

## BOOK REVIEW

**Overtaking\*****by Alvaro Augusto Comin**

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(Nayyar, Deepak . *A corrida pelo crescimento – países em desenvolvimento na economia mundial*. Rio de Janeiro: Contraponto, 2014)

**F**or at least 800 years the wealth of the world was concentrated in those regions that the 20<sup>th</sup> century called "Third World". In fact, during this long period, two great nations—China and India—concentrated approximately half of the population and GDP of the world. The 19<sup>th</sup> century will stage the "Great Divergence": the West's fast overtaking of the ancient Asian civilizations (and more generally over the group of countries and regions of the Asian, African, and Latin American continents). The huge distance between the developed and developing world in terms of wealth (and therefore power) endures until today; however, from the middle of the last century and more rapidly in the last three decades, the movement of divergence appears to have peaked and the outline of a possible convergence (and a possible overtaking) grows in likelihood.

That is the plot of the book by Deepak Nayyar, which is primarily organized by the presentation and analysis of economic statistics covering the last thousand years of our history, divided into three major periods: from the year 1000 to 1820; from the year 1820 to 1950; and from then to this day. Based on this timeline, the author seeks explanations for the West's overrunning of the other regions of the world and discusses the trends of reversal of the "Great Divergence" that occurred in recent decades, leaving several questions unanswered regarding the future of the "Race for Growth". Due to space reasons I will limit this comment to present a general summary of the movements defined by this timeline, just touching on the controversies involved.

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The first part of the book basically records the overwhelming concentration of worldwide population and wealth (GDP) in the Asian, African, and South American continents that roughly extend until the end of the 18<sup>th</sup> century. As the reader will quickly notice, the statistics gathered under the title of "Remainder" (nickname given in the book for these three continents, as opposed to the "West", which encompasses Western Europe, Canada, the US, Australia, New Zealand, and Japan) reflect, heavily, the gigantism of only two nations—China and India—and, secondarily, of the Asian continent as a whole. A country-wise analysis will be conducted only in Chapter 07; however, this does not prevent a temporal analysis that breaks down those three continents and reveals great and enlightening differences in the trajectory of the "Remainder".

The 19<sup>th</sup> century marks the beginning of the "Great Divergence". In the 130 years, i.e., from 1820 to 1950 the "Remainder" experienced a dramatic decline in its relative participation in global GDP. The movement can be explained primarily by the spectacular setbacks of China (from 33% of global GDP in 1820 to 4.6% in 1950) and India (from 16.1% to 4.2%). In the same period, Africa's relative weight experienced slight change (4.5% at the beginning, 3.8% at the end); whereas, Latin America experienced its biggest jump in relative terms (from 2.2% to 7.8%). This turn benefits Europe, especially until 1900 (when the continent was home to 15% of the world's population, concentrating more than a third of global GDP) and the so-called "Western Branches" (which means the US, Canada, Australia and New Zealand). This block, whose numbers are presumably commanded by the US performance, emerged from a level of 2% in 1820 and reached 30% of global GDP in 1950, surpassing Europe itself.

The magnitude and direction of changes in the world wealth distribution, of course, are explained by the Industrial Revolution—first in Europe and then in the US. However, the fact that ancient European colonization areas that became independent by the 1820s (the Americas) would rise economically and in population together with Europe whereas the areas that would be overwhelmed by the new phase of European imperialism (Asia and Africa) would decline dramatically leads us to one of the major controversies in the book: the extent to which the "Great Divergence" is due to European technological ingenuity and work ethic, or to what extent European enrichment directly relied on the

impoverishment of those same societies. This is a matter that affects the national identity of conquerors and the conquered until our turbulent present.

Nayyar (2014) explores, with particular attention, the impacts of colonization and/or imposing of commercial treaties on the vast manufacturing legacy systems in these nations. It is very well known that for at least two centuries (until the "conquest" by Europeans) Asia was the source of the most refined and coveted textile products, as well as porcelain, jewelry and a huge variety of products resulting from the work of millions of artisans. This whole industrial capacity would be destroyed to make way for the economic systems that were "complementary" to the industrialization of colonizing nations. Thus, the "Great Divergence" was associated with the "Big Specialization", which concentrated the production of industrial goods in Western nations and imposed monocropping on other regions of the world, resulting in a weakening of subsistence-oriented farming systems, which for centuries have sustained the largest populations in the world. The populations of those countries were actually used as means of payment for colonial tributes, as Nayyar inform us. Between the 1830s and 1880s, following the abolition of slavery in the British Empire, approximately 50 million Indians and Chinese were displaced to other parts of the world to work in servitude by contract, repeating what had occurred with the African continent. Those aspects are less studied; however, they are also critical to the establishment of the modern division of the world among rich countries, developed and modern, on the one hand, and poor countries, underdeveloped and backward, on the other hand.

The third period begins after the war and continues until the present, i.e., divided into two sub periods: 1950–1980 and 1980–2010. The first covers the long and painful process of dismantling the European empires and the "birth" of a large number of new national states, molded by the polarization of the cold war. This period corresponds to a growth cycle that, albeit unevenly, benefited all. However, again, the differences between regions that make up the "Remainder" are instructive. Latin America boasted the highest average growth among all regions of the world under the impulse of intentional industrialization policies oriented to domestic markets, with a relative decline in their participation in international trade. In Asia, the so-called Asian Tigers have experienced growth levels similar to that of Latin America; however, the two giants—China and India—emerging from

periods of foreign domination, moved slowly. Africa, under the weight of the struggles of independence and the task of building "nation-states" where before there were colonial administrative districts with little or no intersection with the history of the local population, grew just enough to keep its small role in the world economy. In common, "Remainder" countries that managed to grow more consistently in this period (Latin America and Southeast Asia) did so in the first place by having enough national autonomy, in whose name all sorts of "unorthodox policies" (from a liberal perspective) were practiced. Even in these cases, the internal coherence of development policies was only maintained under authoritarian regimes.

