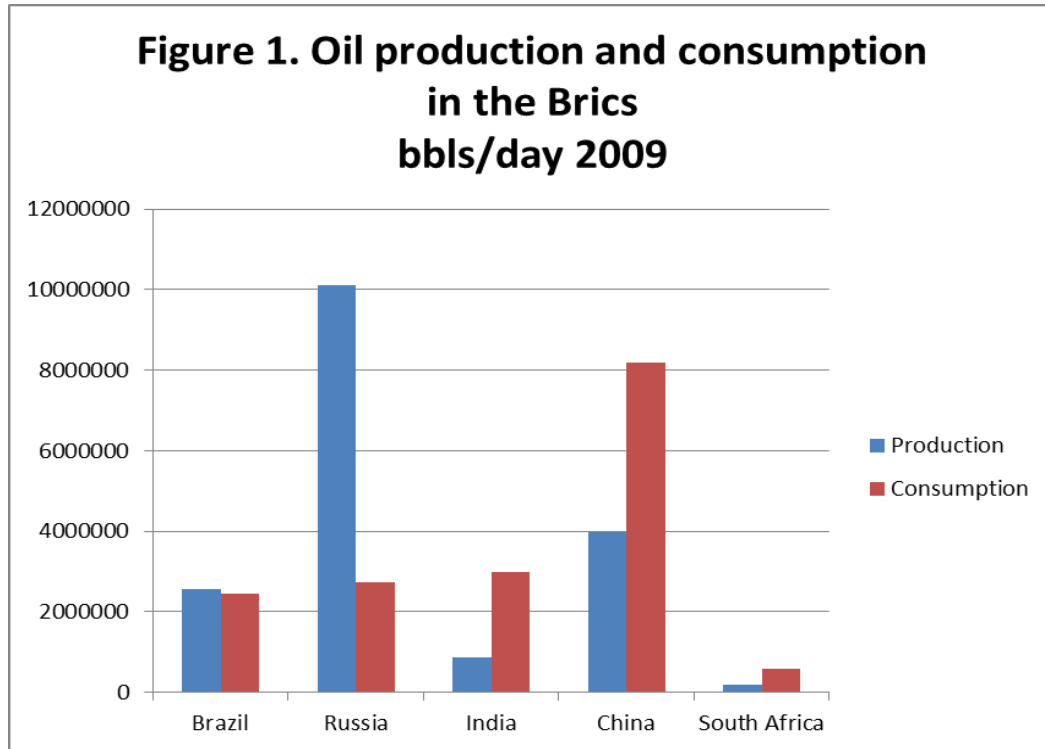


A. Oil production and consumption in the Brics

Consider Figure 1. What could you say about it? Speculate on the reasons for the production and consumption figures.



B. The attractions of emerging economies are no passing fad

1. Vocabulary

1.1 Place the words or expressions in the table according to whether they reflect an uncertain or declining economic environment, suggest possible signs of recovery for the economy, or positive performance.

to derail
resilient (*adj*)
to pass with flying colours
havoc (*n*)

feverish (*adj*)
trough (*n*)
to flock back
benign (*adj*)
a (debt) burden

to step in
fall out (*n*)
to abate
to come out (of)
to turn round

Uncertain or declining economic environment	Possible signs of recovery for the economy	Positive performance

1.2 Match each expression with one that is opposite in meaning

- | | |
|----------------------------------|---------------------------------|
| i. to be a fad | a. world-class |
| ii. to be prudent | b. to react slowly |
| iii. to be of their own making | c. a single |
| iv. to be first in and first out | d. to take risks |
| v. narrow | e. broad |
| vi. to sense | f. to loosen |
| vii. to tighten monetary policy | g. to be flat |
| viii. a batch of ... | h. to be caused by someone else |
| ix. second-rate | i. to be on time or early |
| x. to be tilting | j. to ignore or not recognise |
| xi. to be overdue | k. to borrow |
| xii. to lend | l. to be long-lasting |

2. Reading and Speaking

In the following text the first sentence of each paragraph has been removed. Here are 6 possible sentences.

