

# Developing Countries: Chances and Challenges

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The Current Crisis

Globalisation and Convergence

Income Inequality

Capital Flows

Migration

Nutrition and Biofuel

# The Current Crisis

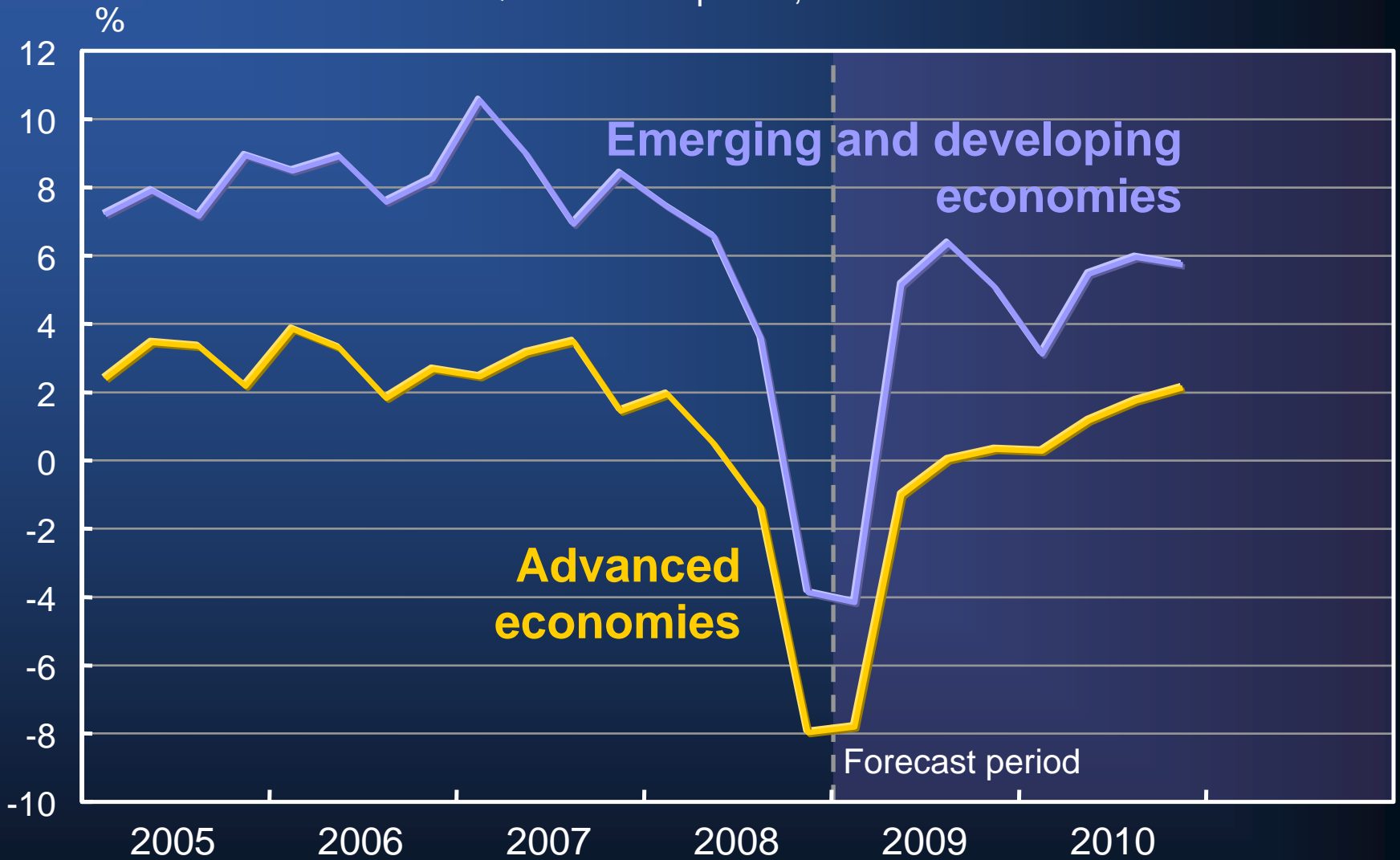
# World economy, GDP 1951-2009

Constant prices, annual percentage change

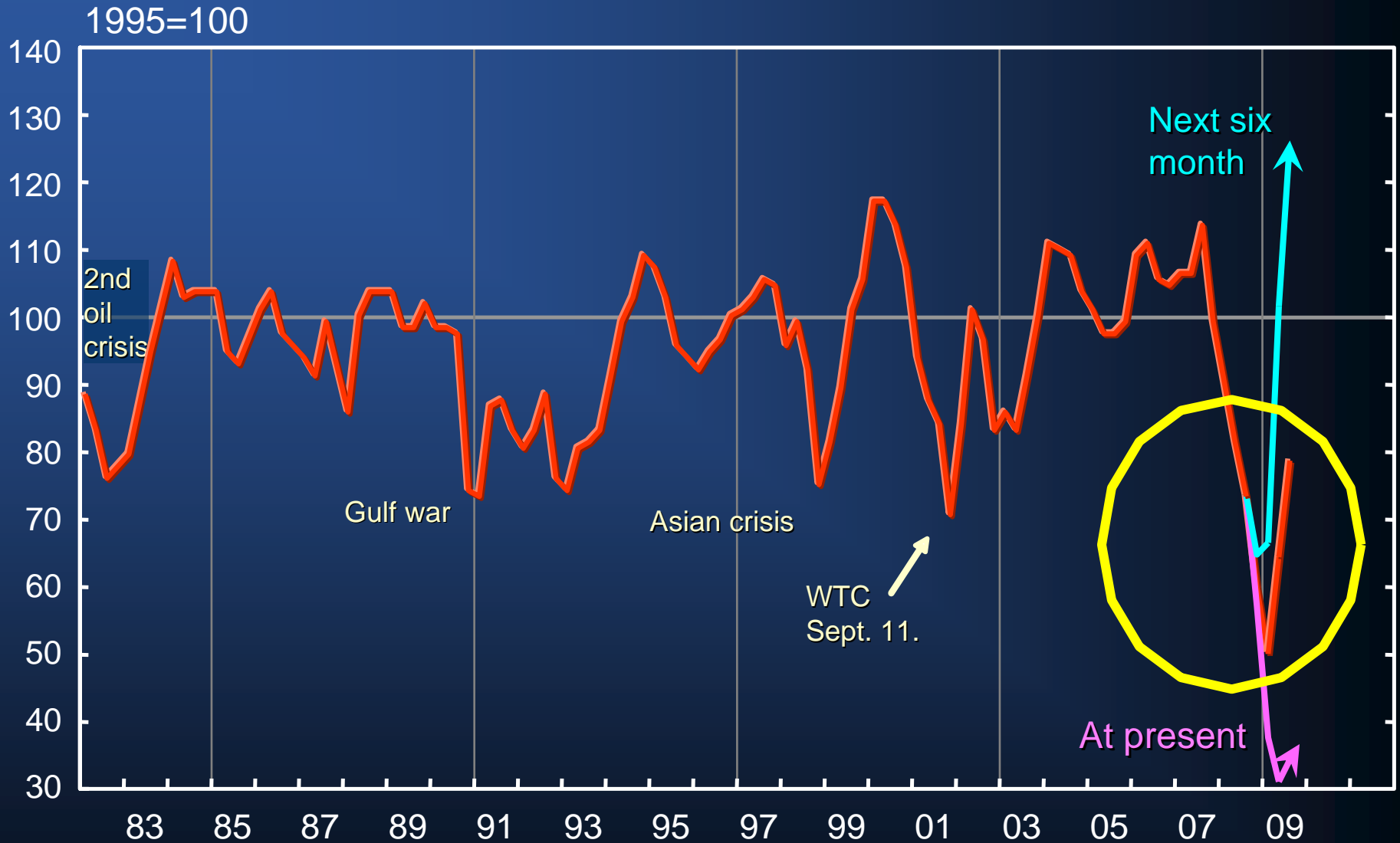


# Global GDP growth

Quarter-over-quarter, annualized

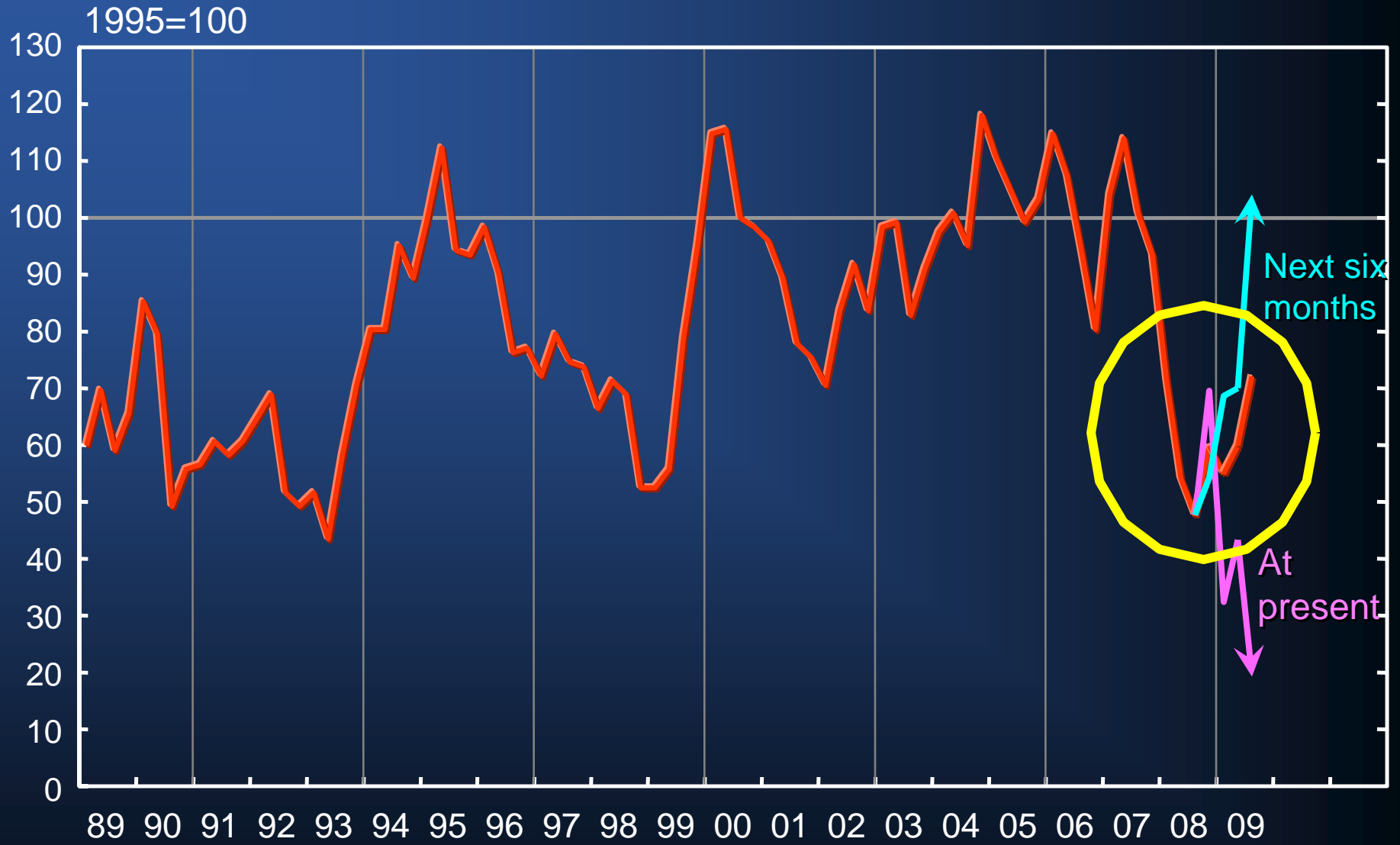


# Ifo World Economic Climate\*



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