Finally in the 1980–2010 sub-period, which corresponds to the cycle of liberalization and financialization of capitalism, average growth in the world declined and a rapid economic shift "towards the East" produced the complex framework in which we live today. This time Latin America was the big loser. The liberal reforms followed by most countries on the continent have resulted in greater integration with world markets, but also in much lower economic growth for the region. Africa went through similar reforms and continued in its secular stagnation. Then, the rise of the two Asian giants begins. Nayyar (2014) does not go very deep into the policies that produced this new Asian "economic miracle" (the third, after Japan and the Asian Tigers). Both countries resorted to the external markets with protection policies and stimulus for the domestic market (mainly producers). Both have in common, of course, their own gigantism that favors "great leaps" in development. So far it certainly has worked for China, which in some ways has already made its jump to achieve an urbanization rate of approximately half of its population. In recent years, India has been demonstrating that it can also make this jump in coming decades. The Chinese jump has already made the world industrial scale tip to Asia: the region doubled its participation in the last 25 years and already represents approximately one-third of the value added and world trade of manufactured goods; and at the rate it is going, it should truly become the big factory of the world.

Nayyar (2014) does not exactly take risks to predict that we are experiencing a "Remainder" overrunning of the West; however, the book clearly leaves open that possibility. Considering the pace of the "pairing" observed in recent decades, this

overrunning, at least in terms of GDP, could come true in a few more decades. However, this is not a guaranteed scenario; at least three order factors oppose it: the economic crisis that started in 2008, which exposed the reliance of major exporters like China on external demand, mainly from the "West"; the environmental consequences of this growth of the Giants; and the reaction of Western powers to their own loss of economic and, consequently, political status.

There is at least one aspect in which Nayar's analysis is quite ambiguous: it is not exactly a movement of the "Rise of the Remainder" that we are watching but a (very heterogeneous) Asian ascension, now pulled by China. However, for the rest of the "Remainder", the meaning of the Asian pairing is much less clear. Up to now, Africa keeps following "someone else's dreams", in the hope that spillovers from China's growth and other "emerging" nations will bring it the opportunities that Western prosperity did not bring them. Chinese growth offered financial relief to Latin America via trade; however, it is reinforcing the trajectory of deindustrialization and commodities export specialization, which started with the liberalizing reforms. This is already a great debate on the borders south of the Chinese expansion. Internally, Africans and Latin Americans seem divided, some seeing blessings while others see already well-known demons.

However, it is the very idea of a convergence of the "Remainder" with the "West" that sounds paradoxical in the final chapters of the book. After all, the bulk of everything that can be accounted for on behalf of the "Remainder" is, indeed, due to the size and relatively more successful trajectory of 14 countries (Argentina, Brazil, Chile, and Mexico in Latin America; China, India, Indonesia, Malaysia, South Korea, Taiwan, Thailand and Turkey in Asia; Egypt and South Africa, in Africa). This does not encompass 10% of the nations that comprise the "Remainder"; however, these 14 countries alone account for two-thirds of the population, three quarters of GDP, and more than four-fifths of industrial added value of all the so-called "Developing World", i.e., the "Remainder". In recent decades, the gap in terms of per capita GDP among this group of 14 countries and the rest of the "Remainder" (especially of the so-called least developed countries) grew. Moreover, with few exceptions (the smaller Asian countries), the Group of "Next 14", as Nayar calls them, brings together nations with very high levels of internal inequality, which tend to expand (rather than decrease) in the start-up phase. Finally, only two of the above mentioned, i.e., South Korea and Taiwan—whether from the industrial and technological

perspective or from the income per capita and internal inequality perspective—may truly be taken as showing levels similar to those found in the developed world.

For large portions of the populations in the most successful developing countries, the jump came down to overcoming the barrier of extreme poverty, as defined by international bodies, at levels known to be very modest. This has been a very strong trend in China and East Asia and also prevailed in Latin America, where poverty levels were lower. In India, the poverty reduction occurred; however, it was only relative because the absolute number of poor people has grown since 1980. In sub-Saharan Africa, the relative reduction was marginal while the absolute number of poor almost doubled.

In terms of success, even for more successful countries participating in this "race for growth", there is a lot to tarnish. Furthermore, the obstacles ahead of the runners are significant, starting with the leader's performance. Overall the Asian growth up to now rested on the actions and the dynamism of Western economies. The strength of the "emerging" nations that compensates for the loss of dynamism of the West has proved limited and their actions to combat the crisis do not seem to be of much help. For those nations that still seek some kind of developmental jump, the current context of severe restrictions on the freedom of national states to define their own development policies offers the occupation of the interstices of global production chains, already completely dominated by large monopolies, as an option. That is what countries like Bangladesh try to do by absorbing the textile manufacturers who leave China in search of lower wages. Is this enough to include these countries in the "pairing" process? It is not impossible, but neither it is likely.

However, Nayyar is right. The enormous redistribution of economic power in course signals for changes in the distribution of power among nations and, as far as the eye can see, that points to a more multipolar world. In this world, presumably, decisions that affect the world economy will have to consider the interests of a (somewhat) greater number of nations, which probably will be better than the current *status quo*. However, as far as the nations' objectives in terms of enrichment continue to respond mainly to the interests of their elites—who are increasingly less "national"—even though a little of this wealth may trickle down to the poorest, a multipolar world will not be a less unfair or more sustainable world.

Translated by Cabo Verde