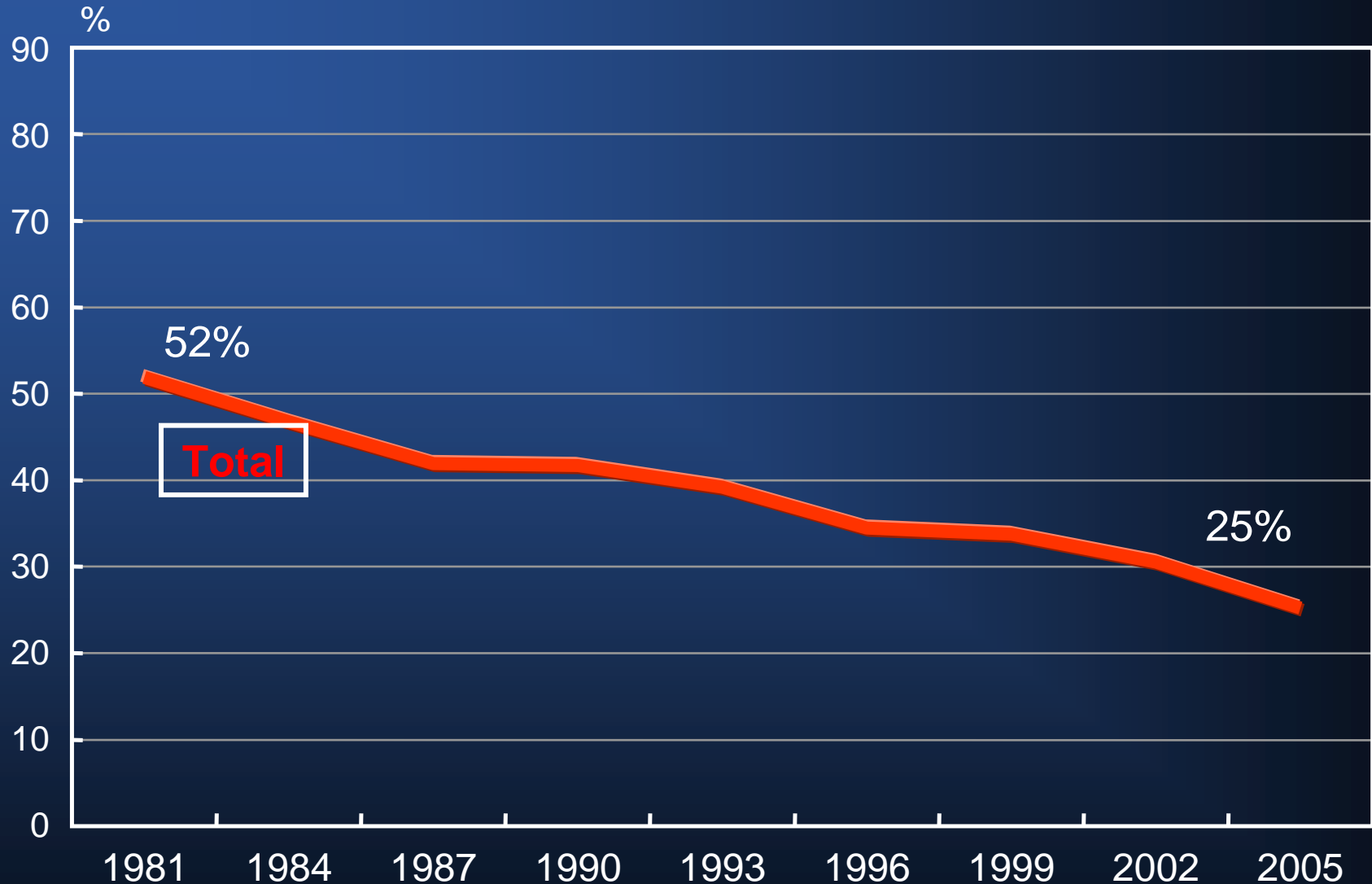


Population who live below the poverty line*



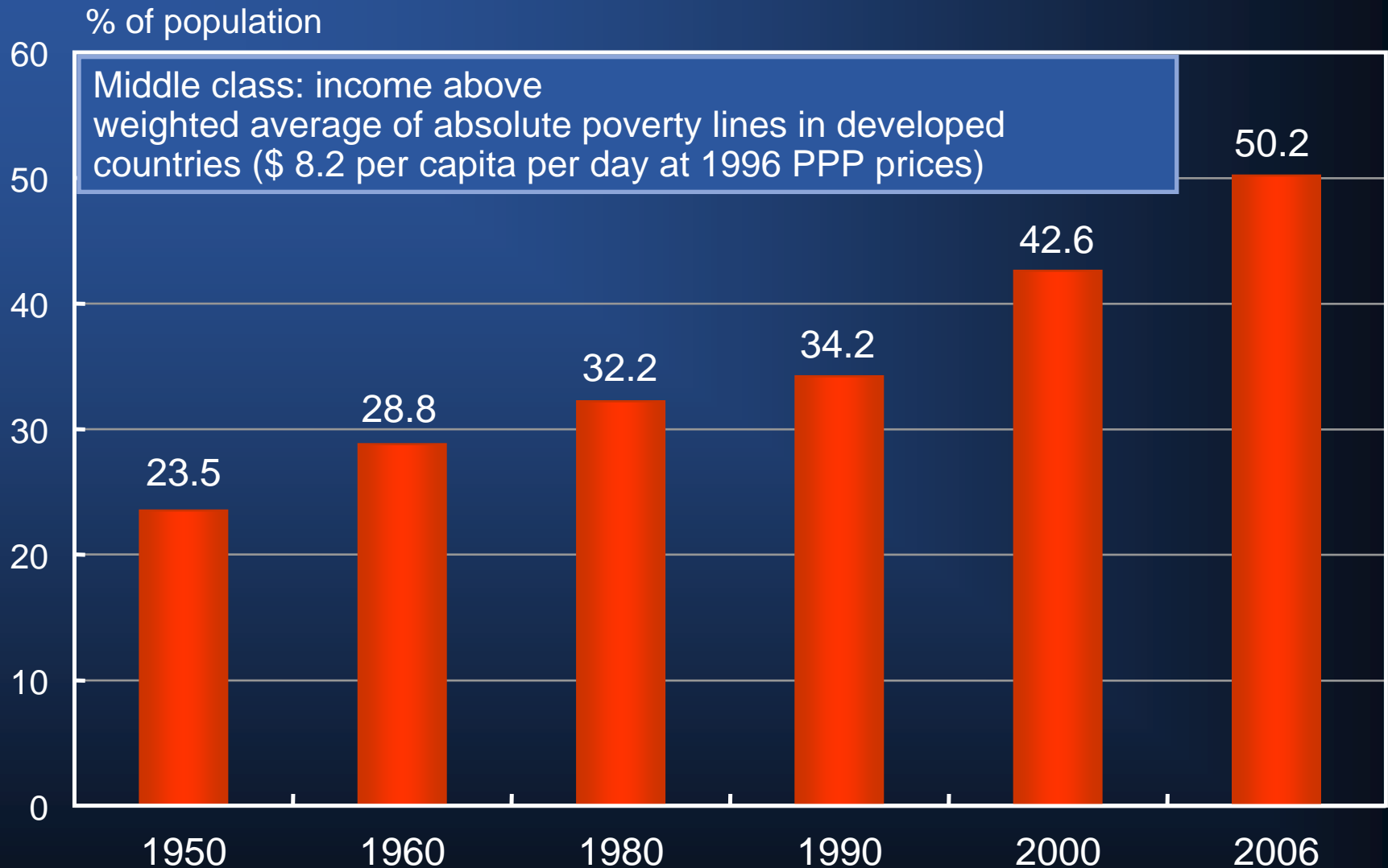
*Share of population living with less than 1.25\$ per day (2005 Purchasing Power Parities).