# Ifo World Economic Climate for South Africa\*

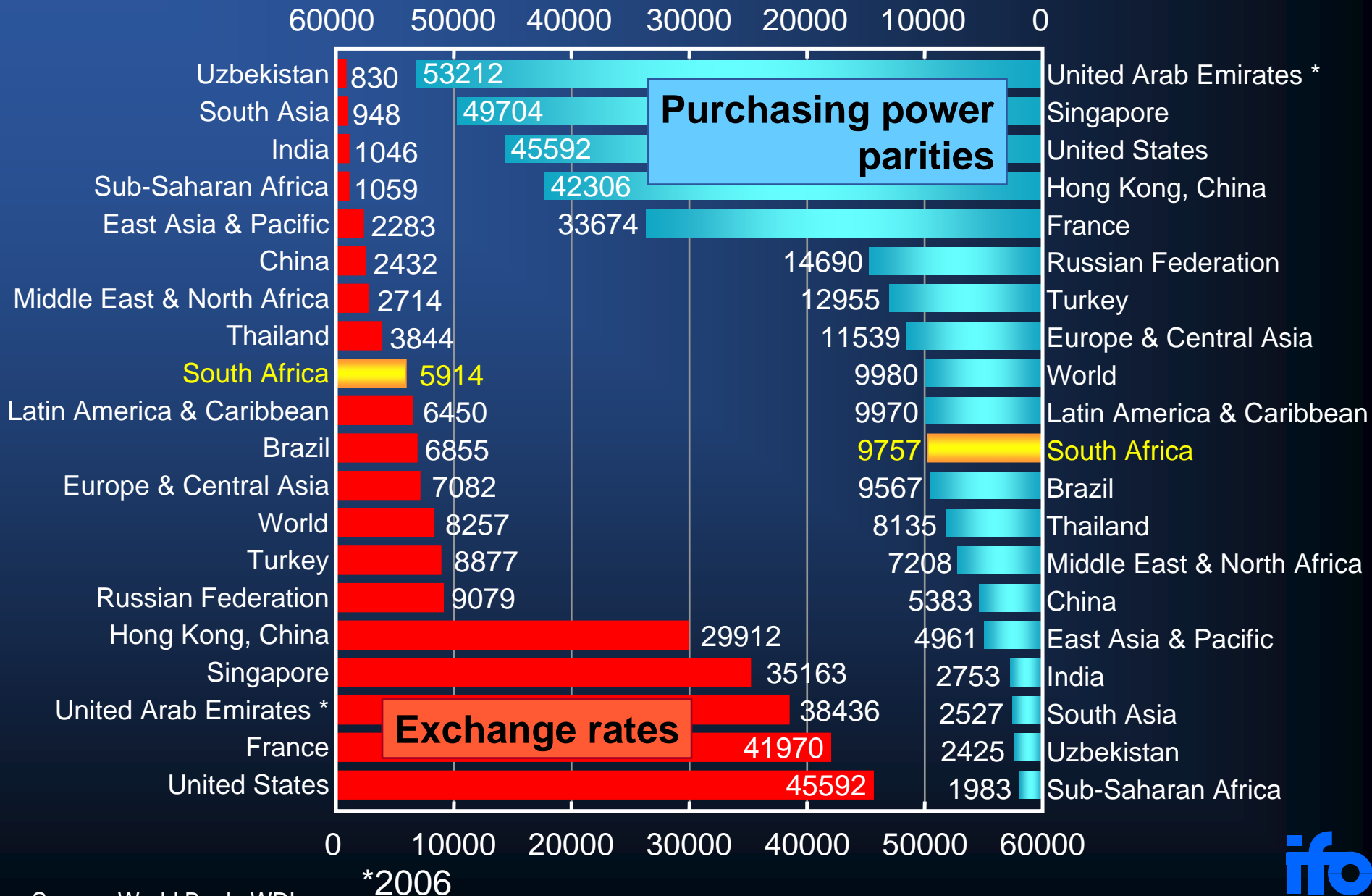


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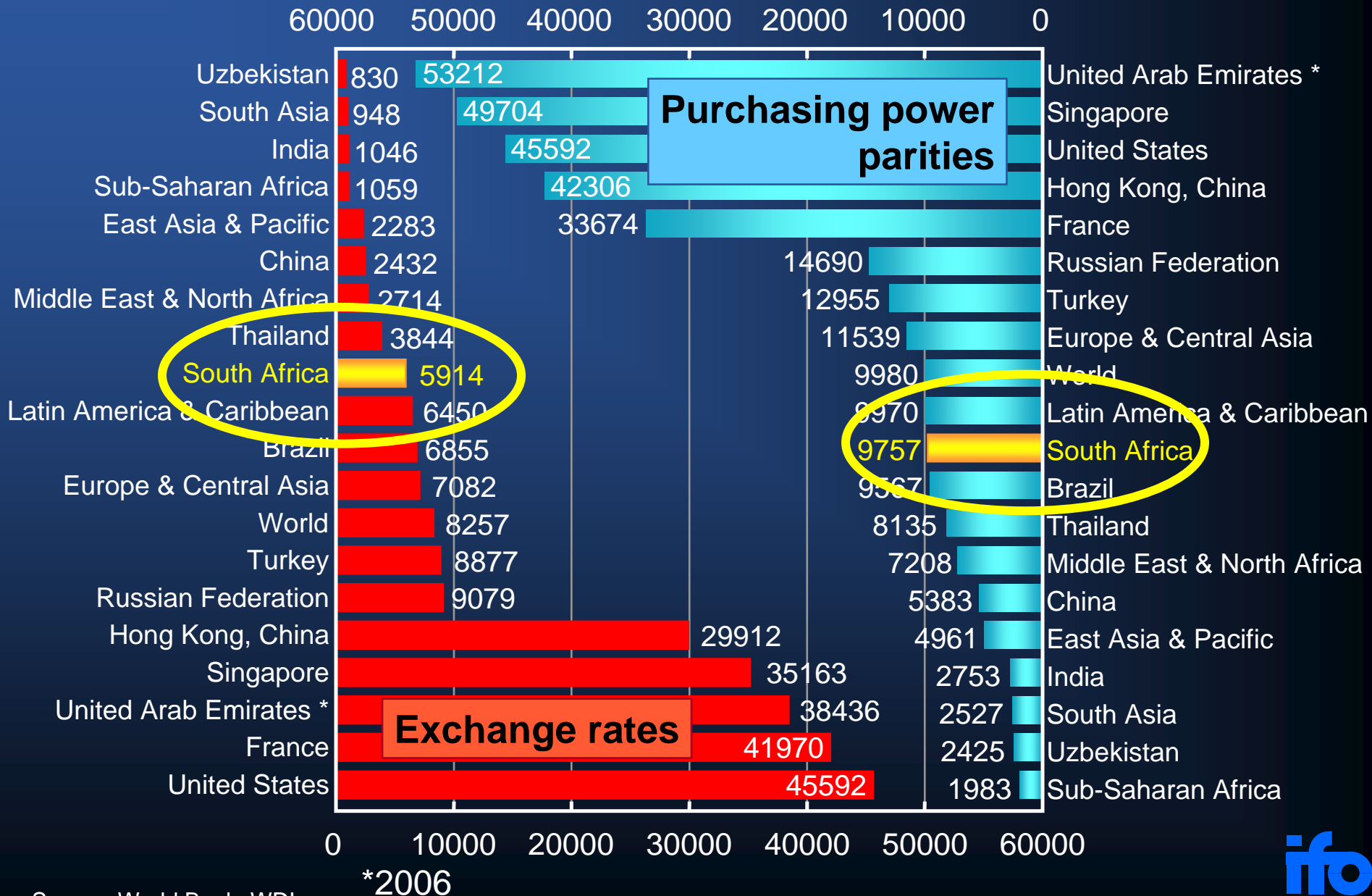
# Globalisation and Convergence



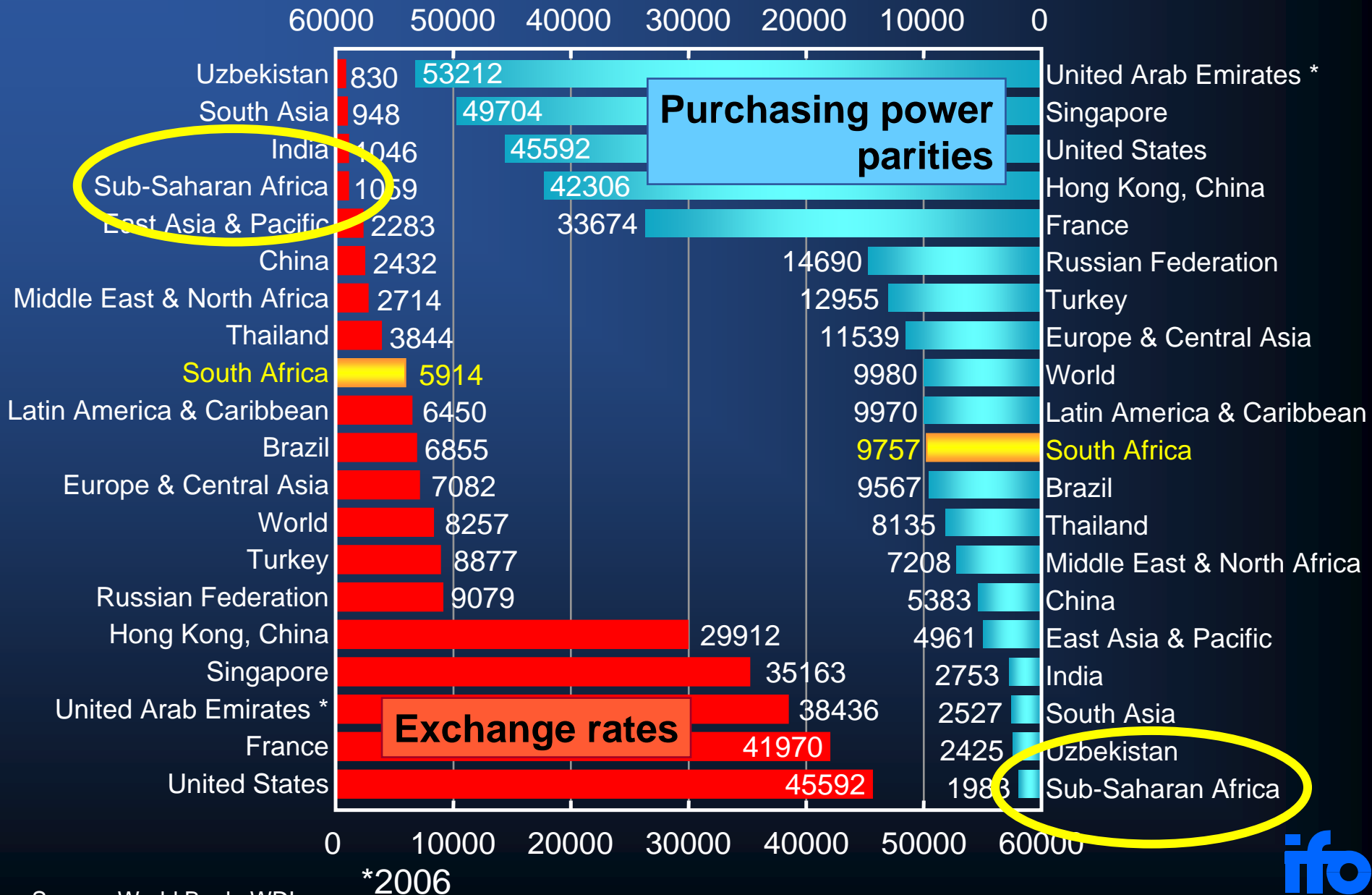
# GDP per capita in different regions and countries (2007)



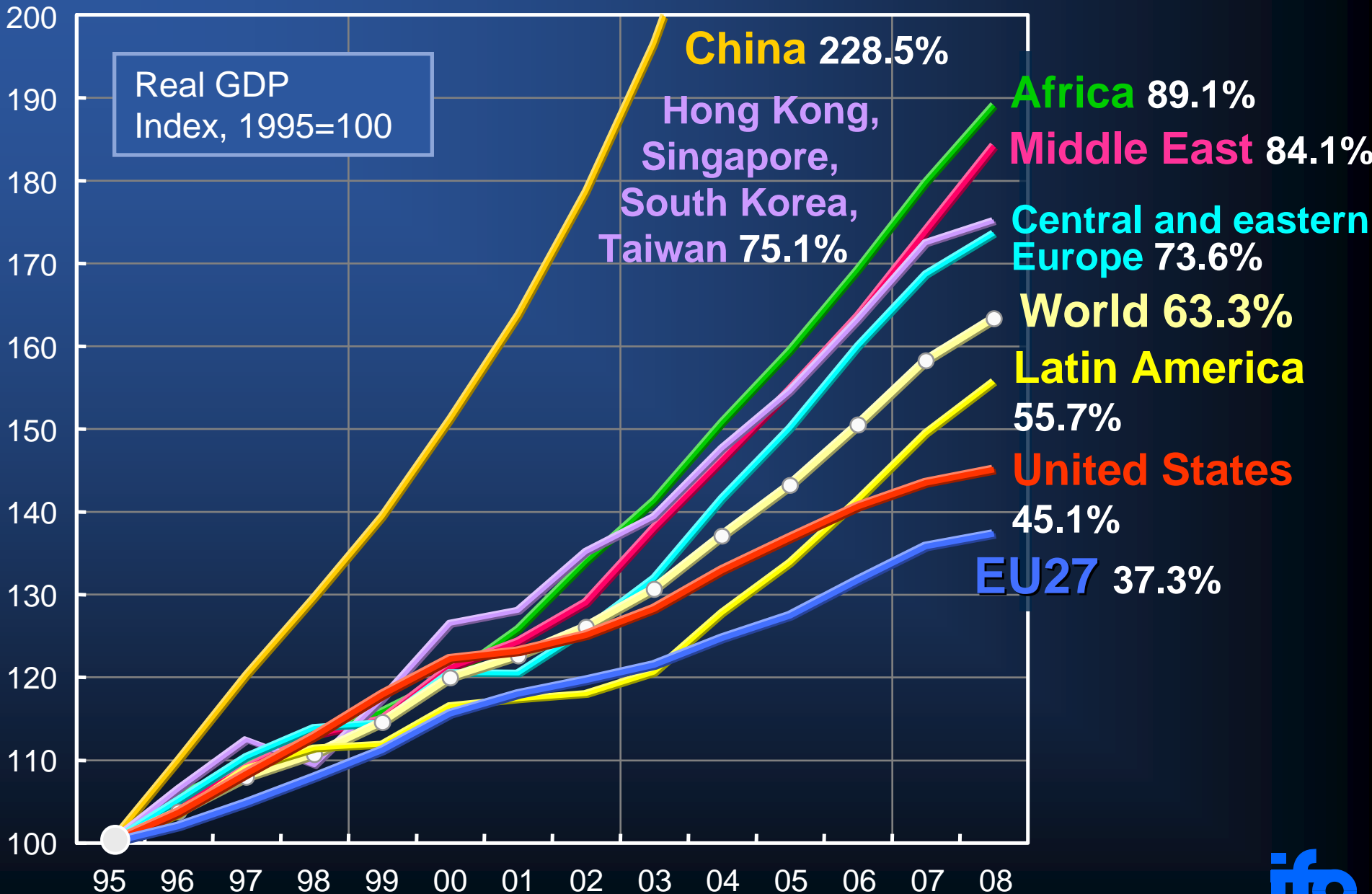
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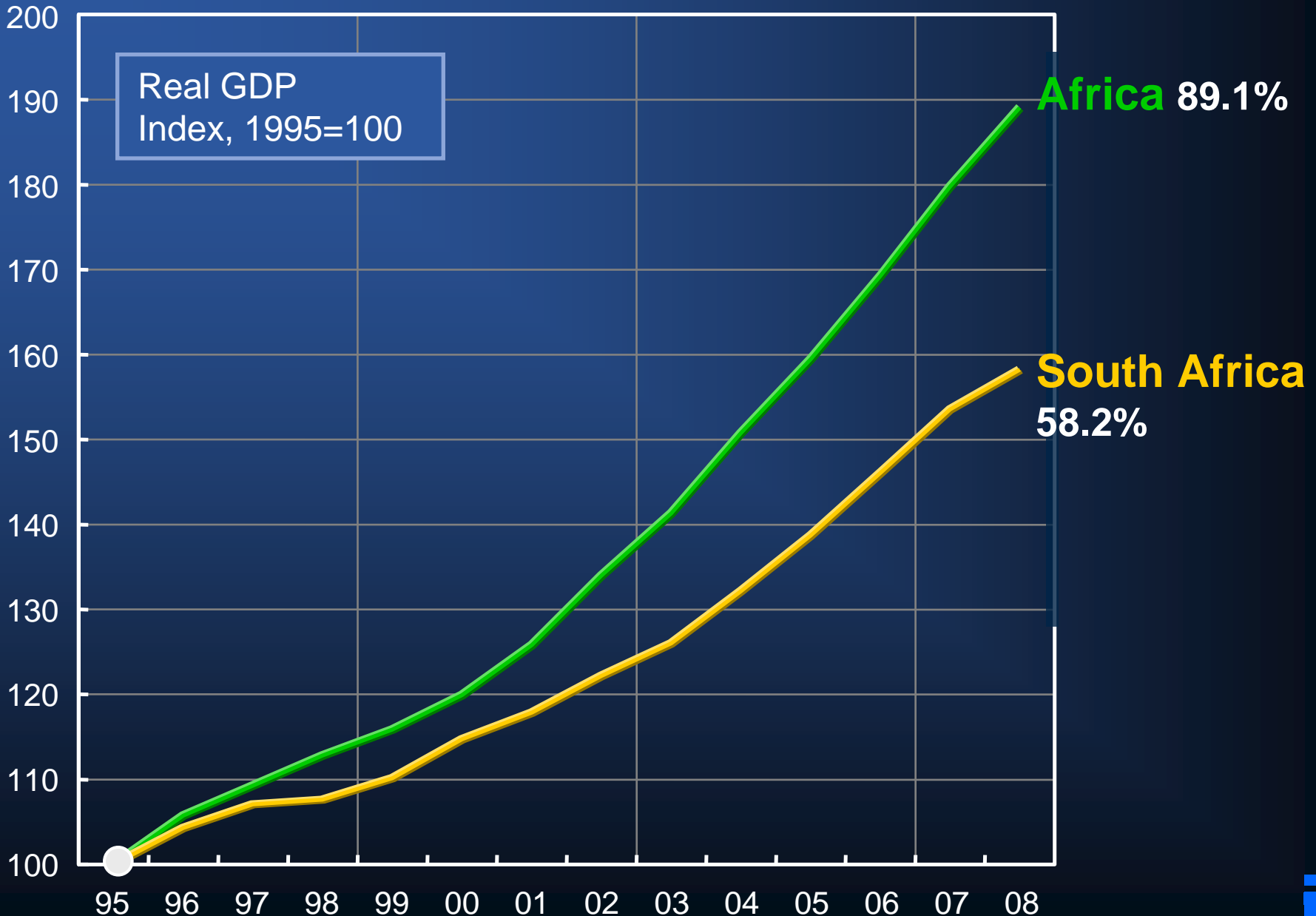
# GDP per capita in different regions and countries (2007)



