

At a Glance

- Growing integration of the world economy allows **emerging economies** that have made a firm commitment to free markets and good economic governance to generate sustained growth. In time, their per capita income can be expected to converge with that of the developed world, to the lasting benefit of both.
- As only a small part of the gap has been bridged so far, growth prospects remain favourable, especially for technology-induced growth based on productivity improvements.
- Tapping into these markets is crucial—thirty years hence, a gain of just 0.1 percent in the Canadian share of the import markets of Brazil, Russia, India and China (BRIC) would mean an export gain of \$29 billion.
- Canada is already exporting 42 percent more to emerging and developing markets than predicted by economic modeling based on the factors that drive trade, such as GDP and distance. In particular, exports to China, Malaysia, Indonesia and Algeria are more than double what the model predicts. Key markets where Canadian exports are below potential include India and Brazil.
- In the U.S. market, our comparative advantage lies primarily in the automotive, wood and paper, and energy sectors. Outside the U.S. market, our advantage in the agri-food, metals and minerals, and aerospace sectors is significantly stronger, but we are at a disadvantage in the energy and automotive sectors.
- Competitiveness analysis in fifteen of the biggest emerging markets reveals that Canadian exports in several advanced manufacturing sectors are performing better in most of these markets than they do globally. Aerospace, in contrast, underperforms in these key emerging markets.

economy has grown by 46 percent since 1995, Russia's by 79 percent, India's by 136 percent and China's by a staggering 228 percent.³ But equally impressive is their growth potential in the future. They occupy a vast area (29 percent of the land surface of the globe), contain over 40 percent of the world's population and are rich in human and natural resources. Their influence is felt everywhere, from the carbon footprint in the atmosphere—China's carbon dioxide emissions more than doubled between 1990 and 2004, nearly catching up to the world-leading United States⁴—to the emergence of the G20 as a forum to develop a collective response to the economic crisis. Those

nations and the rest of the emerging world that they represent are finding their voices, and these are increasingly heard in the global debates.

This change, however, is not unexpected if one takes a look into the past. In fact, it is the global imbalance in favour of the West that is a recent phenomenon. Nearly all of human history was spent in conditions of near-universal international income parity. What is striking about the past few centuries of economic development is not the change in country rankings, but the colossal increase in disparity between the rich and the poor countries. The current income gap between one of the richest countries, Luxembourg, and one of the

3 Real GDP growth 1995-2008, *Global Insight*, March 2009. Canada also did well, growing by 47 percent over this period.

4 From 2,399 Mt in 1990 to 5,007 Mt in 2004; U.S. emissions grew 25% to 6,046 Mt in the same period. *Human Development Report 2007/2008*, UNDP.