Population who live below the poverty line*



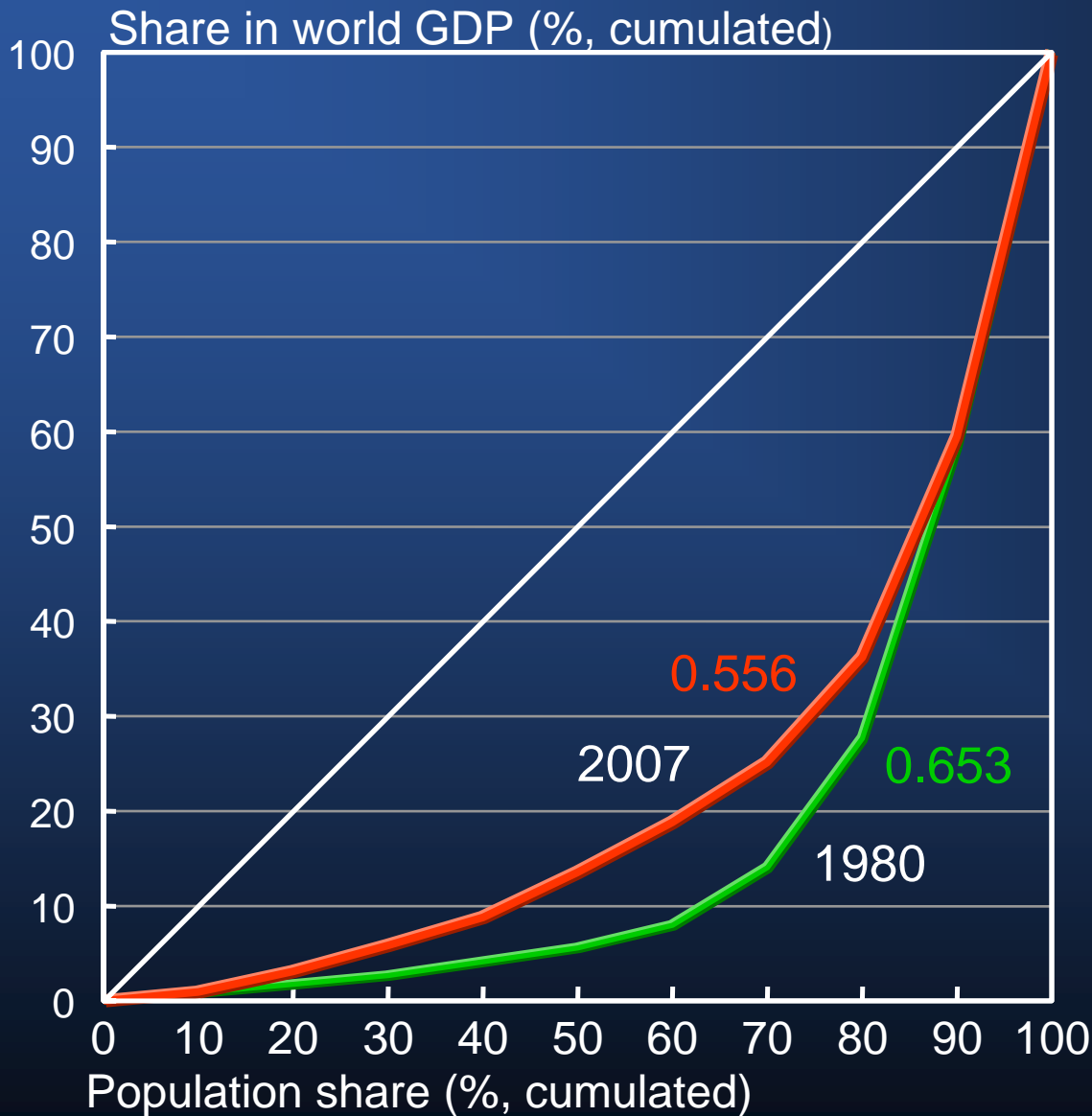
*Share of population living with less than 1.25\$ per day (2005 Purchasing Power Parities).

Relative size of middle class in world population



Worldwide Lorenz curve by country

(GDP per capita, PPP)



Population shares (2007)

OECD	17%
Ex-comm. countries	28%
India	17%
Brazil	3%

66%

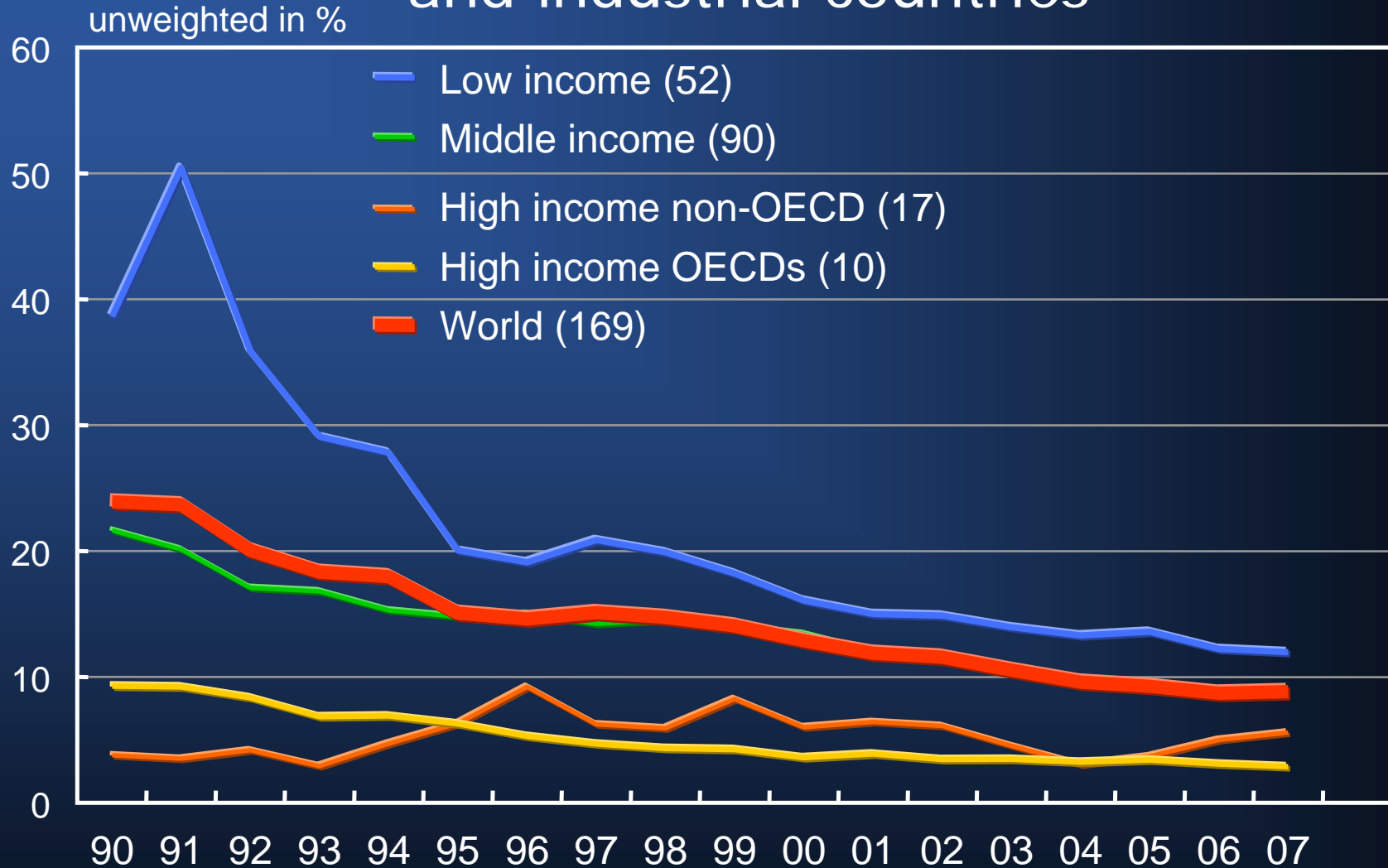
Why?