# Economic growth in selected regions and countries

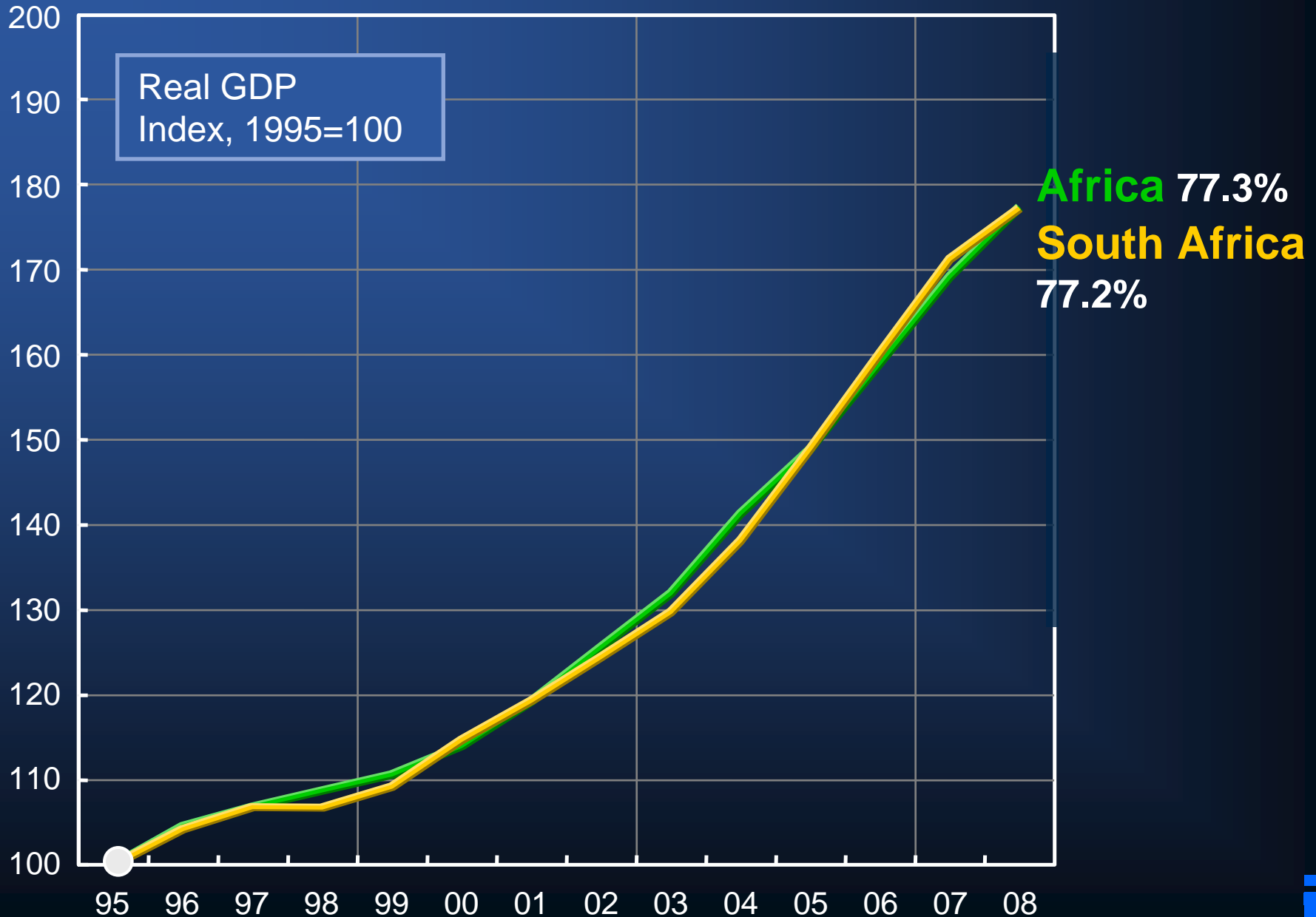


# Economic growth in selected regions and countries



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

# GDP in PPP per capita

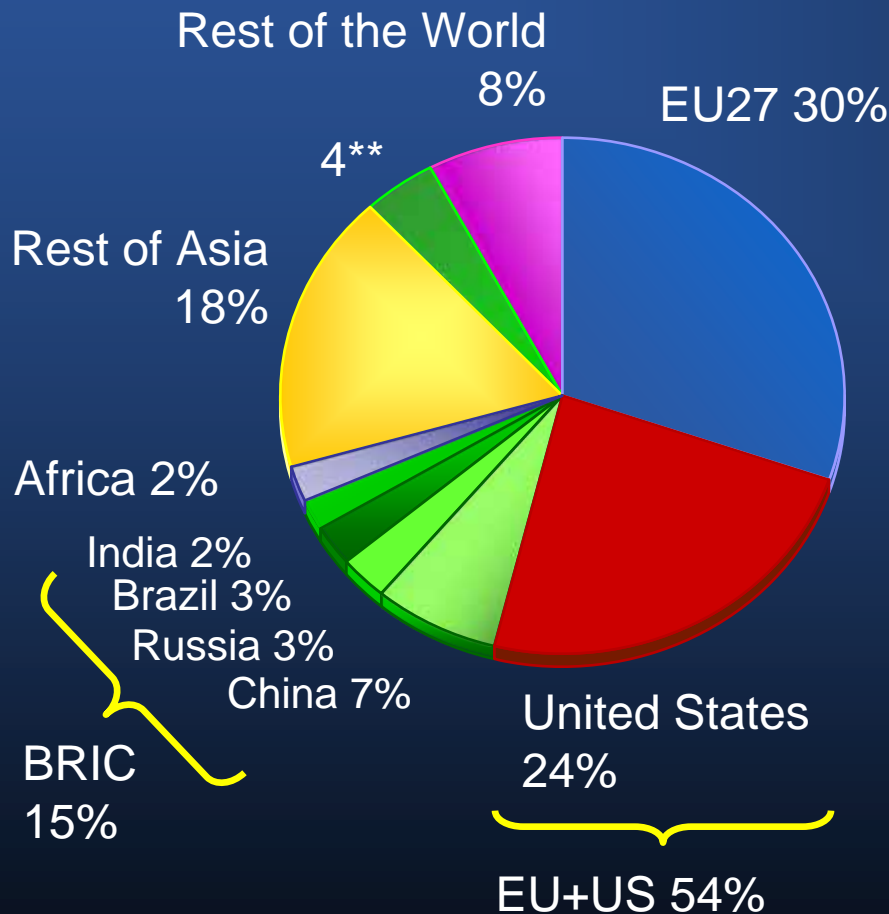


Source: IMF, World Economic Outlook Database, April 2009.