- a. The world is not flat, it is actually tilting and that is true not only for opportunities but also for risks.
 - b. The economic fall-out of the financial crisis caused global havoc but emerging markets were first in and first out.
 - c. No wonder investors have flocked back after a few months of panic.
 - d. There are plenty of reasons to be optimistic on the longer-term outlook for emerging markets for the next three, five, 10 and 25 years.
 - e. But it would not be smart for investors to ignore the rise of emerging markets, led by the four Bric countries - Brazil, Russia, India and China - and their long-term potential.
 - f. Investors were too quick to conclude the crisis was global as doomsday scenarios proliferated.
- i. Read the text and choose the sentence that completes each paragraph.
 - ii. Reread the text and take notes in the margins on the content. **DO NOT UNDERLINE.**
 - iii. Using **ONLY** your notes, synthesise the content to your partner.
 - iv. On the basis of your information pool, as a pair, decide on the 5 most important ideas/facts and write one simple sentence for each. (Do not copy sentences from the text.)
 - v. Present your results to the class, justifying why you chose the information that you did.

The attractions of emerging economies are no passing fad.

Antoine van Agtmael

Financial Times, 15 October 2009

Part 1.

The recent global crisis did not derail the rise of emerging economies, it accelerated it.

1.

It turned out to be only "half-global" because most emerging economies started out with resilient banking systems and prudent macro-policies. **In contrast to** the Mexican and Asian crises of the 1990s, this time the crisis was imported and not of their own making. **Unlike** the US and much of Europe, emerging economies passed the financial crisis with flying colours. The greatest corporate victims of the Great Recession were developed-market icons such as AIG, Citigroup and GM **rather than** China Life, Itau-Unibanco, or Hyundai Motors. Sales and profits of emerging multi-nationals suffered temporarily **but** most escaped the crisis without the need for intervention and are getting ready for a post-crisis world in which the American consumer is no longer king.

2.

China's intervention through feverish bank lending and front-loaded fiscal stimulus in effect boosted its own economy, **but** it also built confidence around the world, helping to turn round investor sentiment. Policymakers in other emerging economies also stepped in decisively where needed. In the process, it became obvious that the Group of Seven leading industrialised nations was simply too narrow as a forum for global co-ordination. Its replacement by the G20 was already overdue and quickly became a reality. Emerging markets are coming out of the crisis with greater respect and they now account for one third of the world's gross national product. If growth in developed countries starts to look like a "U", in emerging markets it is already a "V". Their economies and markets initially had a **steeper** drop (after a five-year rise) but they came out of the global recession about **six months earlier than** the developed world and their equity markets have jumped **more than 100 per cent** from their trough last October, outperforming developed markets by more than 50 per cent.

3.

Stock markets are often ahead of economic turning points as investors begin to sense that the next batch of economic and earnings reports are likely to surprise on the upside. The current enthusiasm of investors is likely to abate when the strong cyclical upturn begins to normalise again and the risks of slower long-term growth, the end of intervention and **less benign** rates become evident. As soon as the sharp drop in exports reverses, emerging market central banks will probably tighten monetary policy, well before their colleagues in the US and Europe. So now that market prices have doubled, earnings have been adjusted upward, and valuations are no longer **as cheap as** they were during the crisis, there are reasons for short-term caution.

Antoine van Agtmael coined the phrase "emerging markets" in 1981. He is chairman and chief investment officer of Emerging Markets Management LLC, a US investment firm specialising in emerging market equities, and author of 'The Emerging Markets Century'

The attractions of emerging economies are no passing fad.

Antoine van Agtmael

Financial Times, 15 October 2009

Part 2.

4.

Most of the growth in the global economy came from emerging markets even before the crisis. Outsourcing of manufacturing, IT and even research is no longer a passing fashion but an integral part of the global production chain. One billion new consumers will double the existing consumer base within the next decade. Roads, rail and ports are improving rapidly - and not just in China. Most oil and gas now comes from outside the developed world. Each year more emerging multi-nationals join the 75 that are already on the Fortune 500 list (there were only 19 in 2000) and second-rate producers of cheap goods are becoming world-class companies.

5.

Emerging markets now own \$5,000bn in foreign reserves and are much less dependent on foreign loans. They have **fewer budget and current account deficits than** their western counterparts **while** governments, corporations and consumers carry **a much lower debt burden than** found in much of the developed world.

6.