Factor price equalisation

Fall of the Iron Curtain

Reduced tariffs and taxes

Average applied tariff rates in developing and industrial countries

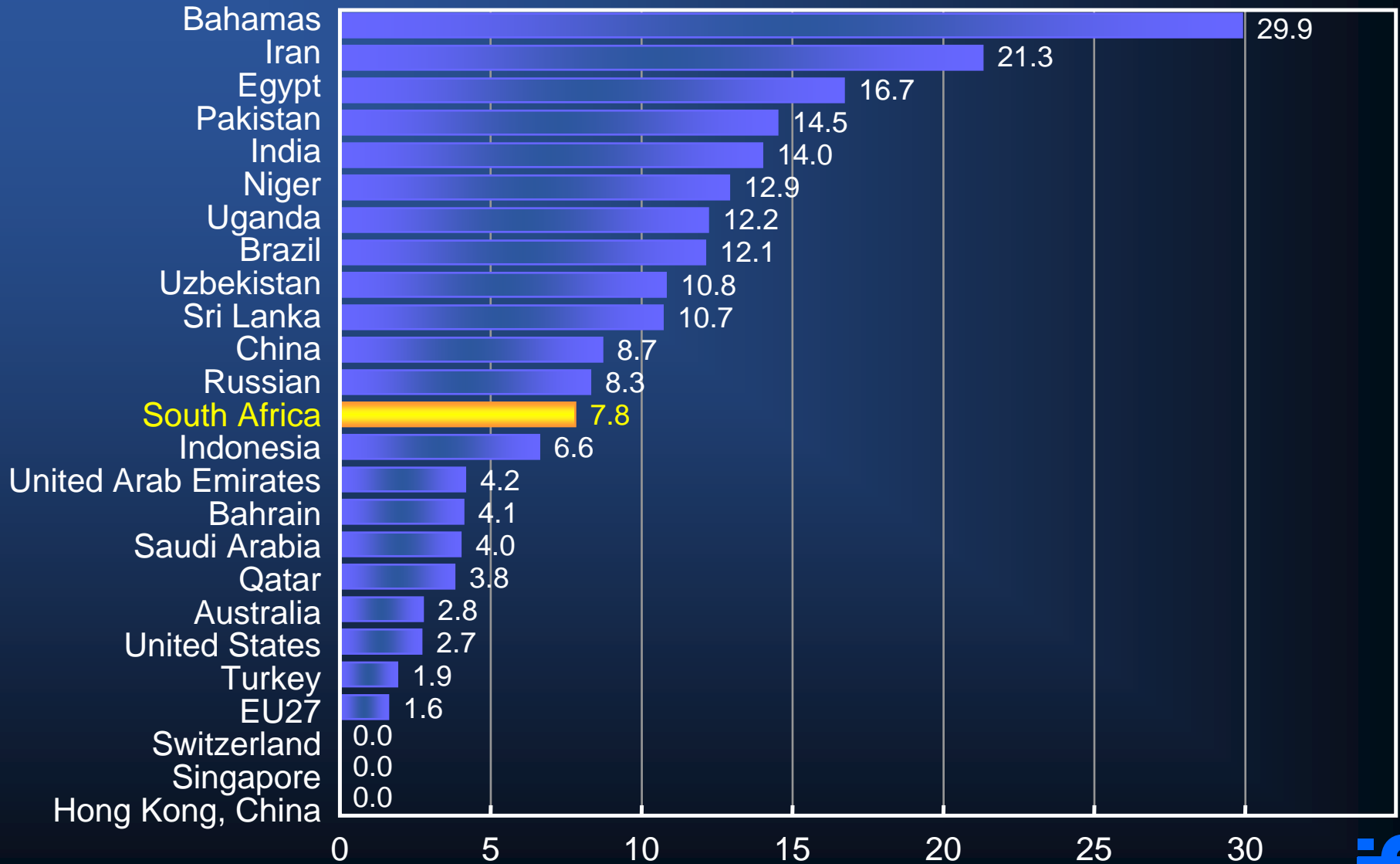


Notes: All tariff rates are based on unweighted averages for all goods in ad valorem rates, or applied rates, or MFN rates whichever data is available in a longer period.

Source: World Bank.

Average applied tariff rates 2007

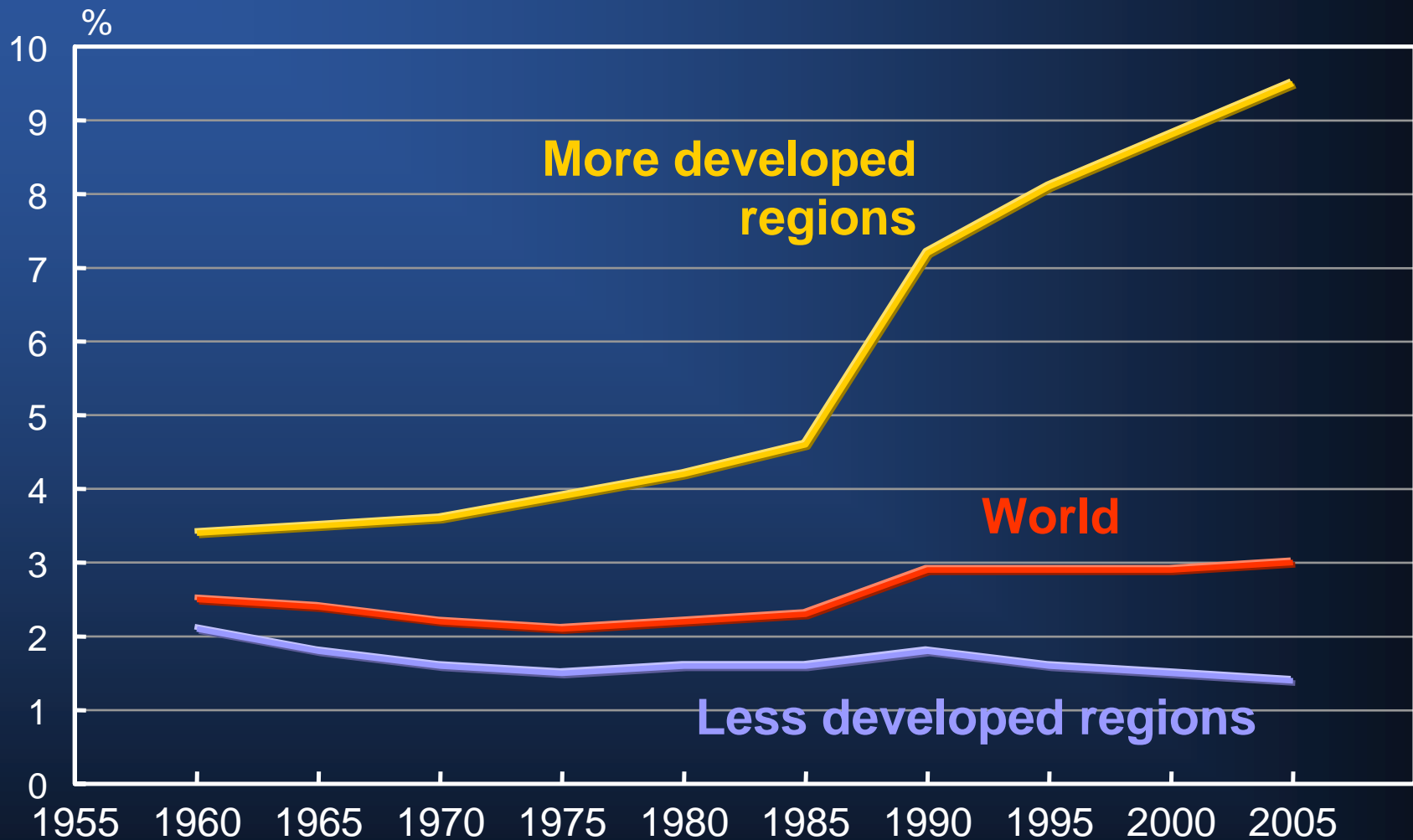
Unweighted in %



Source: World Bank.