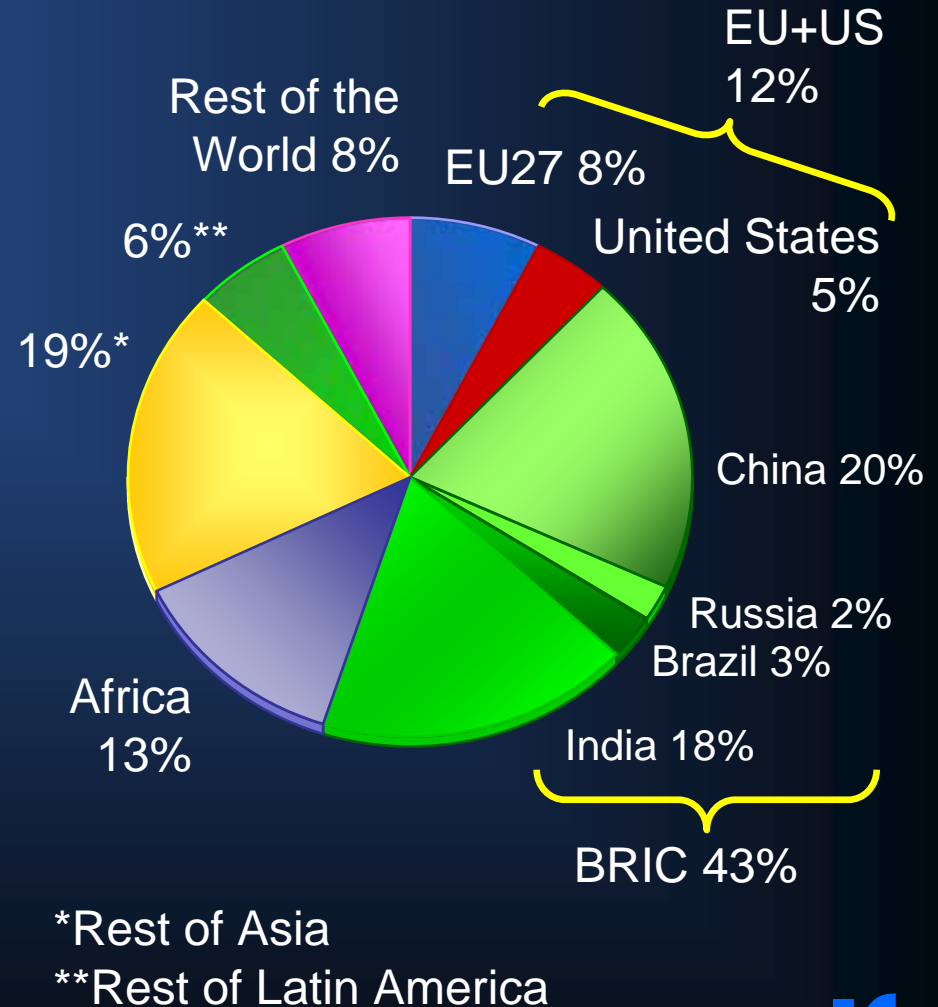
# Income Inequality

# Share of global GDP and global population in 2008

## Share of GDP

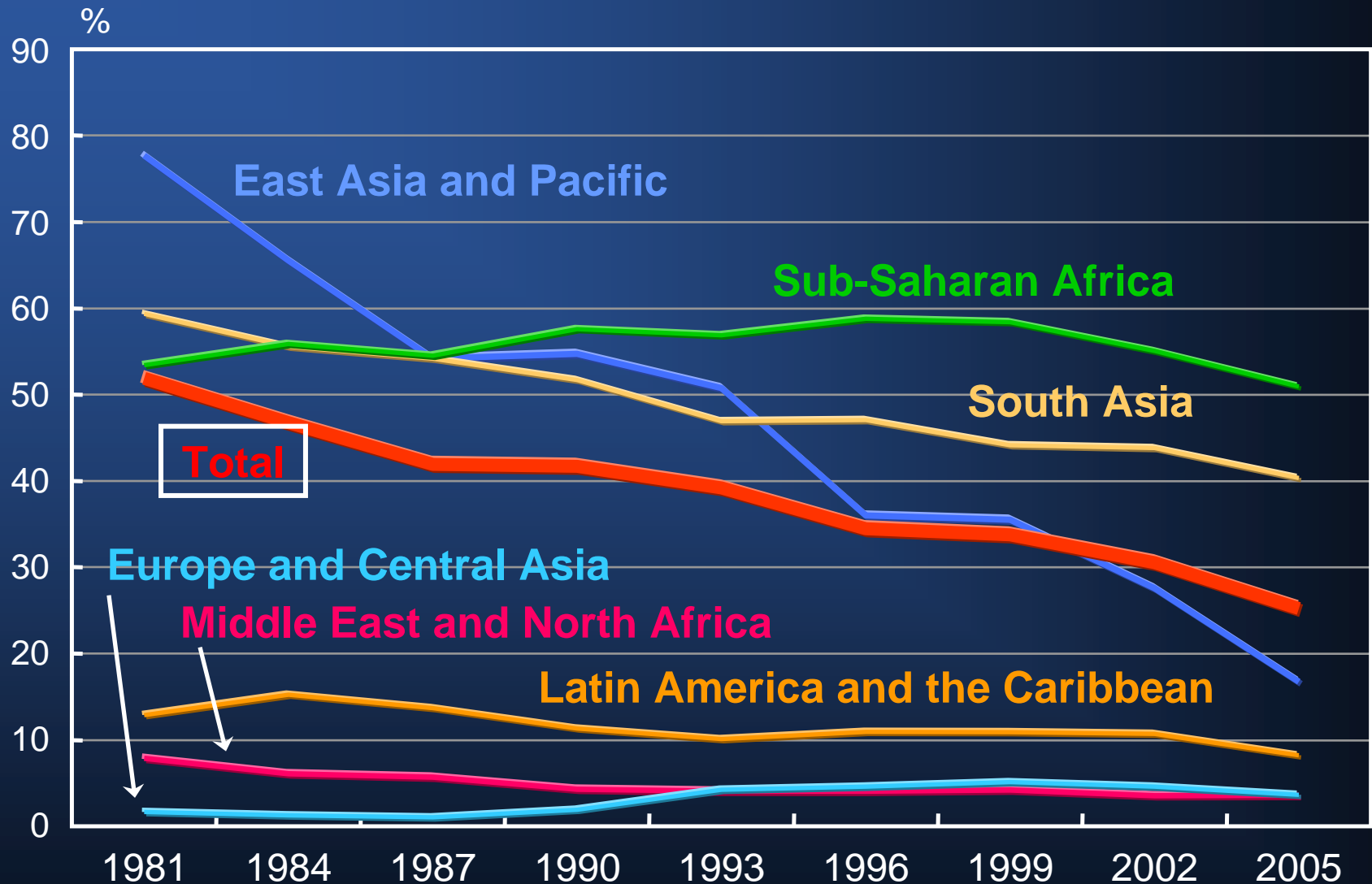


## Share of population



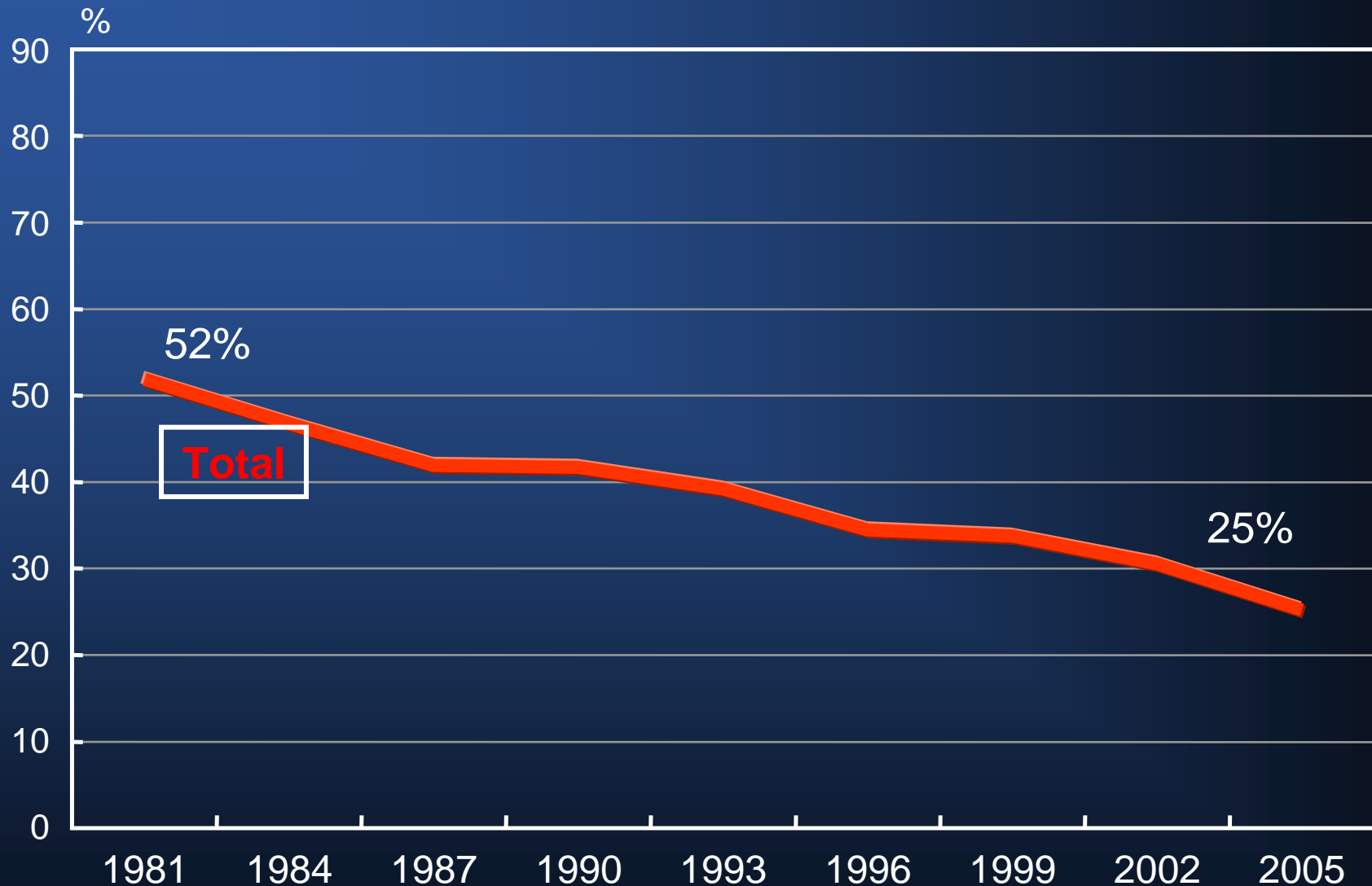


# Population who live below the poverty line\*



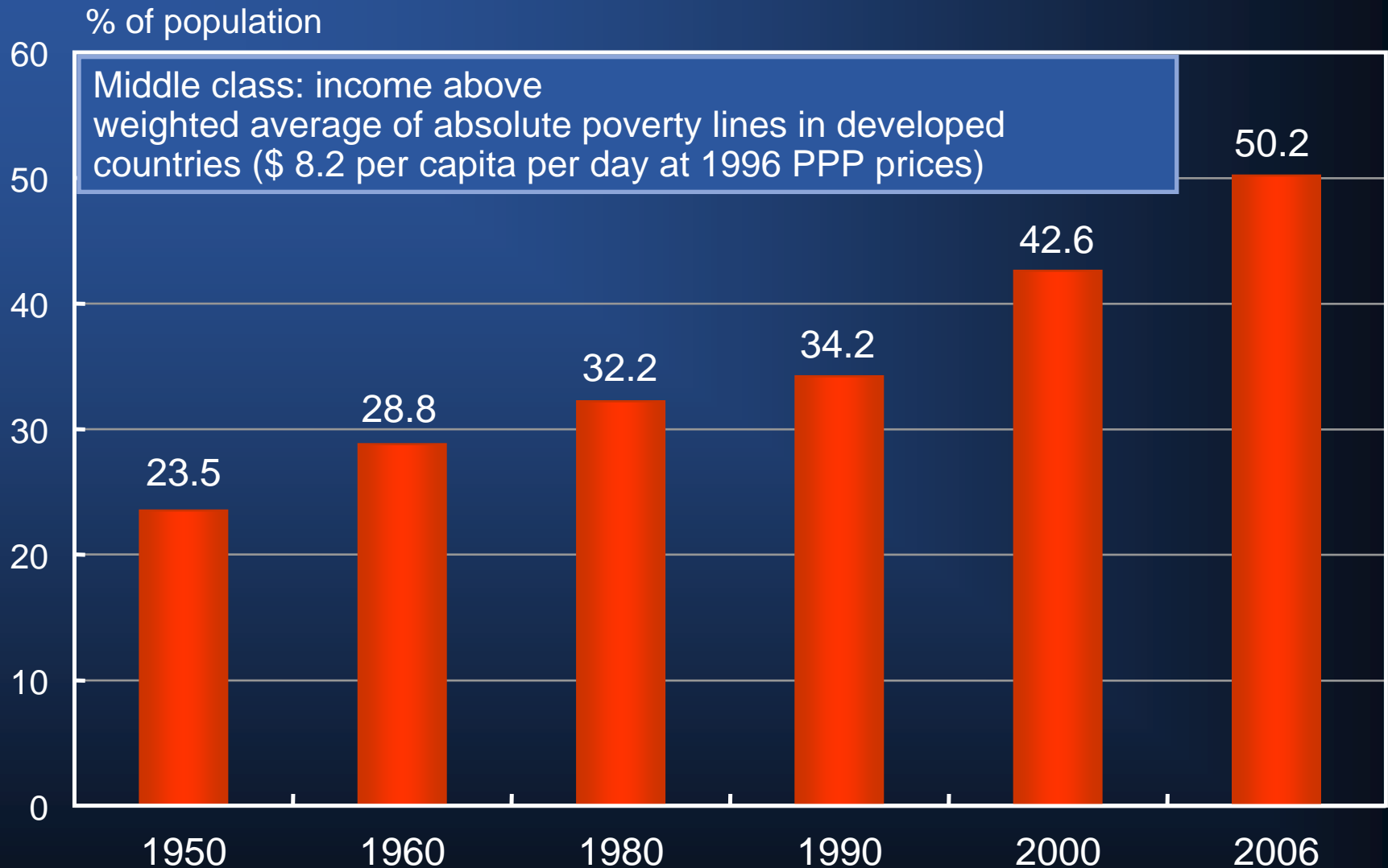
\*Share of population living with less than 1.25\$ per day (2005 Purchasing Power Parities).

# Population who live below the poverty line\*



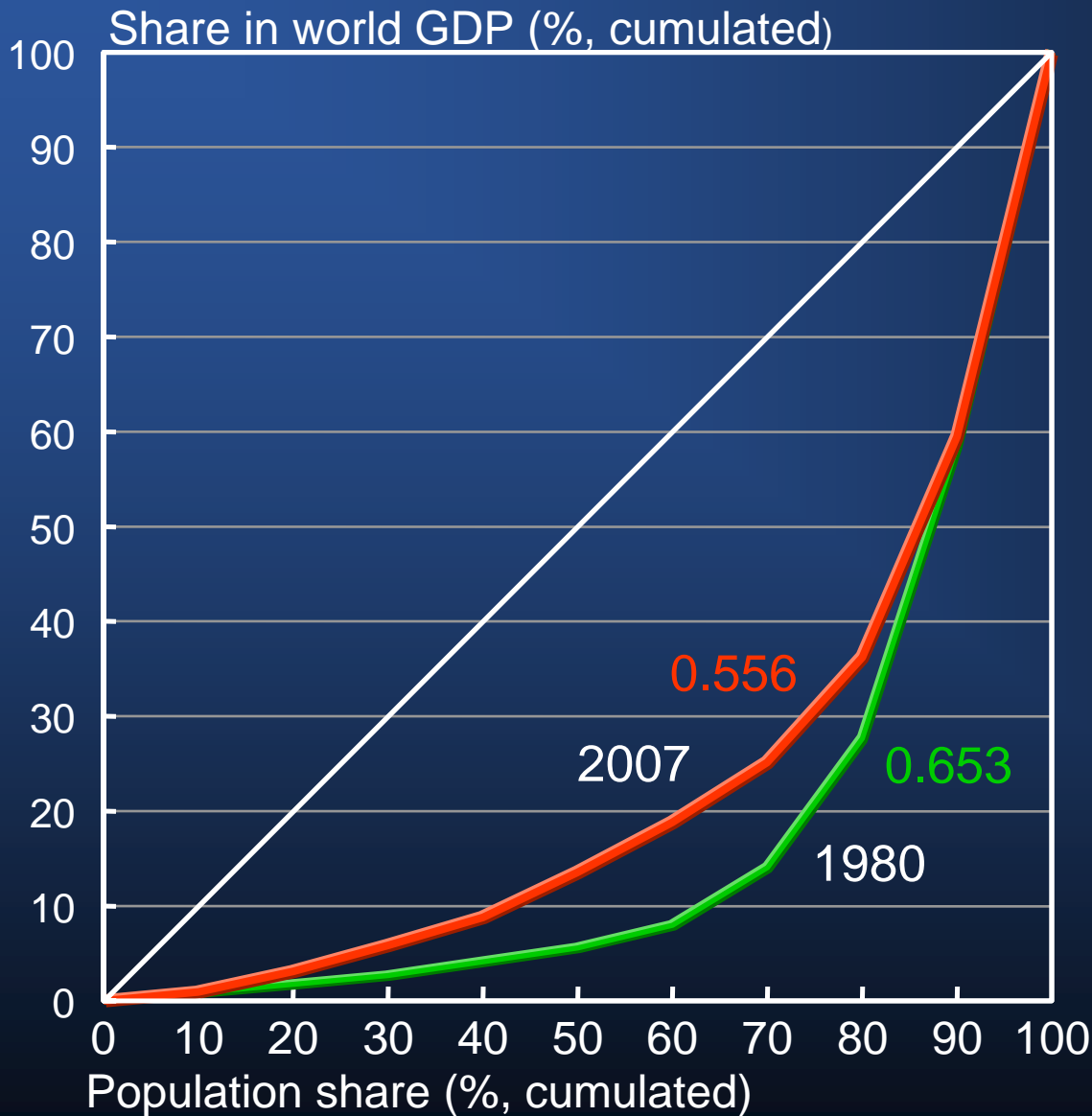
\*Share of population living with less than 1.25\$ per day (2005 Purchasing Power Parities).

# 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%  |

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66%

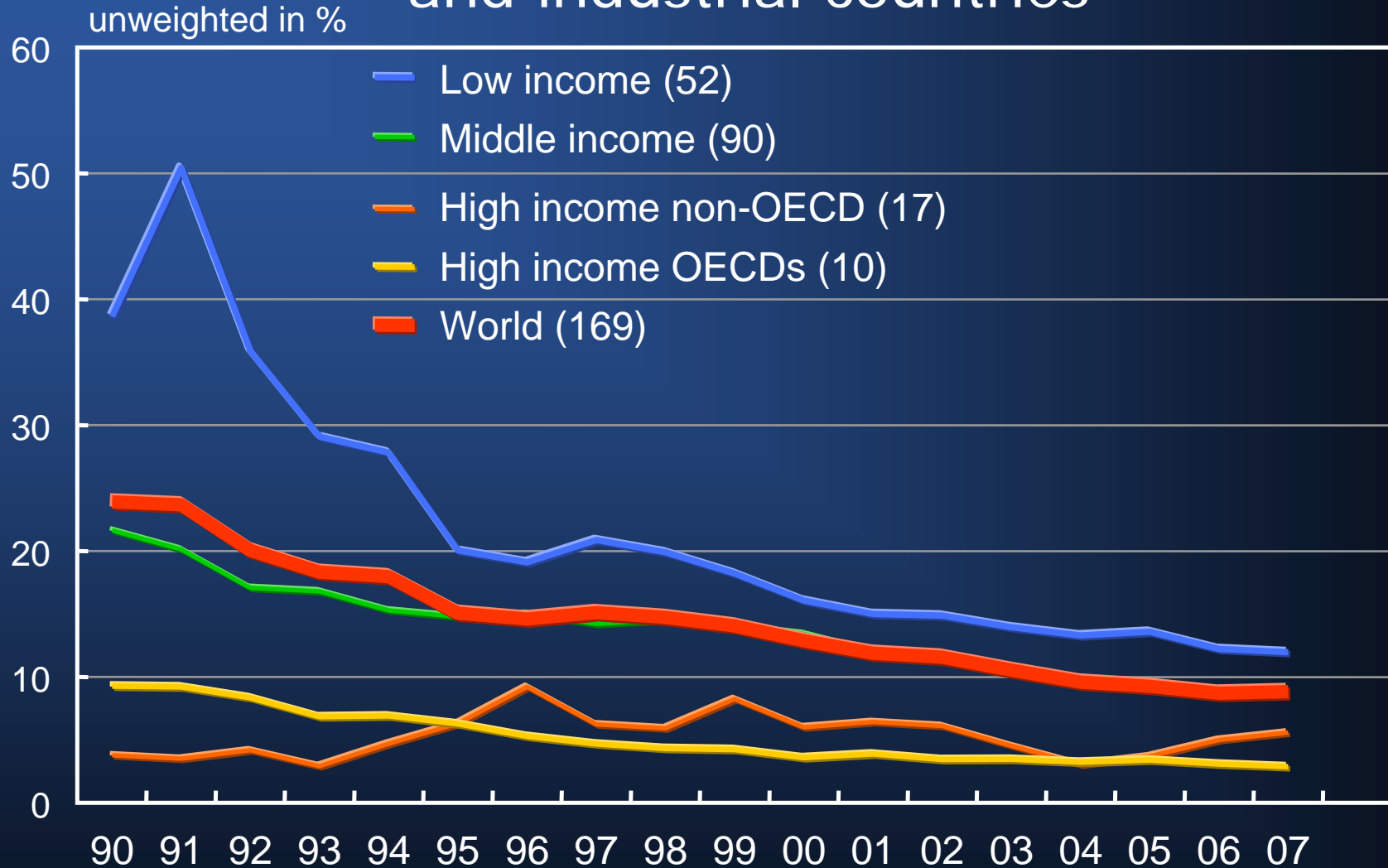
# Why?