And there are fewer and fewer reasons to be afraid. It makes sense for investors, at least those who do not live day-to-day on the earnings from their investments, to have as much as a third of all their stocks in emerging markets and to steadily increase that portion in line with the share of emerging markets in the global economy.

Antoine van Agtmael coined the phrase "emerging markets" in 1981. He is chairman and chief investment officer of Emerging Markets Management LLC, a US investment firm specialising in emerging market equities, and author of 'The Emerging Markets Century'

3. Comparing and contrasting information

3.1 Identify expressions that are used to compare or contrast information. Classify them in the following table.

Comparing entities/qualities within one clause		Linking two clauses into 1 sentence	
		<i>Similarity</i>	<i>Contrast</i>
<i>Similarity</i>	<i>Contrast</i>	Linking ideas in separate sentences	

Add the following items to the table.

like	although	though	compared with	even though	while
	similar to	despite	in spite of	whilst	whereas
in comparison with		the same as	be different from	both	

Compare the following.

- i. **In contrast to** the Mexican and Asian crises of the 1990s, this time the crisis was imported and not of their own making.
- ii. The Mexican and Asian crises of the 1990s were the result of internal economic problems, **but** this time the crisis was imported and not of their own making.
- iii. The Mexican and Asian crises of the 1990s were the result of internal economic problems. **By contrast**, this crisis was imported and not of their own making

What is the opposite to *By contrast*?

3.2 Compare and contrast aspects of the BRICS country economies.

	Brazil	Russia	India	China	South Africa
Population	178.7 million	143.8 million	1.1 billion	1.3 billion	49.91 million
GDP					
% GDP (by sector)	2004	2004	2007	2008	2009
Agriculture	10.4	5.6	17	11	3
Industry	40	38	29	48	31.1
Services	49.6	56.4	53	40	65.8
Exports to GDP ratio (2006)	13	31	14	36	27.1
Main export destination	Europe	EU (53%)	US	US	US, Japan, Germany
Main imports	Fuel Energy *Capital goods	Food Fuel & energy Capital goods	Machinery Vehicles Minerals, fuels, lubricants Beverages, tobacco Chemical fertilizers	Iron ore , steel, Energy - coal, oil	Machinery Equipment chemicals; petroleum products; scientific instruments; foodstuffs
Main exports	Coffee Soybeans (China) Manufactured goods	Natural gas, crude oil Manufactured goods	Petroleum products Textiles Gems, jewellery Engineering goods	Textiles & apparel Electronics Arms Agricultural products Chemicals	Gold; diamonds, platinum, other metals & minerals, machinery equipment

*Capital goods = Goods, such as machinery, used in the production of commodities; producer goods

3.3 Writing assignment

Using information from the table above, compare and contrast main features of the BRICS' economies. (1 paragraph)

C. Roleplay

1.

The two companies involved

USTech: an American consumer electronics firm. It is a mid level brand, offering premium quality products at lower prices than its high-end competitors CaliTech and TexaTech, but better quality goods than the commodity brands. USTech outsources to TaiSource - a Taiwanese Original Design Manufacturer (ODM). Greg Jamison is the chief global sourcing officer.

TaiSource: a Taiwanese Original Design Manufacture who outsources the manufacturing of many of its contracts to mainland China. It has factories in Beijing. TaiSource both designs and makes products sold under USTech's brand name, primarily for the US market. The USTech orders account for about half of its work. Joe Lin is the CEO.

2.

The situation

Greg Jamison has travelled to Taiwan to meet Joe Lin. The objective of the visit is to evaluate the working relation between the two companies and reassess strategies regard to the future.

3.

Your role

You are Greg Jamison. Your company is currently losing market share to the top two companies CaliTech and TexaTech, who have more innovations than you do. At the same time you are losing profit margins to commodity producers. You want to gain the n° 3 spot in the global market. You have always been happy with TaiSource's work but now wonder if you should outsource directly from China. CaliTech and TexaTech cut their costs by 20% by doing this. You have been investigating the Chinese manufacturers but find that their quality is inferior to that of TaiSource without significant benefits in costs. You believe that TaiSource wishes to enter the market as a competitor in China and are concerned that if you remain with them, sharing your resources, expertise and technology with a supplier/competitor could put your data at risk. You are about to meet with Joe Lin to work out a future strategy for your company, to know whether to stick with TaiSource or outsource directly to China.