Migration

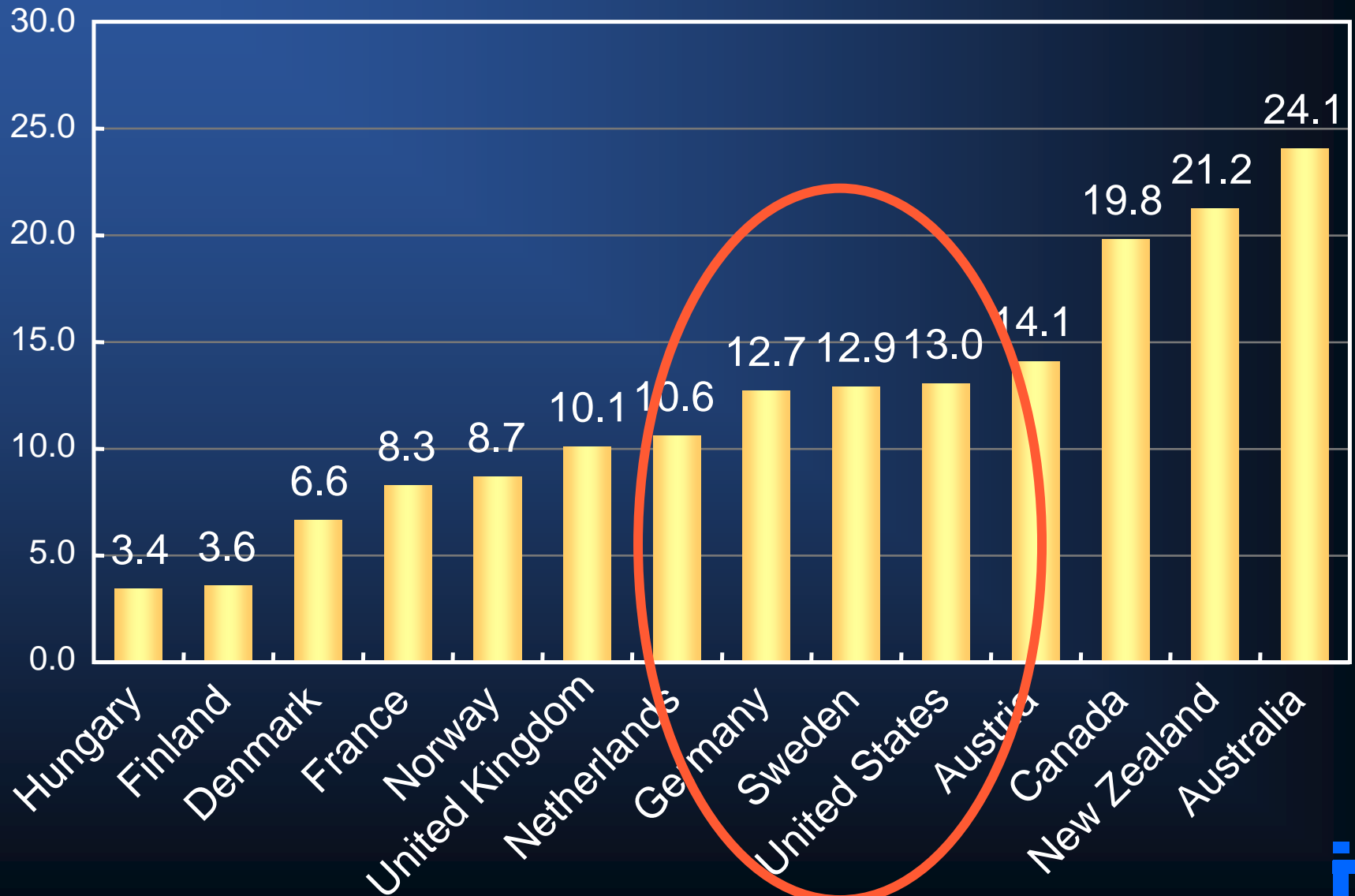
Share of foreign born population 1960-2005



More developed regions: They comprise all regions of Europe plus Northern America, Australia/New Zealand and Japan.

Less developed regions: They comprise all regions of Africa, Asia (excluding Japan), Latin America and the Caribbean plus Melanesia, Micronesia and Polynesia.

Stock of foreign-born population as a percentage of total population (2006)