Factor price equalisation

Fall of the Iron Curtain

Reduced tariffs and taxes

# Average applied tariff rates in developing and industrial countries

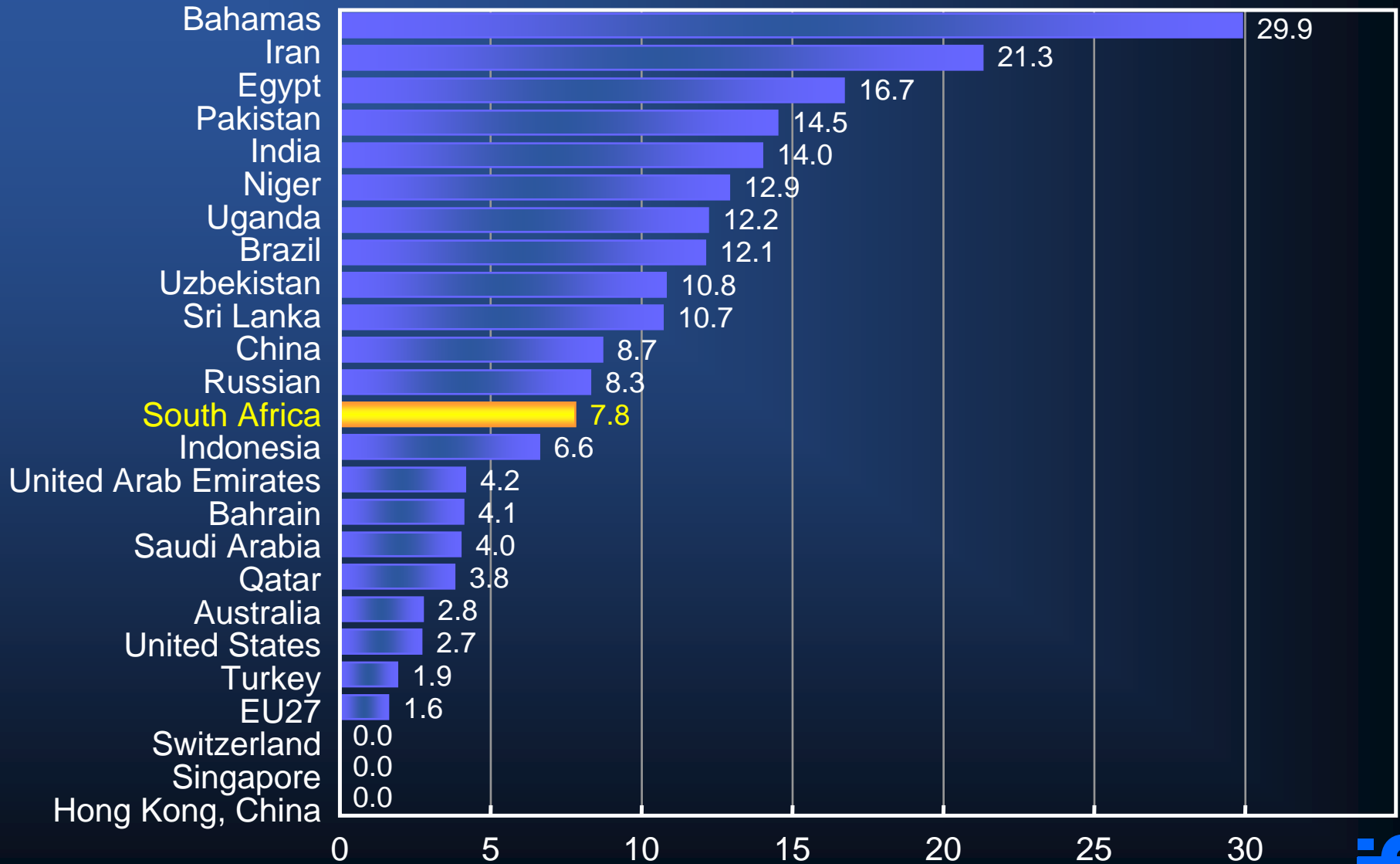


Notes: All tariff rates are based on unweighted averages for all goods in ad valorem rates, or applied rates, or MFN rates whichever data is available in a longer period.

Source: World Bank.

# Average applied tariff rates 2007

Unweighted in %

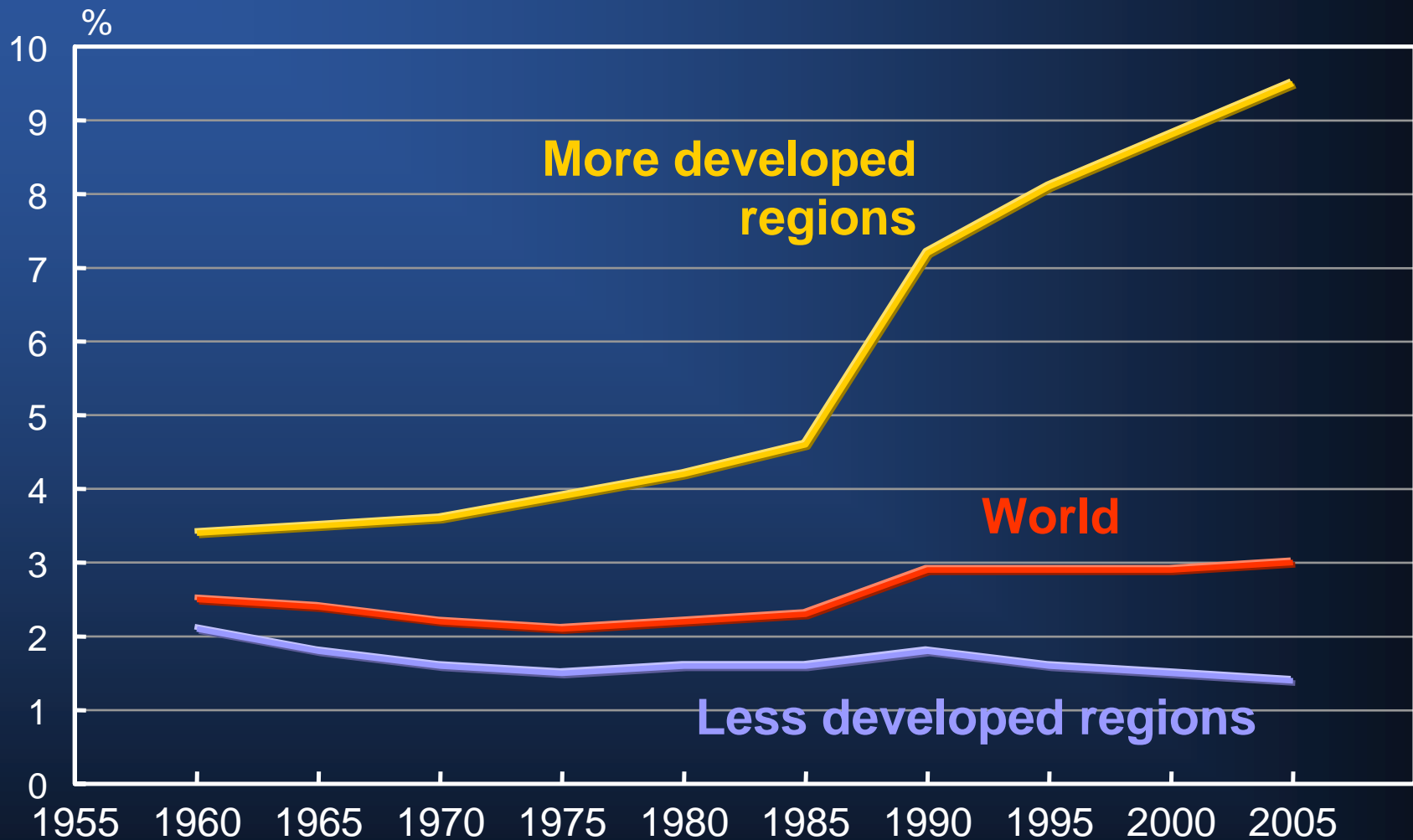


Source: World Bank.

# Migration



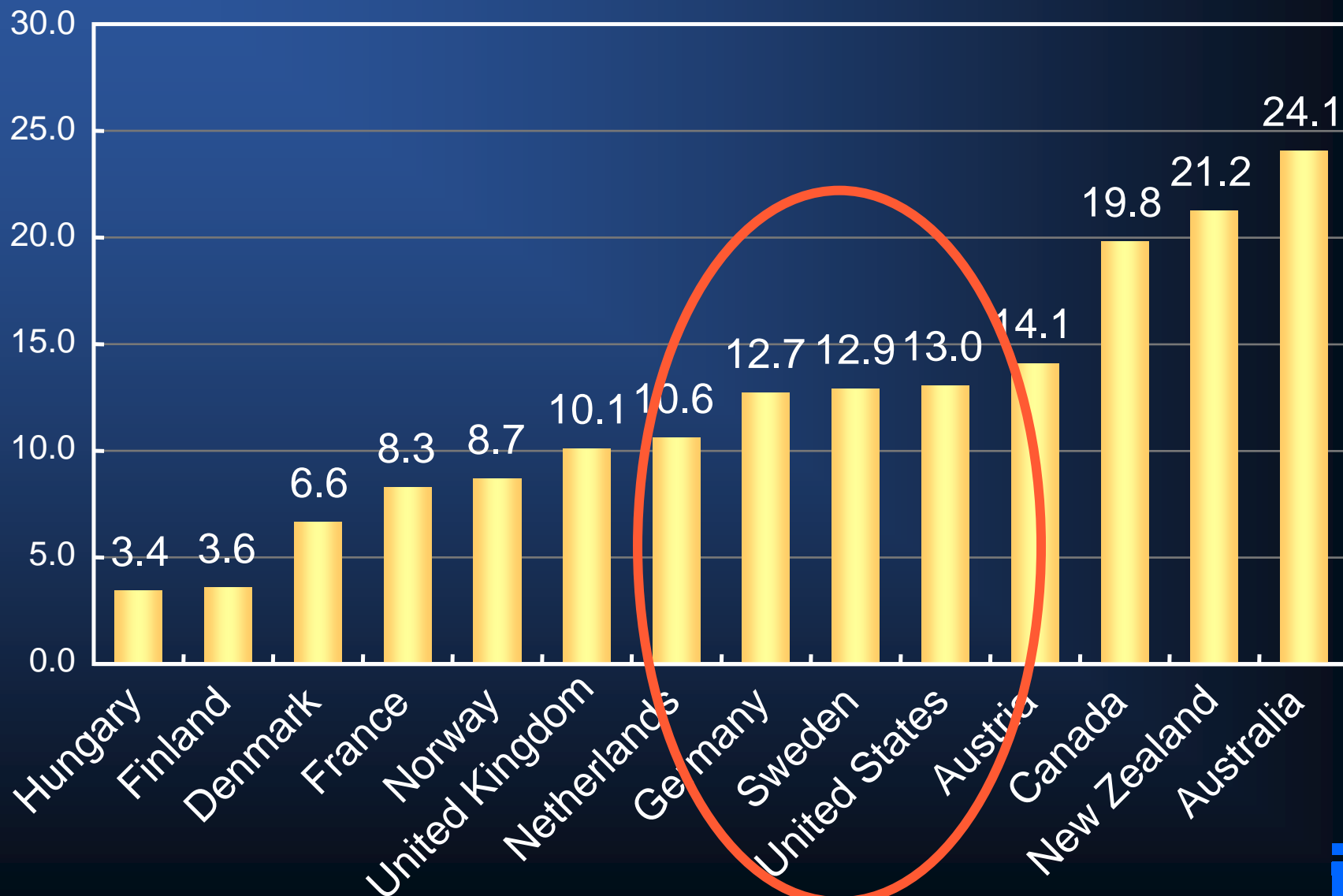
# Share of foreign born population 1960-2005



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)