4.

Your role

You are Joe Lin. Your company supplies orders for other named brands but you are planning to launch your own brand in the near future. In order to do so you will need to broaden your supply base so you are planning to outsource to China, both to the factory in Beijing and to a new factory in Shanghai. These factories will manufacture the goods. You are also planning to open an R&D office in the U.S. to work on product innovation. You understand that USTech, who account for half of your orders, have been investigating moving their sourcing directly to China. You wish to retain their custom but will need to offer them assurance of your ability to supply the goods at competitive rates. Perhaps improvements could be made in the logistics: shipping directly to warehouses in the U.S. for example. You are about to meet with Greg Jamison, who is probably going to want to talk about future contracts with TaiSource.

D. India

1. Listen to the presentation to determine the general topic and the main aspects that are talked about.

http://www.ft.com/cms/4fe40d1a-07b4-11dd-a922-0000779fd2ac.html?_i_referralObject=12327043&fromSearch=n

2. Complete the spaces with figures.

Hi, I'm Ravi Bapna, associate professor of information systems at the Indian School of Business. I also direct the centre for IT in the networked economy out here and I'm going to be talking to you today about India's red hot mobile telephone industry, a technology that's had a significant social and economic impact on the livelihood of people like the taxi drivers right here behind me.

This is the fastest growing mobile market in the world with _____ subscribers today, adding almost _____ new subscribers every month, and yet the current tele-density or penetration covers only _____ of the population. So the projections are by 2010 we are going to have close to _____ subscribers and that's what really makes it interesting for a large number of global players to come and take a closer look at what's happening in the Indian mobile industry.

There are other interesting aspects – almost _____ of the revenue is actually accrued to the operators in a pre-paid format. So they get the money in before actually the services are used, and in addition to that, it's also a fiercely competitive market. The country is divided into 23 different circles. Each circle has approximately _____ operators, and the result of that is some of the lowest mobile tariffs in the world. And that really has some lessons for other emerging markets out there. Currently the average FT reader would spend probably more on a cup of coffee in a day than what the mobile operators make per month from the average user. So the current average revenue per user is about _____, and interestingly, despite that, the operators have margins upwards of _____, or rather earnings before interest tax, deposition and amortisation of upwards of _____ per cent to _____ per cent.

3. How does Ravi Bapna explain the paradox of the low average revenue per user but the high margins in the mobile phone industry?

4. As you listen, place the items in the appropriate place of the value chain (overleaf)

5. What changes have been made at the 3 levels of society?

- a. the base of the pyramid;
- b. the service sector;
- c. the high end of society.

6. Complete the gaps.

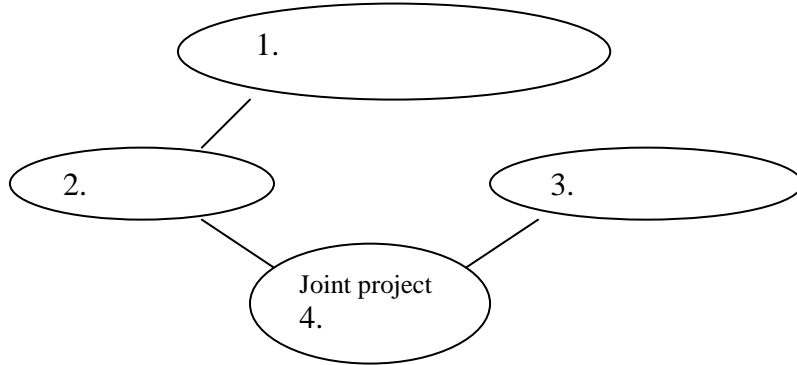
Nokia was here long before the others, before its It currently has 58 per cent of the handset, and the way it's gone about doing its business is it has invested in all aspects of the value chain. So they do in India, they do joint R and D with TI, as already mentioned, in Bangalore. So the low-cost chip is an innovation that actually really powers the sub \$20 phone. They do manufacturing. They have now near Chennai, and really to innovate you have to be close to the customer. I think that's one big lesson we can take from Nokia. They also have So Nokia invested in a large with its India partner, HCO Technologies, and because of that, the Nokia brand is visible all across the country and they have a value proposition at all layers of the pyramid.