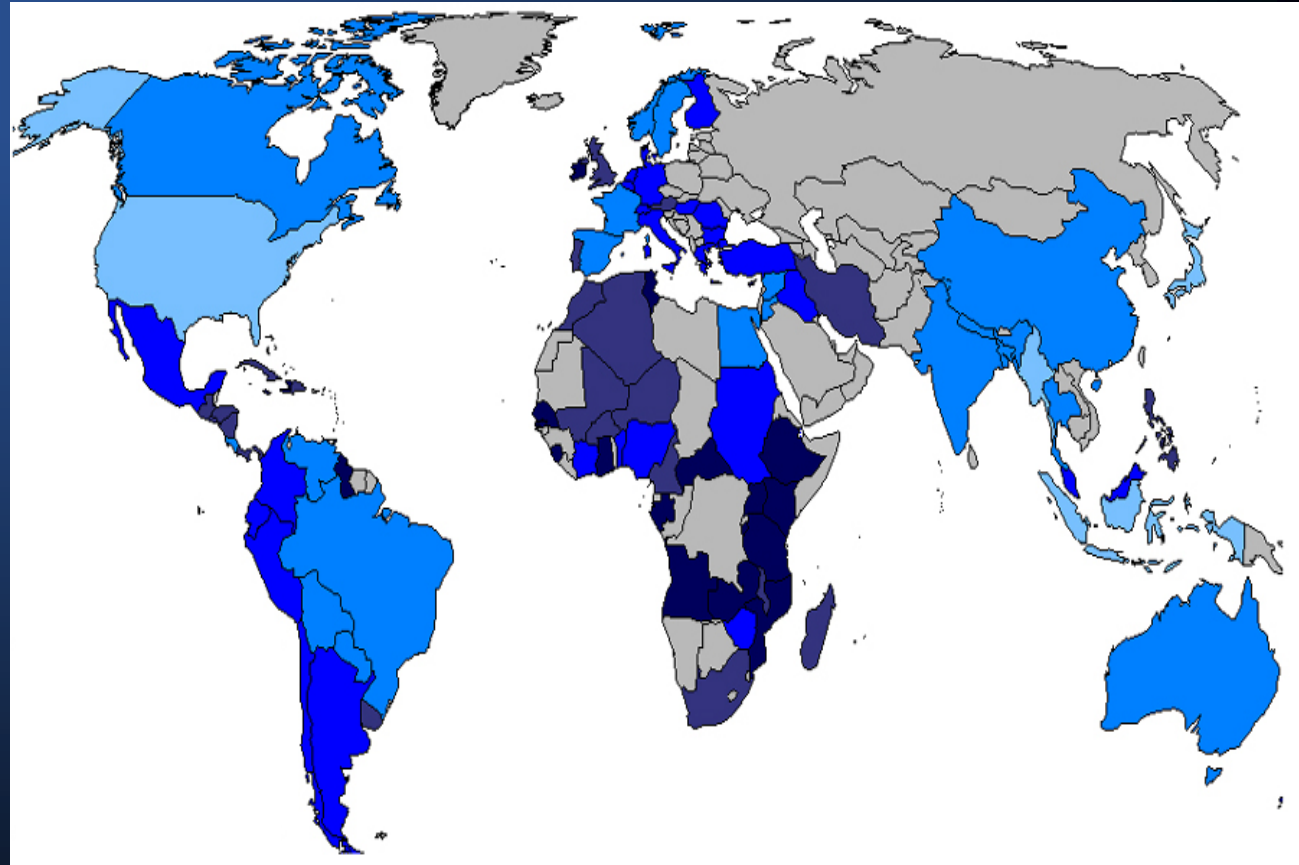
Problem Brain Drain

Brain Drain

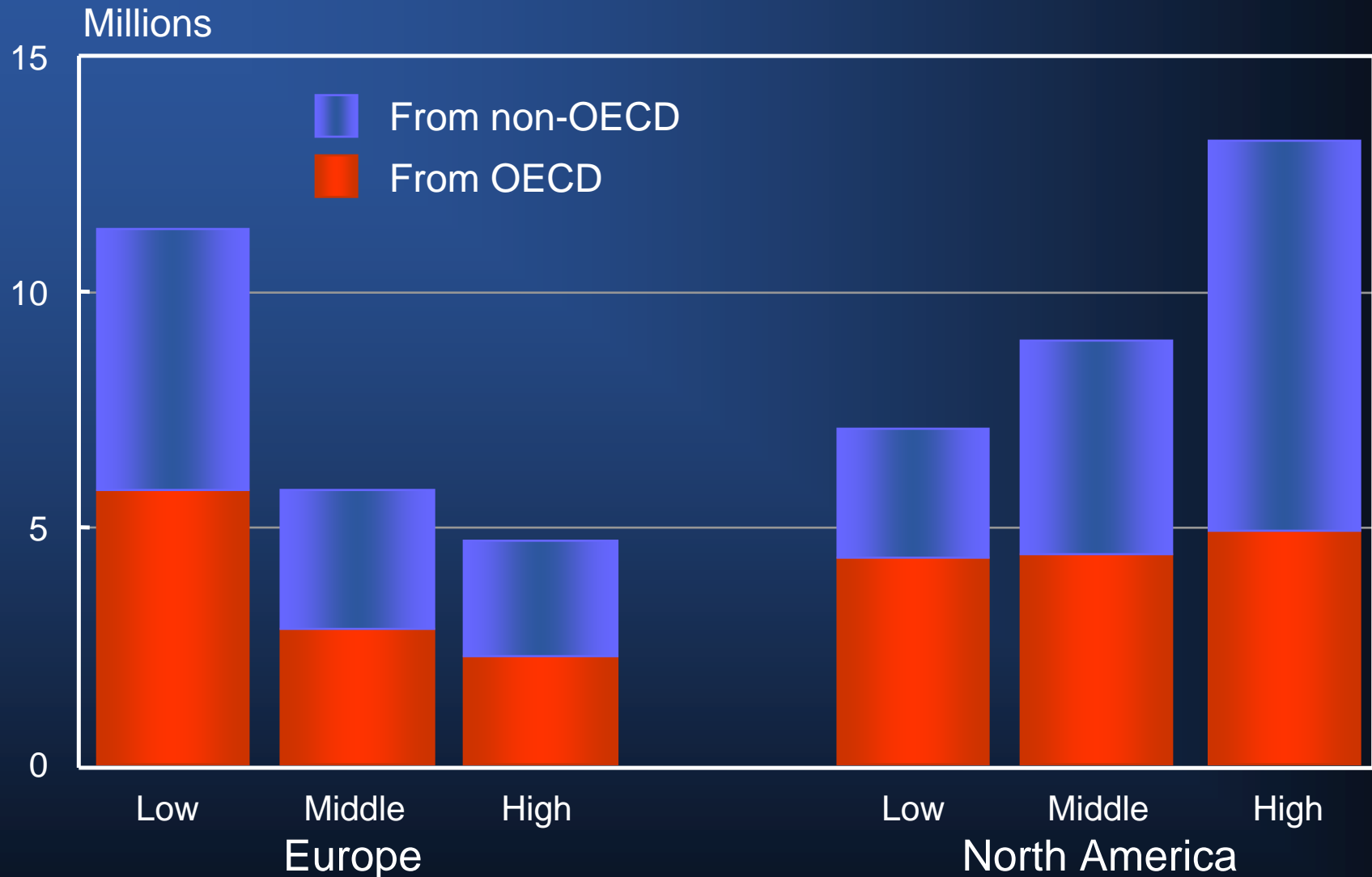
A problem for many countries

Share of a country's nationals with a university education who live in an (other) OECD country

- less than 2 (4)
- less than 5 (19)
- less than 10 (26)
- less than 20 (23)
- more than 20 (22)
- not included (71)



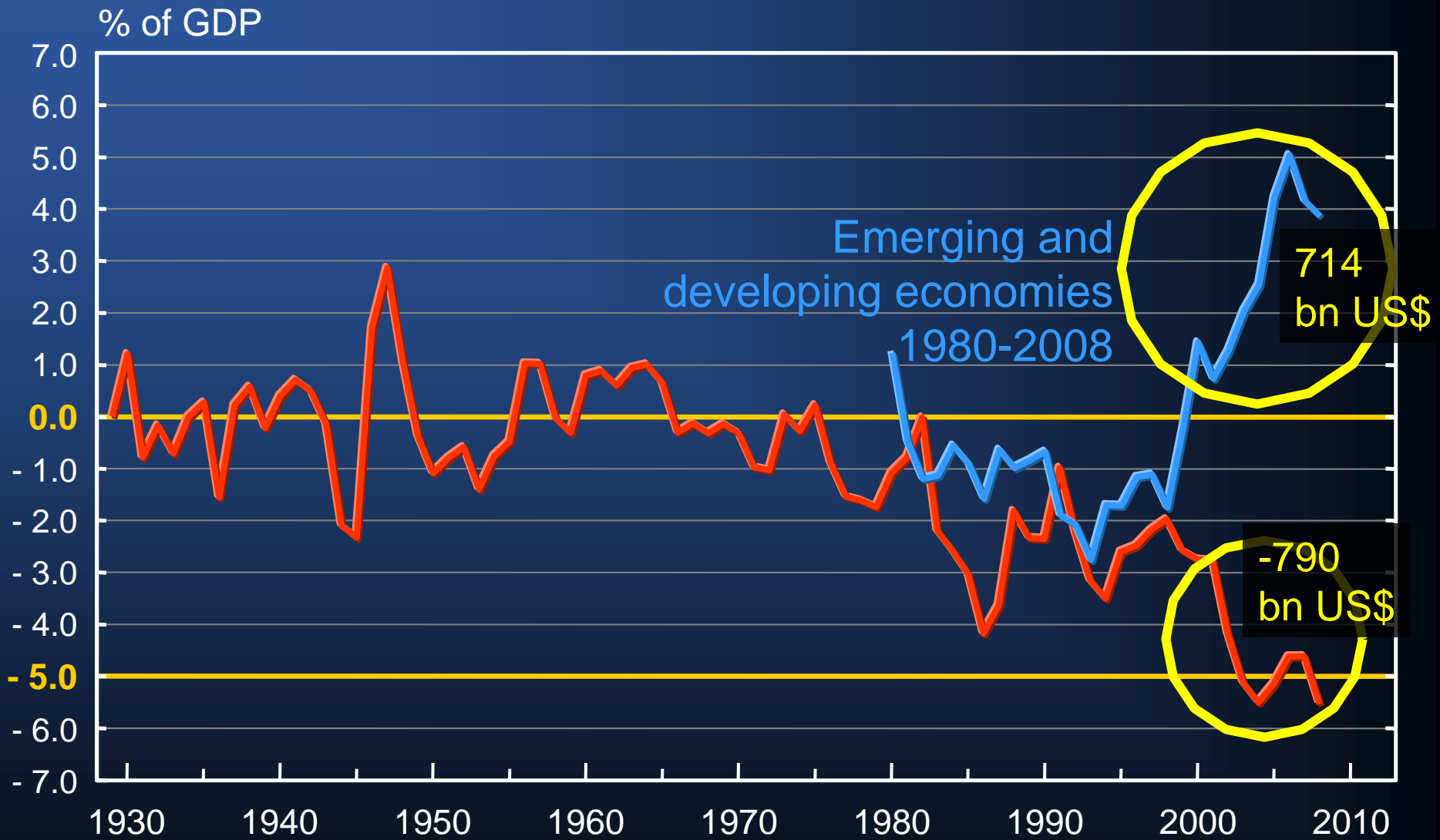
Skill distribution of migrants (2000)



Note on Schooling Levels: "Low" refers to less than upper secondary; "Middle" to upper secondary but not tertiary; "High" to tertiary level.