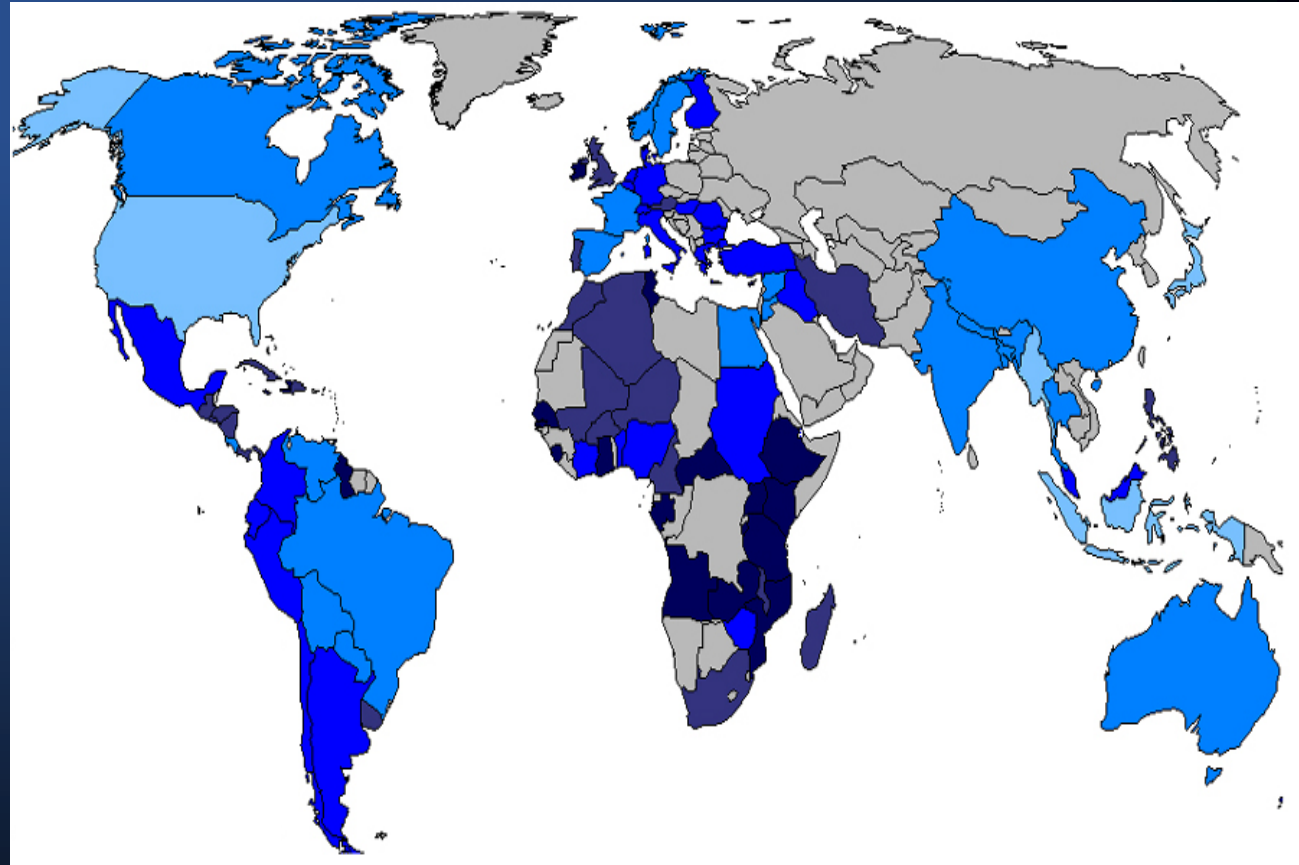
# Problem Brain Drain

# Brain Drain

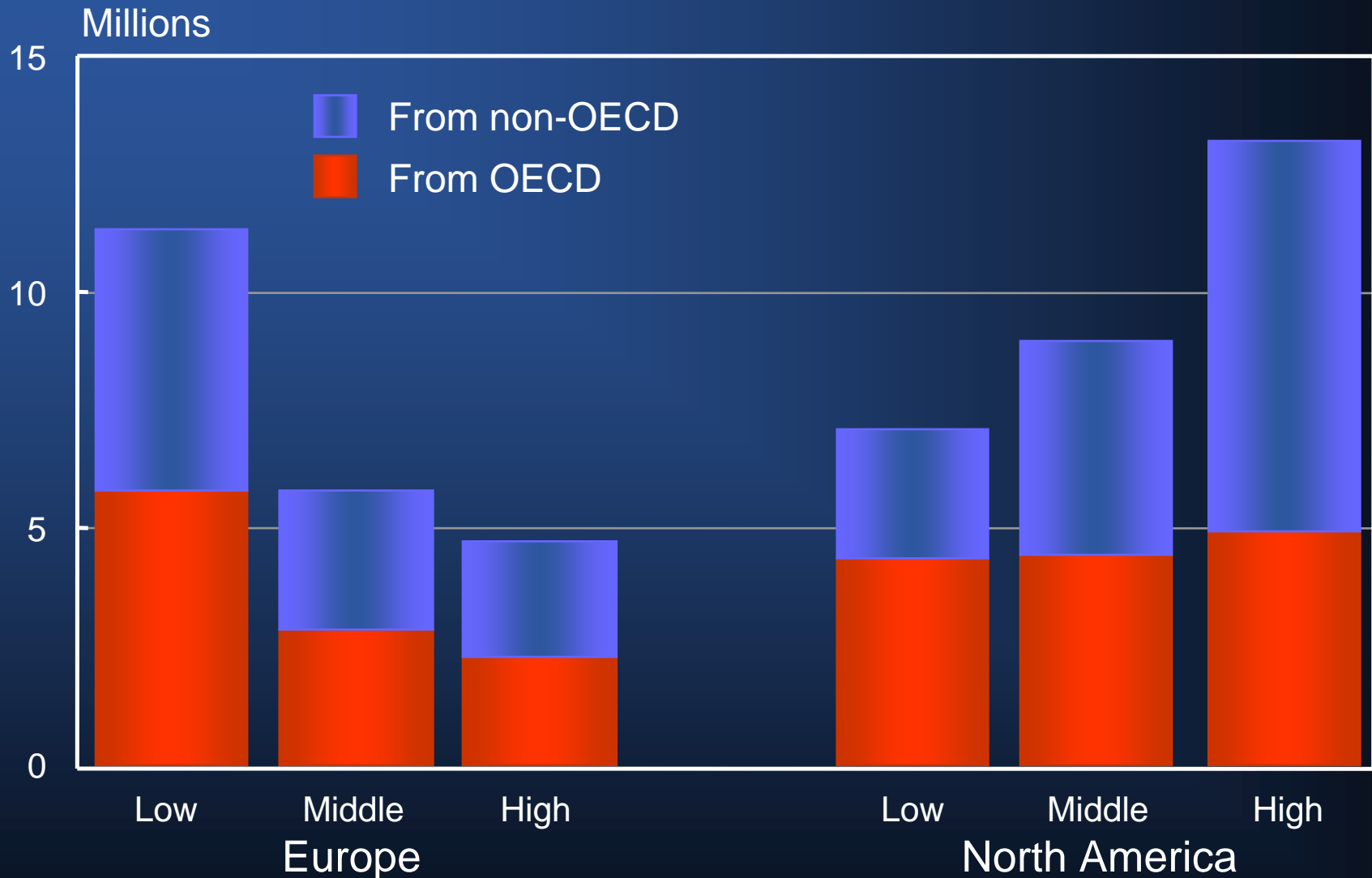
## A problem for many countries

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)



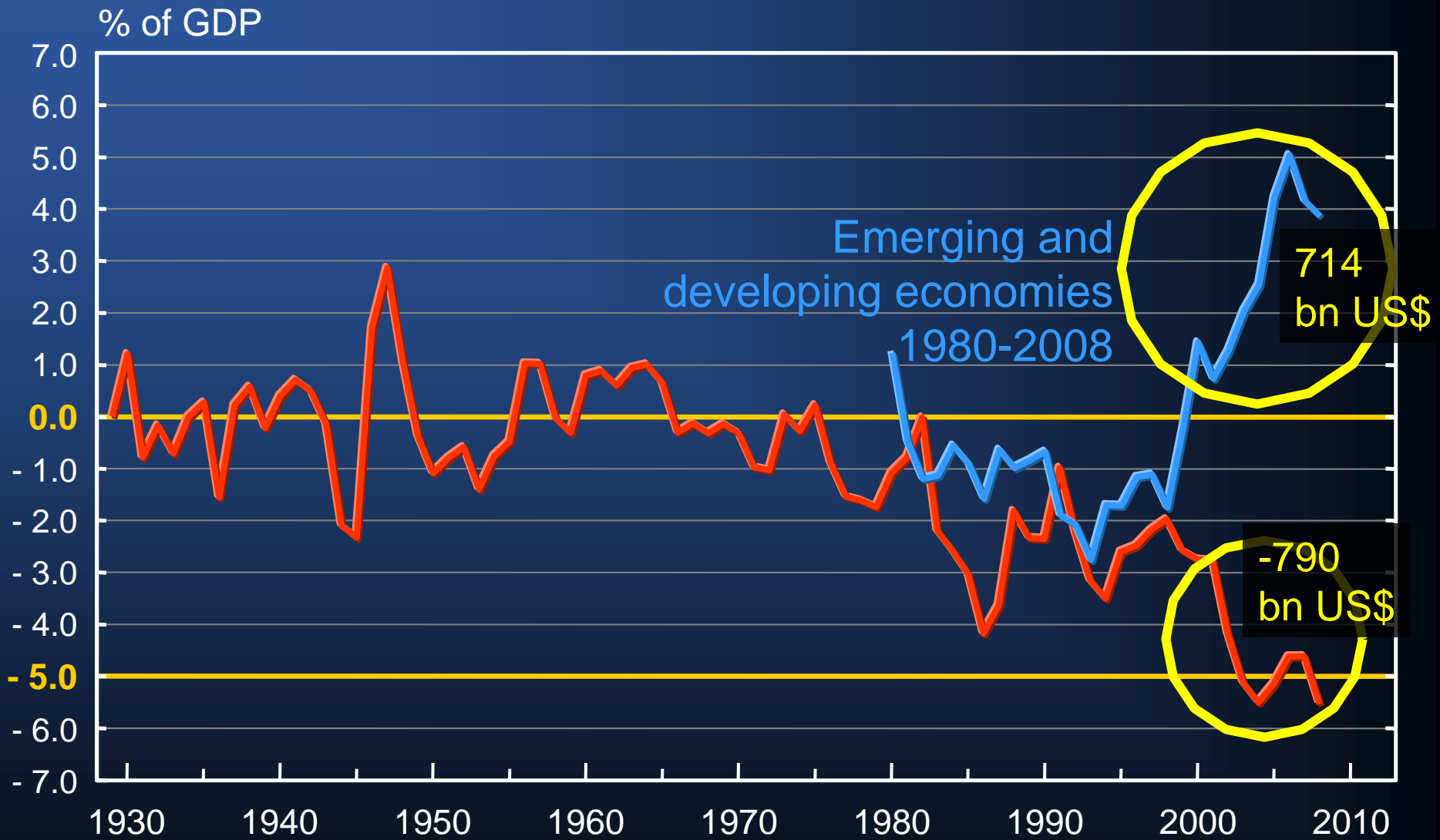
# Skill distribution of migrants (2000)