Applications
Aritel
Nokia
Siemens
Texas Instruments

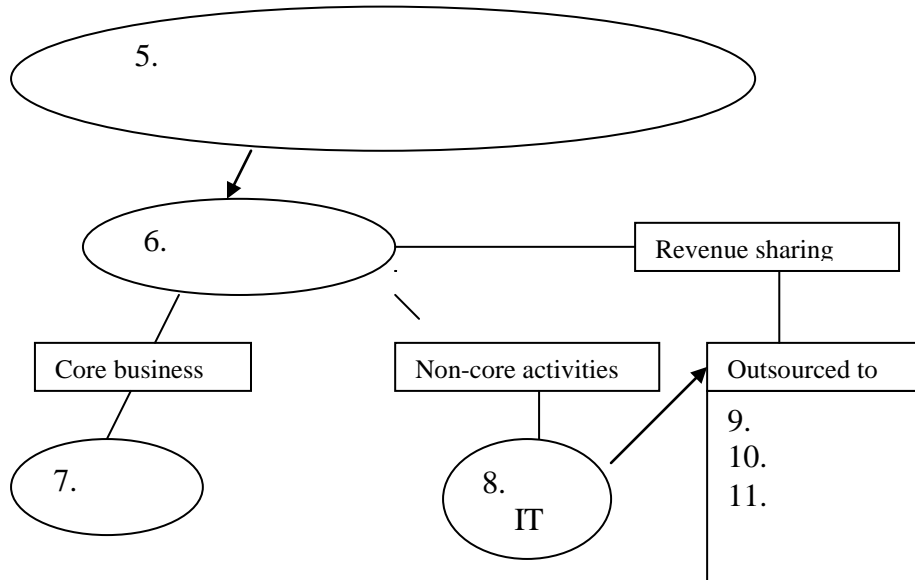
Ericsson
R & D
Operators
Call back ringtones
Chip manufacturers

Customer acquisition
Rural area service provision
Network
Entrepreneurs

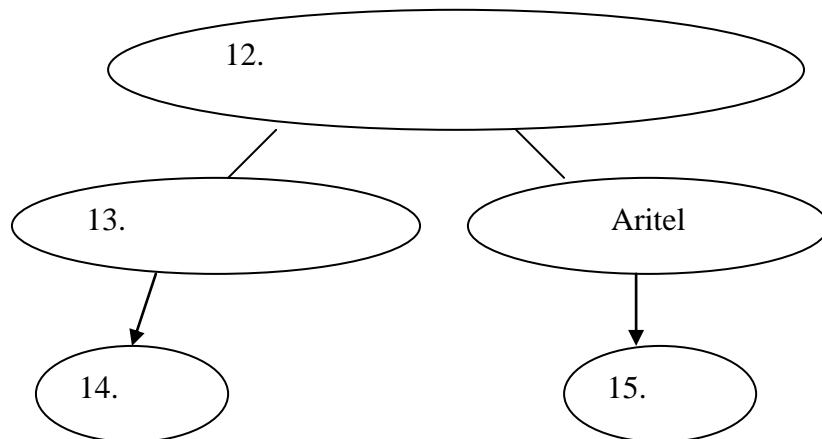
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E

1. What country is being talked about?

How a well insulated Bric became a hot property



Inflation is under control, previously sky-high interest rates have fallen to real-world levels and revived capital markets are helping to fund investment. Income transfer programmes have brought millions of people into the consumer market. In the thick of the global crisis, the government kept sales moving with tax breaks on cars, household electrical goods and construction materials.

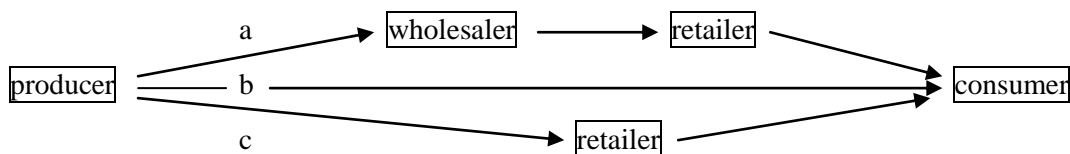
2. Match each expression in the first column with a synonym.