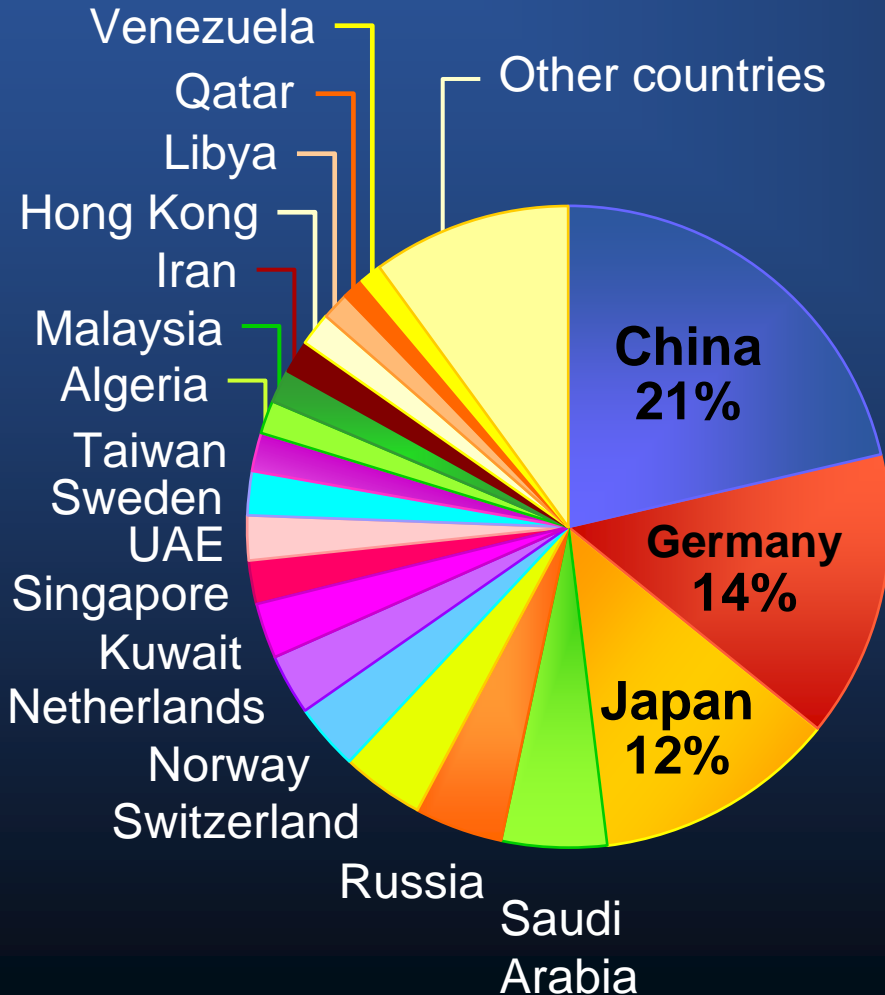
Capital Flows

Net capital exports United States 1929-2008

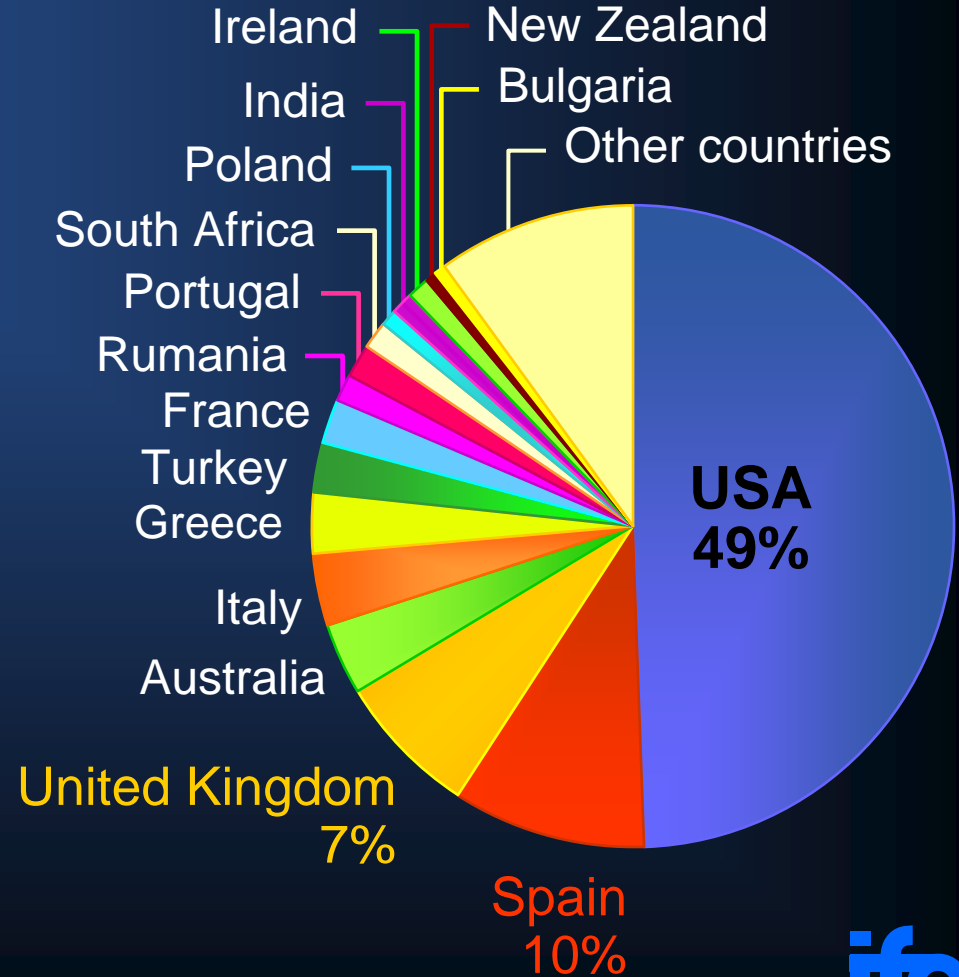


Breakdown of net capital exports and imports: shares for 2007

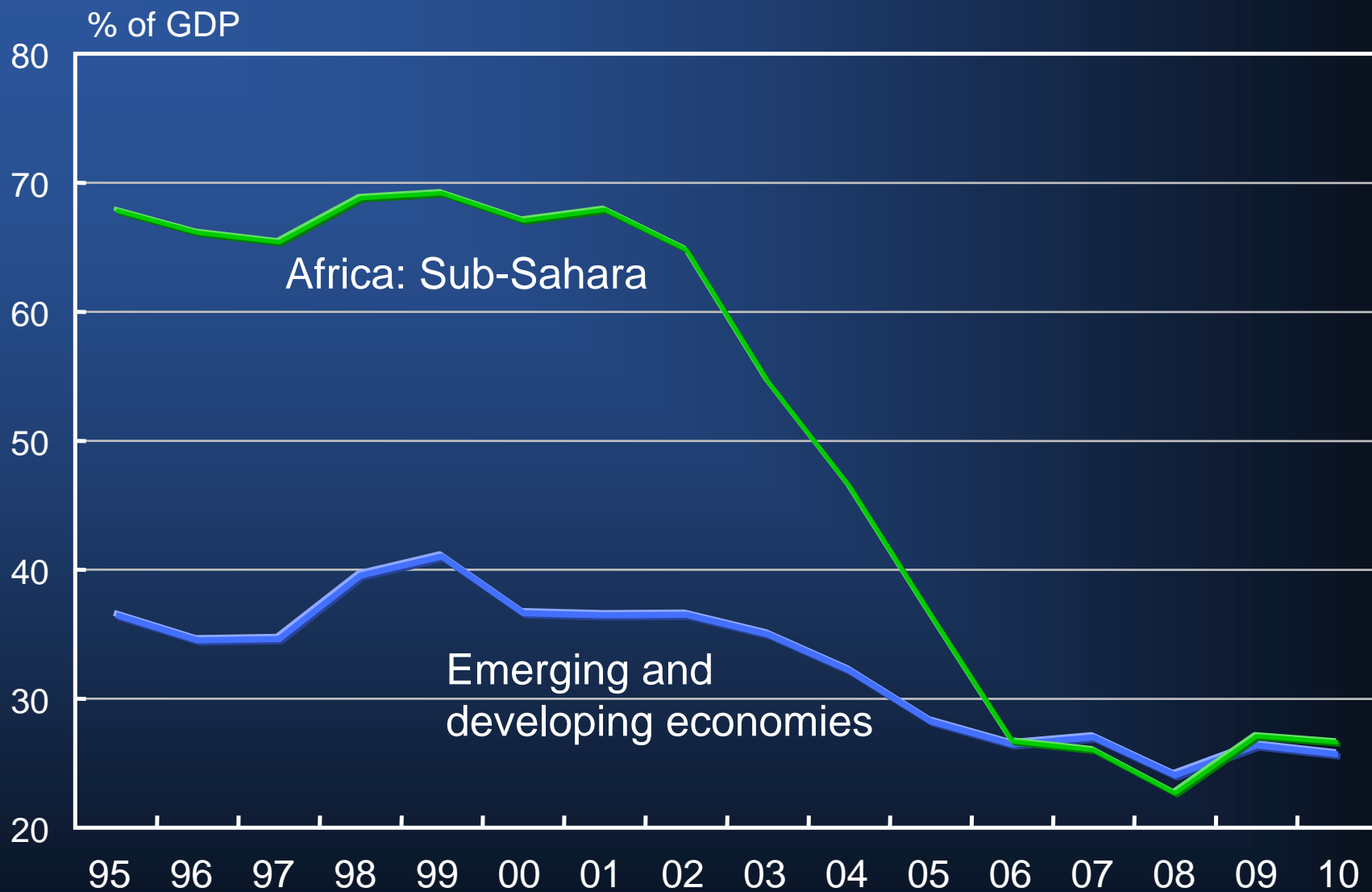
Net capital exports



Net capital imports



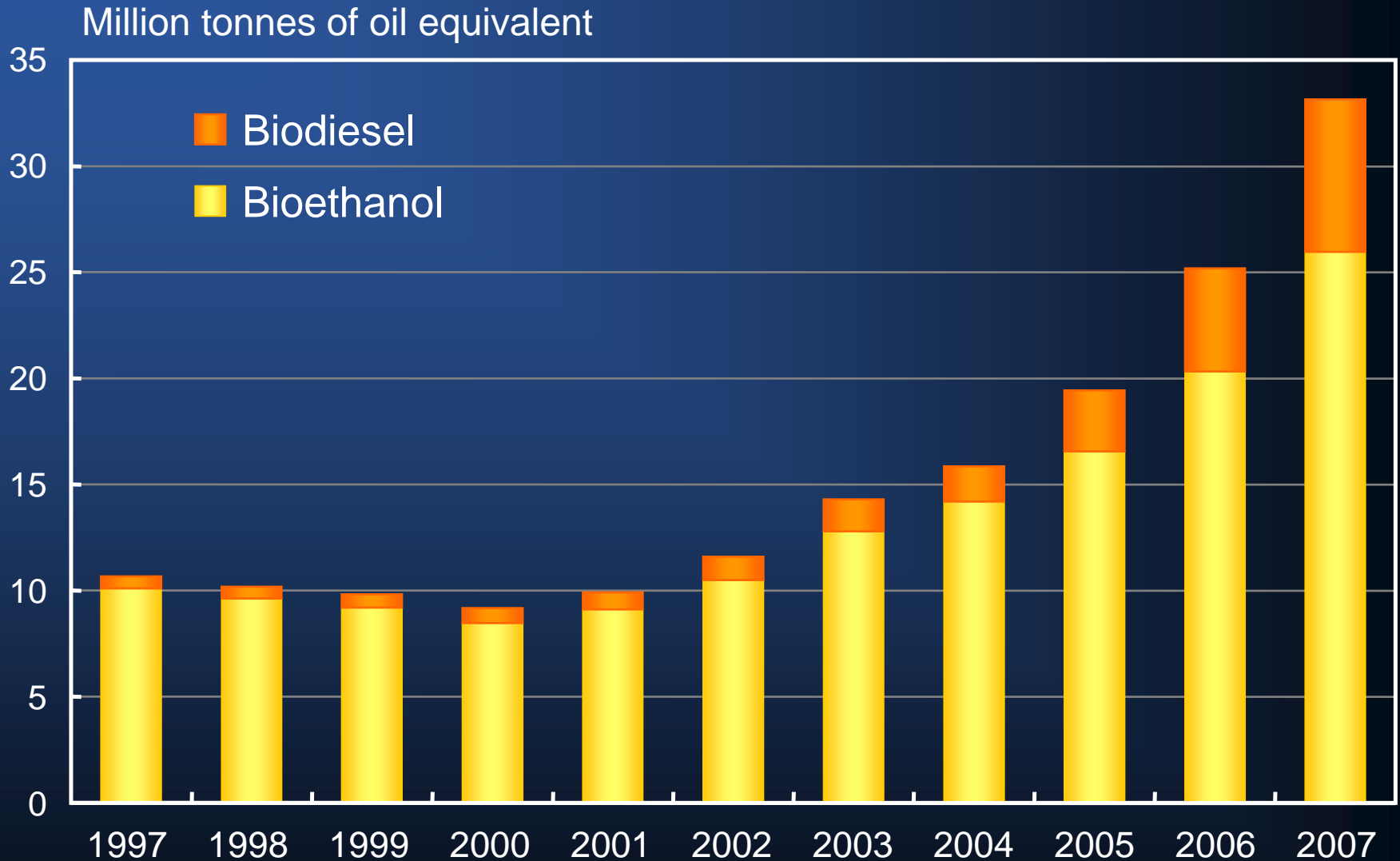
External debt



Nutrition and Biofuel

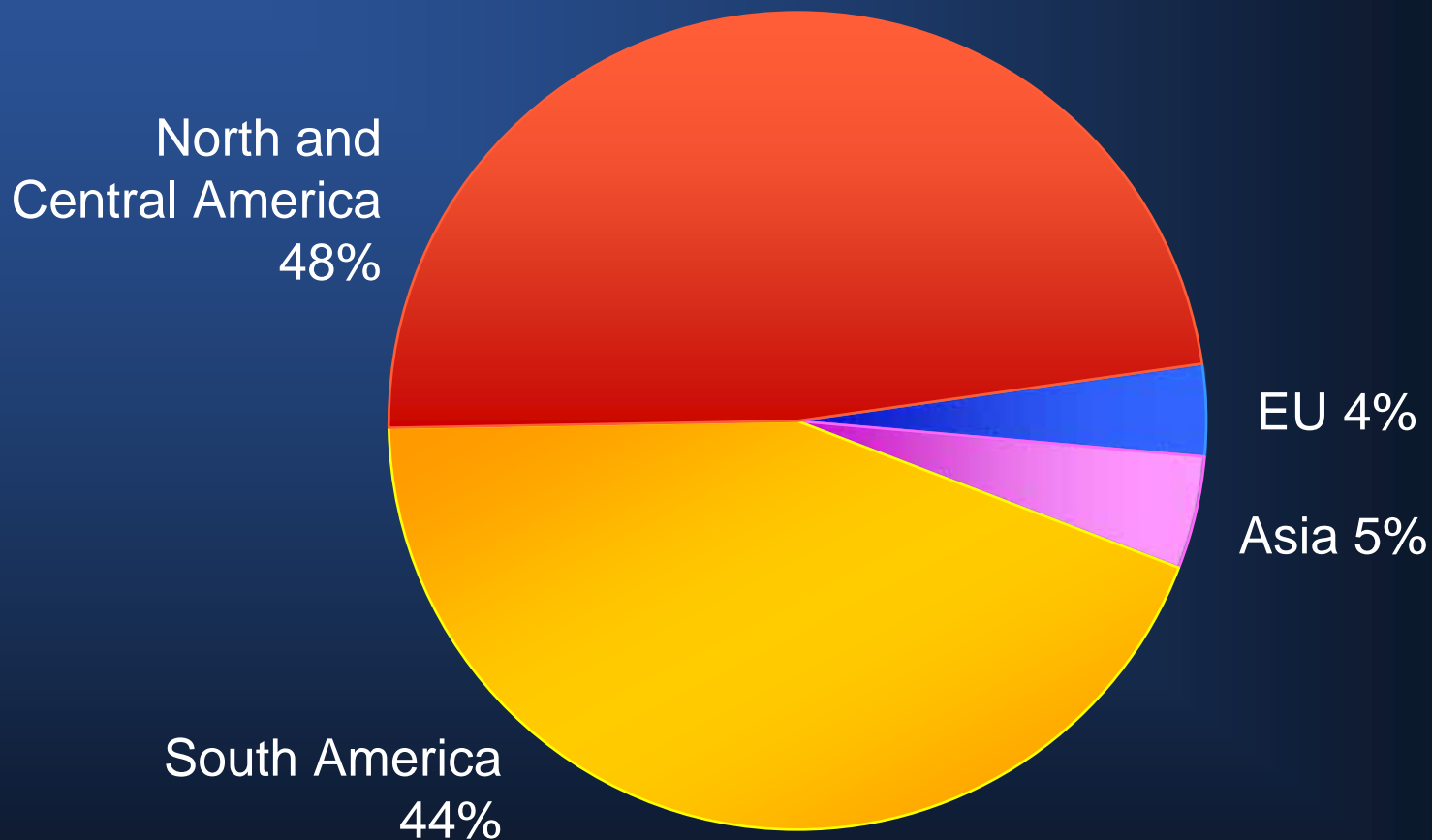
Table or Tank: Competing for
agricultural land

World's biofuel production



Source: *Biodiesel*: 1991-1999: F.O. Licht, as reported by Worldwatch Institute (Vital Signs Online): www.worldwatch.org/node/4344; 2000-2007: F.O. Licht, "World biodiesel production growth may slow in 2007", FO Licht's World Ethanol & Biofuels Report, Vol.5, No.14, 23 March 2007; *Bioethanol*: Canadian Renewable Fuels Association; European bioethanol Fuel Association; F.O. Lichts; Government agencies in Brazil, Canada, US, Austria, Australia, China.

Bioethanol in the World (2006)



Only of marginal importance?

Suppose we just replace liquid fuels,
which itself is only a fifth of world
fossil energy use ...

Biofuel share	Share of agricultural land	
10%	9%	10%
20%	17%	20%
100%	85%	100%

The tortilla crisis and other food protests

Why?