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

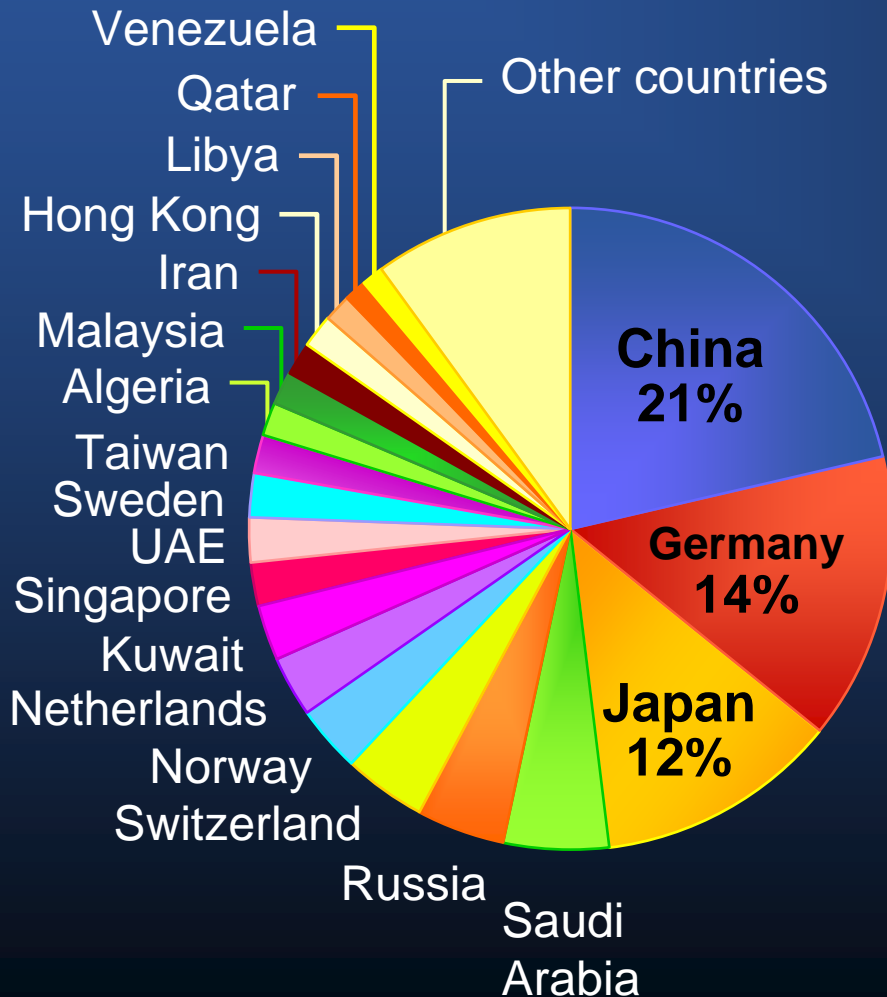
# Capital Flows

# Net capital exports United States 1929-2008

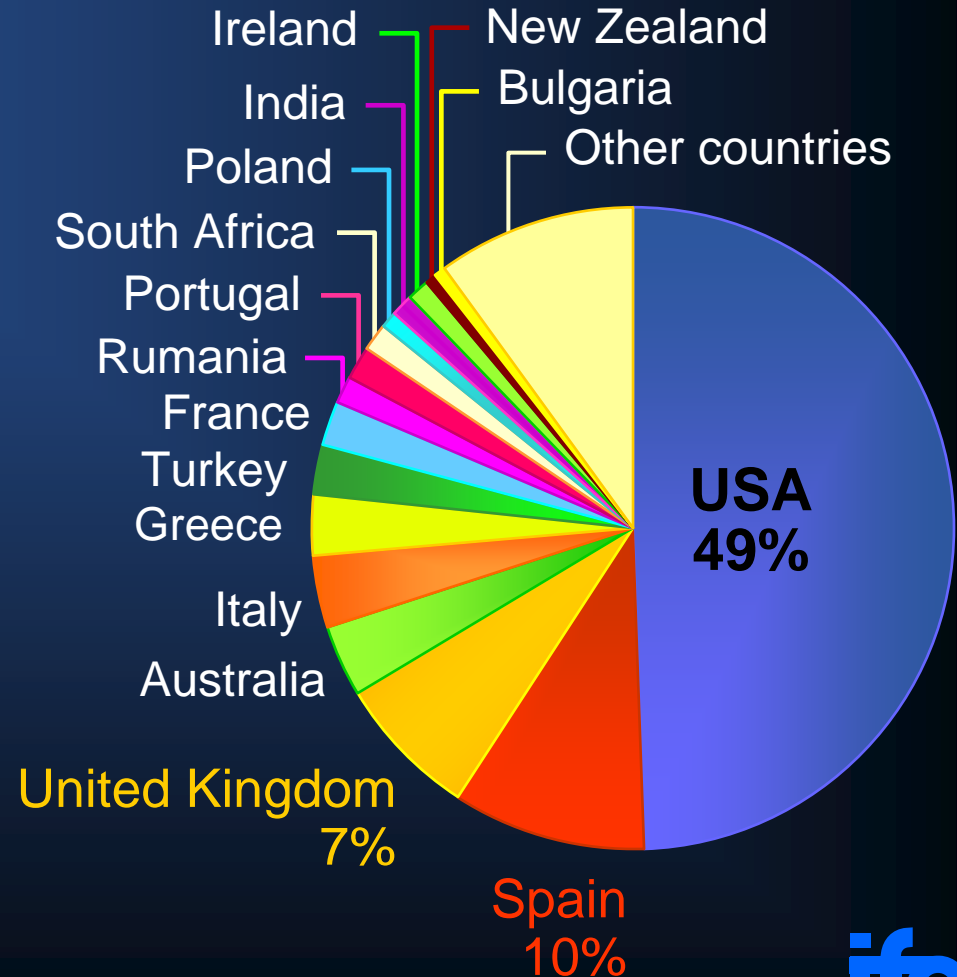


# Breakdown of net capital exports and imports: shares for 2007

## Net capital exports

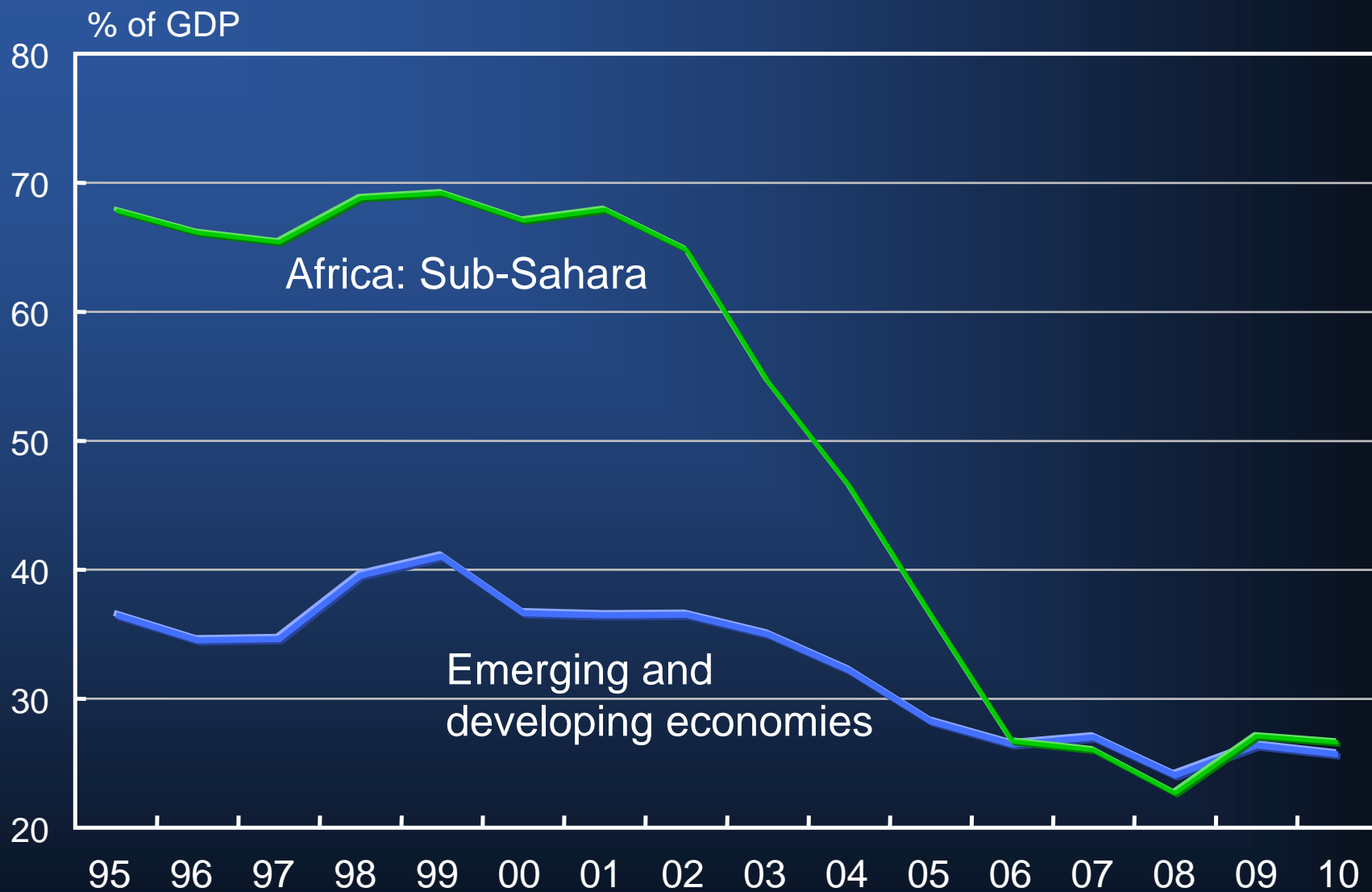


## Net capital imports





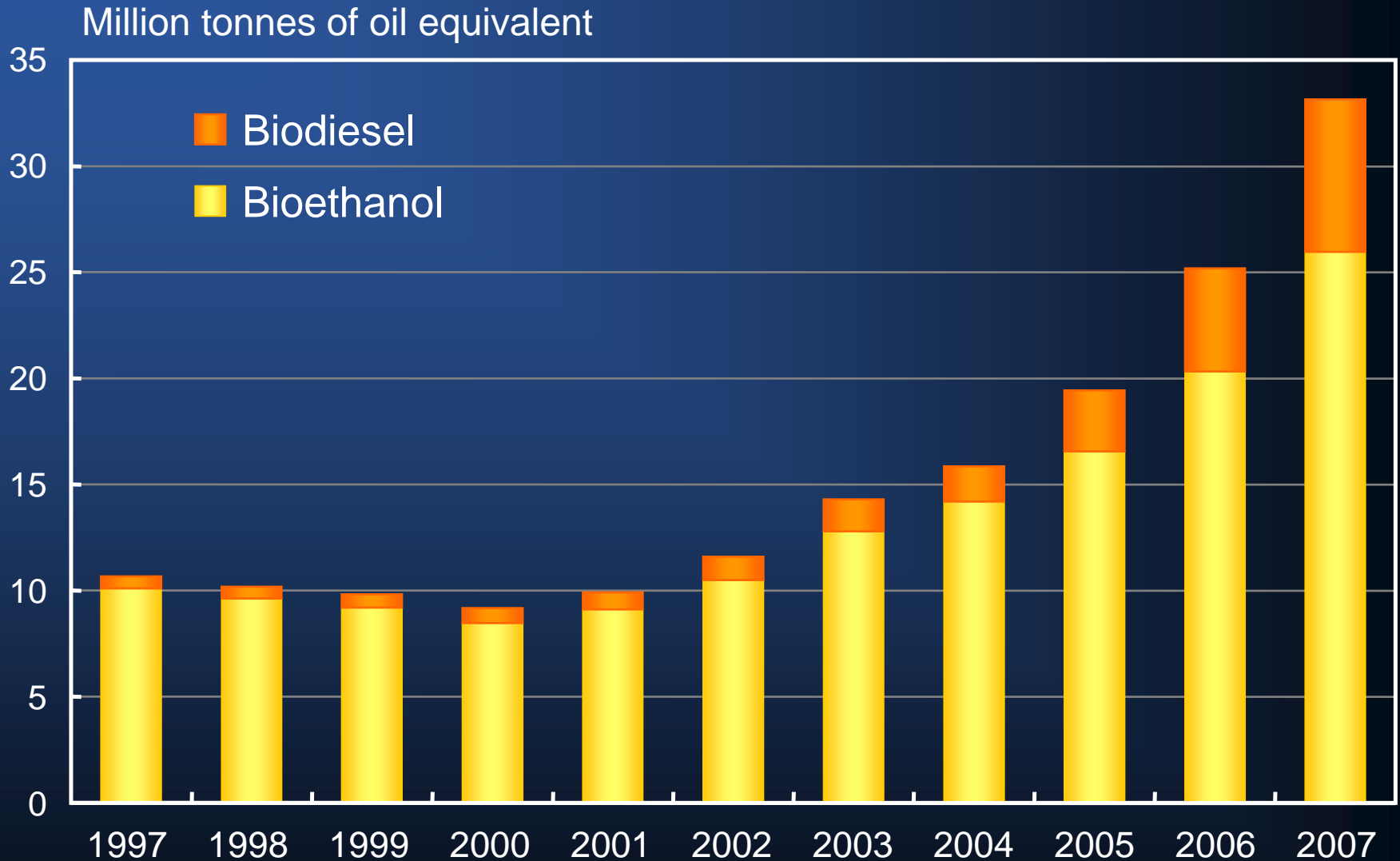
# External debt



# Nutrition and Biofuel

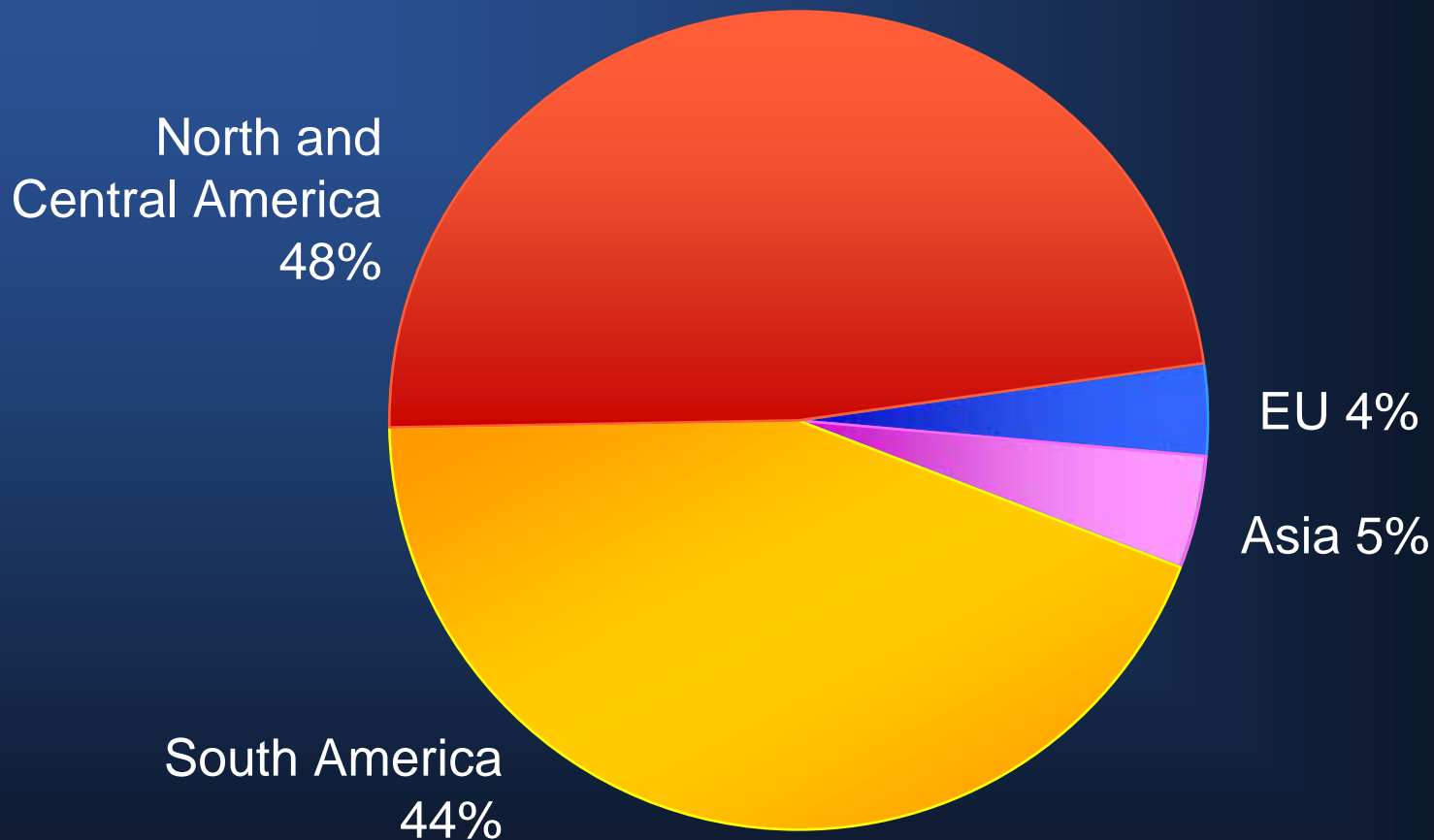
Table or Tank: Competing for  
agricultural land

# World's biofuel production



Source: *Biodiesel*: 1991-1999: F.O. Licht, as reported by Worldwatch Institute (Vital Signs Online): [www.worldwatch.org/node/4344](http://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?**



