

of unobserved rural poverty, whose incidence and harm have been drastically reduced by their recent economic progress.

### Consider this:

- China already replaced Germany as the third-largest economy in 2007 and is on its way to surpassing Japan around 2010. It is expected to overtake the U.S. economy as the world's largest around 2025.
- PricewaterhouseCoopers (PwC) estimates that by 2050, China's GDP will exceed that of the United States by about 30 percent, both at market exchange and PPP.
- In the same year, India is projected to nearly catch up with the United States, while Mexico, Russia and Indonesia will overtake the German, U.K. and French economies.
- The top emerging economies—consisting of the BRIC countries, Mexico, Indonesia and Turkey, the so-called E7—will overtake the current G7 and are projected to be 50 percent larger than the G7 by 2050. In 2007, E7 economies corresponded to about 25 percent of the size of the G7.
- BRIC international merchandise trade overtook that of the U.S. in 2007.
- PwC projects the following countries will have a larger GDP than Canada by 2050: Mexico, Indonesia, Vietnam, Turkey and Nigeria.

Overall, the currently emerging economies will constitute the majority of the top 10 economies list in 2050, replacing several advanced economies, such as Italy and Spain (Table 1).

**TABLE 1.**  
Largest Economies: 2008, 2039 and 2050

Rank	GDP in 2008	GDP in 2039 (GI)	GDP in 2050 (PwC)
1	U.S.	China	China
2	Japan	U.S.	U.S.
3	China	India	India
4	Germany	Japan	Brazil
5	France	U.K.	Japan
6	U.K.	France	Mexico
7	Italy	Germany	Russia
8	Russia	Italy	Indonesia
9	Spain	Russia	Germany
10	Brazil	Turkey	U.K.

Source: IMF *World Economic Outlook*, IHS *Global Insight* and PricewaterhouseCoopers projections (2008).

Such long-term projections may prove to be overly optimistic as they neither account for any shocks that will affect these economies throughout this period, nor for the inherent risks to macroeconomic stability, governance and free-market commitment. As projections by PricewaterhouseCoopers (PwC) also rely significantly on labour force growth, these may end up being optimistic for countries with fast-growing populations. More conservative estimates by IHS Global Insight (GI) project fewer drastic differences in the top 10 club in 2039. GI estimates that the nominal GDP of emerging economies will exceed that of traditional advanced economies by 2030. But by any accounts, a major realignment will take place in world patterns of trade, output and wealth. By 2039, the combined GDP of emerging markets and developing countries will represent 58.7 percent of the world's total GDP (GI projection, April 2009).

### Impact of Emerging Markets Growth on Canadian Commercial Interests

Canada is a trading nation. Our trade openness ratio is second only to Germany's among the G7. Consequently, any major shifts in global output and trade are likely to have relatively strong impacts on Canada. To estimate the effect on Canada's commercial performance, we conducted a brief