**Was it
biofuels?**

Tortilla crisis, Mexico, 31.01.2007



Honduras, 17.04.2008

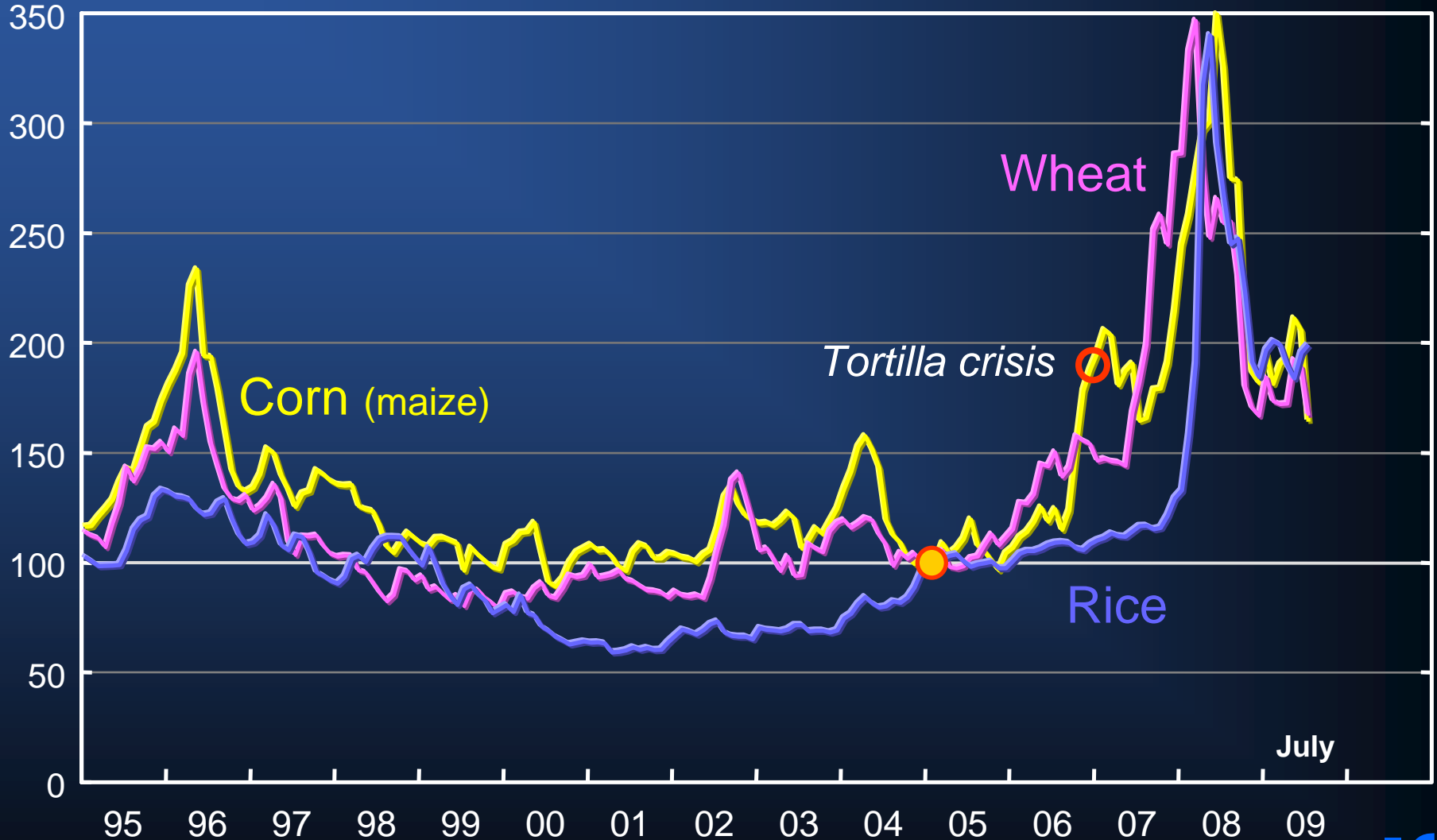


Senegal, 26.04.2008

It was.

World market prices of cereals and crude oil

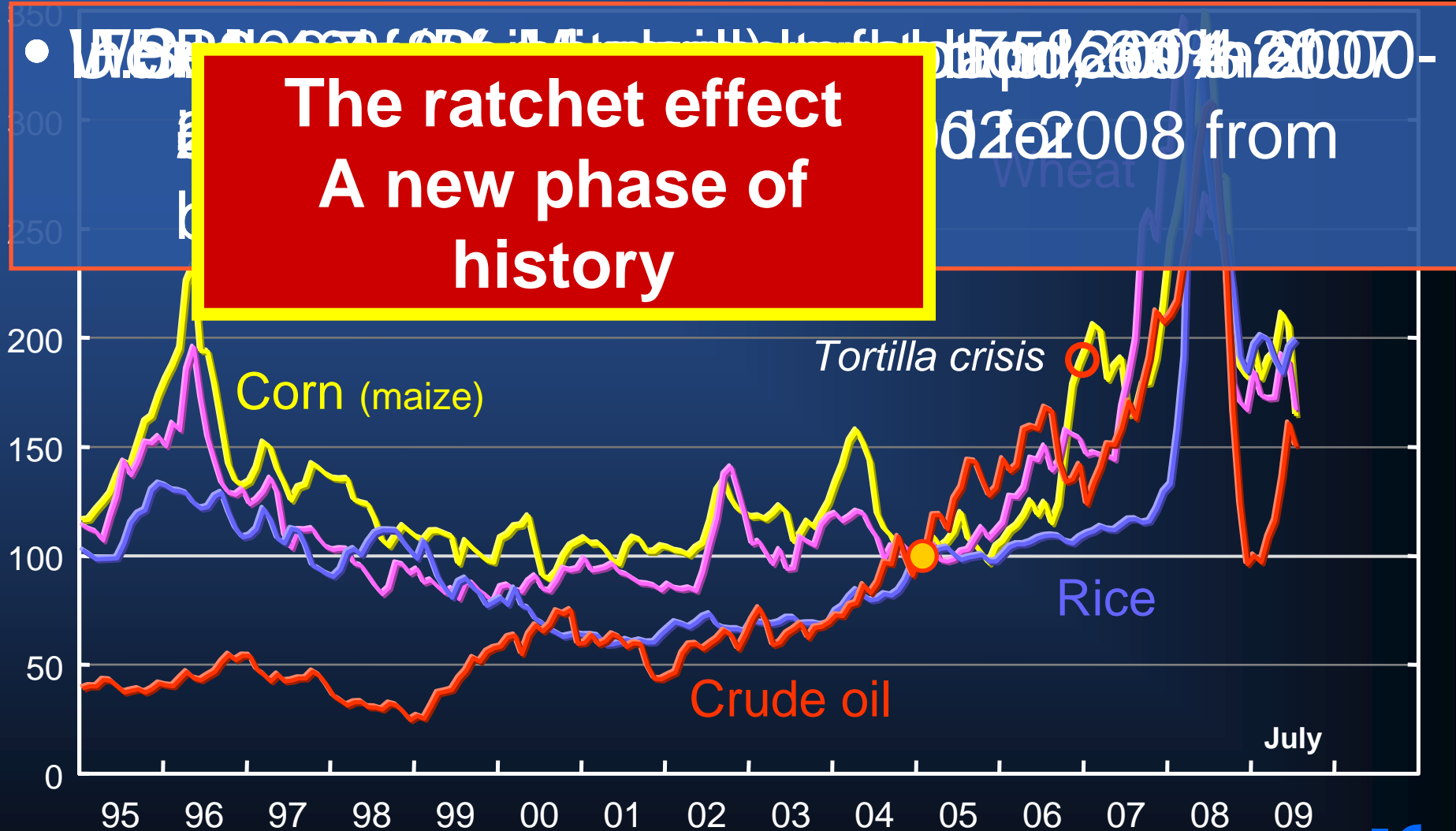
Price index January 2005=100



World market prices of cereals and crude oil

Price index January 2005=100

**The ratchet effect
A new phase of
history**



Conclusions

- Globalization has brought rapid growth
- Income inequality is falling
- Brain drain has been a problem
- Capital has flown in the wrong direction
- Ratchet effect of bio fuels is opening a new chapter of history for developing countries

Ende