Honduras, 17.04.2008



Tortilla crisis, Mexico city, 31.01.2007



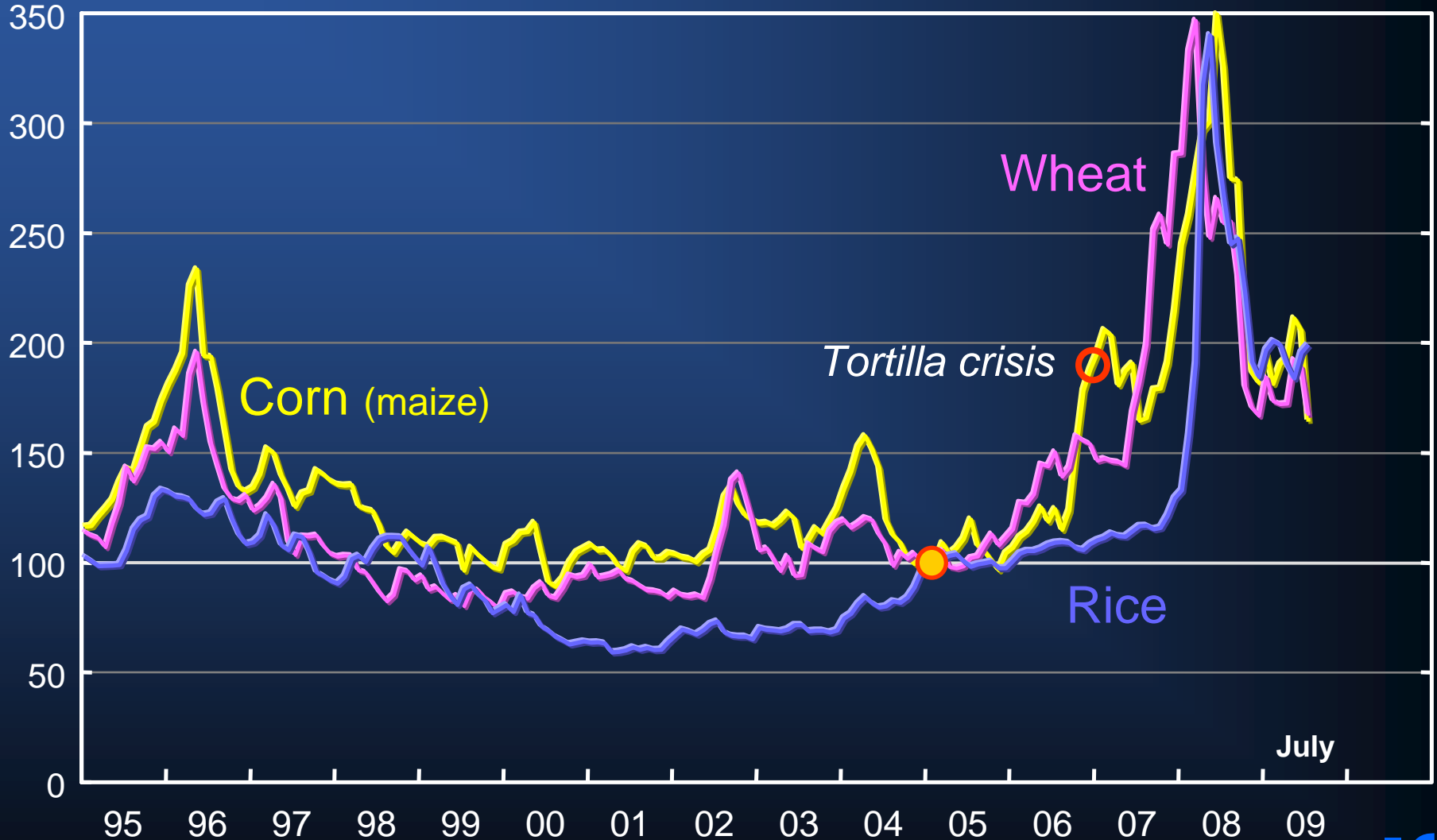
Senegal, 26.04.2008

It was.



# World market prices of cereals and crude oil

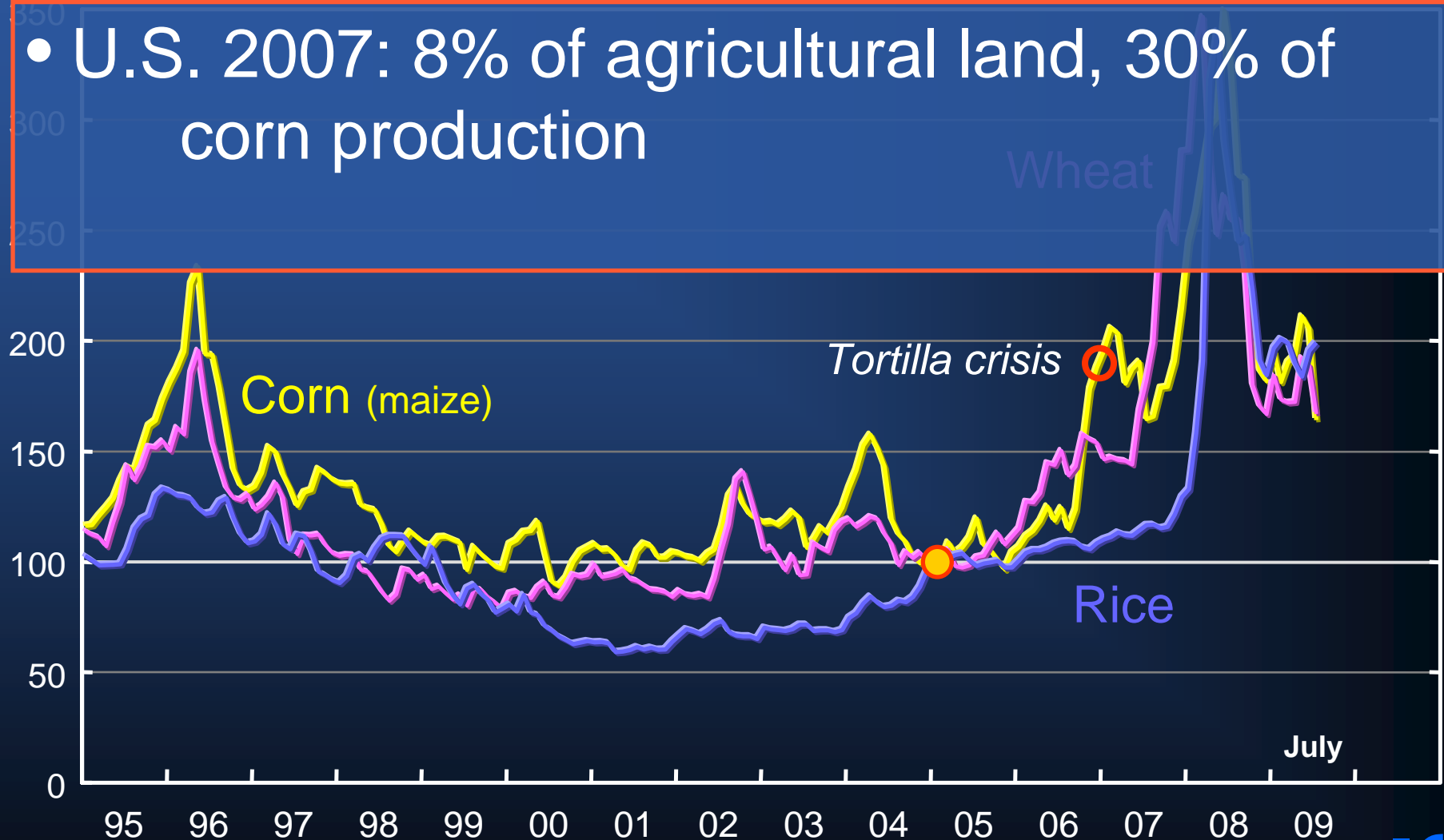
Price index January 2005=100



# World market prices of cereals and crude oil

Price index January 2005=100

- U.S. 2007: 8% of agricultural land, 30% of corn production



# World market prices of cereals and crude oil

Price index January 2005=100

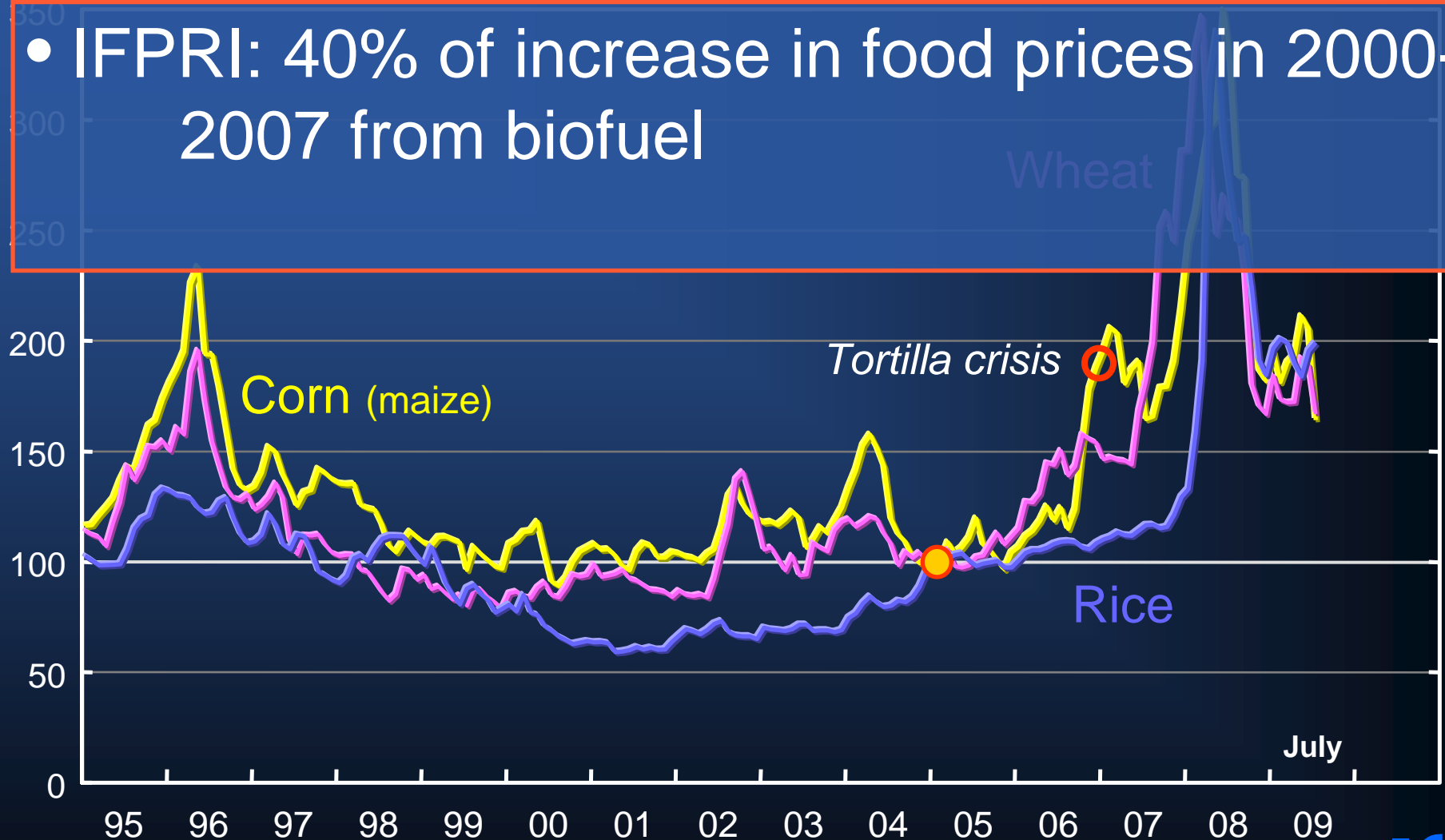
- Increase of world corn production 2004-2007 = Increase of corn demand for bioethanol in the U.S.



# World market prices of cereals and crude oil

Price index January 2005=100

- IFPRI: 40% of increase in food prices in 2000-2007 from biofuel



# World market prices of cereals and crude oil

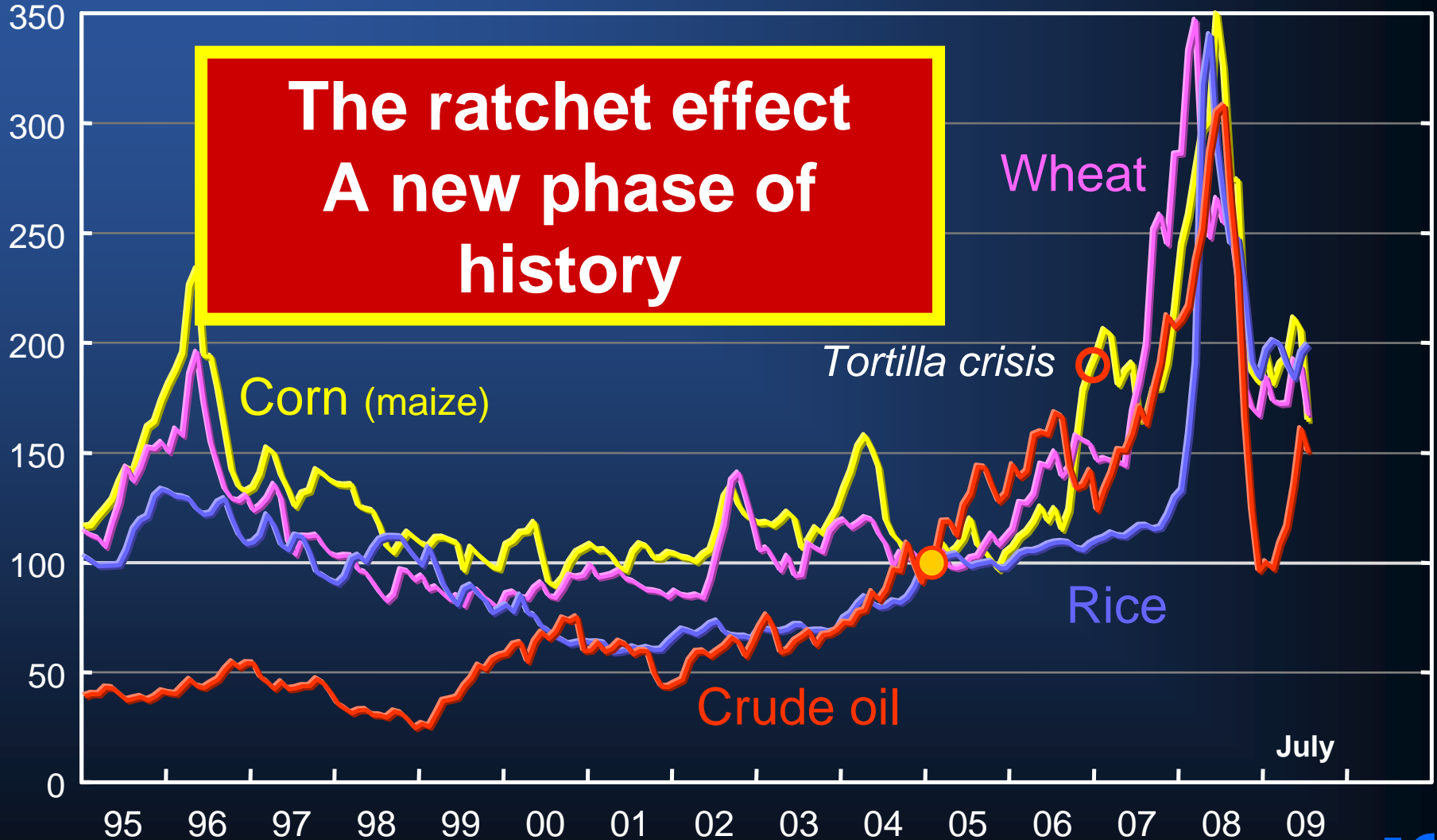
Price index January 2005=100

- Worldbank (D. Mitchell): up to 75% of the increase in food prices 2002-2008 from biofuel



# World market prices of cereals and crude oil

Price index January 2005=100



# 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