- | | |
|-----------------------|---------------------------------|
| 1. pipe dream | a. unrealistic |
| 2. to coin | b. frontier |
| 3. understated | c. a timely blessing |
| 4. border | d. a commitment to a risky deal |
| 5. loose regard | e. to make worse |
| 6. to compound | f. not worried |
| 7. a boon | g. to invent (a new word) |
| 8. to be hollowed out | h. inconspicuous |
| 9. unperturbed | i. not taking seriously |
| 10. a bet | j. to lose its solid foundation |

F. China.

Vocabulary

How many intermediaries are there in each of the three relationships?



- a
- b
- c

3. Complete the first part of the text by placing **one** word in each of the gaps.

1. After the dotcom bust, it was western housing markets [1] _____ helped reflate the world economy. Some hope the Brics [2] _____ do the rebuilding after the credit crunch, writes John Paul Rathbone.
- For sceptics, [3] _____ is a pipe dream. Yet in 2001, when **the term**
5. [4]_____ coined, Brazil, Russia, India and China made up barely one-sixth of the world economy. This year, according [5] _____ the International Monetary Fund, they account for almost one-quarter, [6] _____ together overtaken the US.
- “Even I get excited about Brazil’s prospects,” says Sir Robert Wilson, the normally understated chairman of BG, the UK energy group. Brazil [7] _____ not
10. suffer from the ethnic and border conflicts of India, Russia’s loose regard for contracts [8] _____ China’s supercharged credit- and investment-led growth. The domestic market is [9] _____ insulated: exports account for 13 per cent of gross domestic product. Net debt is a manageable 30 per cent of GDP – less [10] _____ half the UK level. With foreign currency reserves of \$230bn (€155bn, £139bn), it is a net global
15. creditor. Export markets are diversified, with China overtaking the US last year as Brazil’s [11] _____ trading partner. No big bank has failed.
- All this** has [12] _____ investor enthusiasm. “Brazil is in fashion now, although it wasn’t always so,” says Emilio Botín, chairman of Spain’s Banco Santander.
- [13] _____ the 1980s and 1990s the country mostly funded itself
20. externally, in dollars. When global investors grew nervous, [14] _____ sold the currency, debt service costs soared and the fiscal deficit exploded, compounding the [15] _____. A debt crisis and devaluation followed. Now most of the country’s debt is domestically funded, reducing its risk premium and allowing funds to be [16]_____ more cheaply. With less needed for debt payments, more can be spent
25. [17] _____ investment – and consumption. The vicious cycle turned virtuous.
- There are risks, of course. Brazil’s commodity wealth is a boon when mineral and food prices are [18] _____. But an abrupt Chinese slowdown could reverse that trend – and half [19]_____ companies on the stock market have commodity exposure. Domestic industry could be hollowed out by an uncompetitive *real*
30. strengthened by hot money inflows. Government spending is also rising. [20]_____ the fiscal deficit is small, the constitution makes it hard to cut entitlements and the public wage bill is a growing concern.
- Enthusiasts are unperturbed. “We have full confidence in Brazilian economic growth,” says Mr Botín. The Santander chairman, whose bank has a large operation in
35. the country, is a dealmaker rarely on the wrong side of a bet.

4. Reorganize the key information into a chart or table.

5. Present the rationale behind your classification to the class.

F. China

Complete the sentences with words from the box.

sourcing (2)	suppliers	manufacturers	tax benefit(s) (2)
	infrastructure	exporters	global (2) manufacturing

1. It is important to have a selection of **1**..... to choose from for your **2**..... requirements. Here is an entire directory of **3**..... from the **4**..... market.
2. Leading B2B China **5**..... directory for **6**..... buyers to buy Taiwan quality at Chinese prices. Efficient in China products **7**..... All China products with high quality & low **8**..... cost.
3. Benefits that China grants to foreign investors are not given in the form of grants. Most benefits are in the form of a **9**....., including value added tax, customs and income **10**..... in putting the emphasis on an investment in a Special Economic Zone (SEZ) or in special sectors and areas.
4. The dark side of Chinese **11**.....: empty highways, unprofitable ports and too many airports and trains

Watch the video on the Canton Fair in Guangzhou, China (*the Financial Times* 31 October 2011) and answer the following questions.

Match the numbers with what they refer to.

1	10	a	% decline in exports
2	12.5	b	% decline in profits
3	20	c	years since China joined the WTO
4	20-30	d	years that the fair has been running
5	26	e	floors in the Canton Fair
6	45	f	% rise in the costs of raw materials
7	55	g	% rise in labour costs

1. What is the purpose of the Canton Fair in Guangzhou?
2. How often is it held?
3. Who are its main clients today?
4. Is the number of clients increasing or declining? What factors have contributed to this change?
5. Which items are no longer made in China as much as they used to be and where are they now made? Why?
6. Why are manufacturing costs rising in China?
7. What changes is the government trying to introduce in the manufacturing sector?
8. How will these changes affect the sector?
9. What do Nick Tiffin and Murtallua Ibrahim both think China's main strength has been?
10. According to Dong Tao what are China's strengths?
11. Did analysts expect China's share in sourcing to decline or rise?

From the video, select the 3 most important points about China's economy.

G. China

1. Complete each verb in the first column with an appropriate complement from the second column.

- | | |
|----------------------|-----------------------|
| 1. to tighten | |
| 2. to cool | a. overheated growth |
| 3. to tackle | b. credit |
| 4. to rein in | c. economic policies |
| 5. to moderate | d. demand |
| 6. to curb | e. inflation |
| 7. to have access to | f. a gradual slowdown |
| 8. to threaten | g. lending |
| 9. to hasten | h. new orders |
| 10. to gauge | i. cooling measures |
| 11. to ease | j. monetary policy |
| 12. to prompt | |
| 13. to fine tune | |
| 14. to engineer | |

2. Complete the text by conjugating the verbs in an appropriate tense.
 3. Circle any time expressions that serve to ground the events.

China PMI falls unexpectedly in October

By Jamil Anderlini in Beijing

1. China's manufacturing sector growth (ease) last month as the economy (continue) (slow) in the face of government measures (cool) searing growth and (rein in) stubbornly high inflation.
5. The official purchasing managers' index (PMI) (drop) to 50.4 from 51.2 in September. A figure above 50 (indicate) expansion in manufacturing activity, while a figure below 50 (mean) a contraction. The official index (not fall) below 50 since February 2009, at the height of the global financial crisis. PMI readings elsewhere in the region (also show) signs of falling global
10. demand, with Taiwan (record) its lowest figure in almost three years, and South Korea (contract) for the third month in a row. However, India's manufacturing sector(pick up) last month, with its PMI reading (rise) to 52, from 50.4 in September.
15. China's October reading (be) lower than many economists (predict) but still (indicate) growth and (suggest) the economy (continue) the gradual slowdown that Beijing (try) (engineer).
 The dip in the official index, which (be) based on a survey of purchasing managers in 20 different industries, (come) after two consecutive months of
20. increase. But analysts (say) that PMI usually (decline) by an average of 0.9 percentage points from September to October.
 China's economy (gradually slow) this year in response to Beijing's attempts (tighten) credit, (cool) overheated growth and (tackle)
25. inflation.

26. Since the start of the year the government (increase) interest rates and reserve ratios for banks multiple times as well as(employ) administrative measures, such as restrictions on housing purchases and directives to banks on which industries to lend to.
30. Most analysts (believe) inflation peaked in July, when the annual consumer price index (rise) 6.5 per cent from a year earlier. They (expect) price increases (continue) (moderate), following respective CPI readings of 6.2 and 6.1 per cent in August and September.
35. Moderating inflation, combined with slowing growth, (*modal + allow*) the government (loosen) its tight monetary policy, which (curb) lending throughout the economy and (prompt) smaller private companies in particular (complain) they (have) no access to credit.
40. The debt crisis in Europe and slowing growth in the US (threaten) demand for Chinese exports in the country's two largest trade partners, and(*modal + hasten*) a decision by Beijing (loosen) policy.
Wen Jiabao, the Chinese premier, (say) last week that economic policies (*modal + be*) "fine-tuned" when necessary, the first time he (use) such language in recent months and a signal that Beijing (consider)..... (ease) some of its cooling measures.
45. A sub-index of the PMI that (gauge) new orders (fall) to 50.5 in October from 51.3 in September, while new export orders (contract), (drop) to 48.6 from 50.9 in September.
50. But in a sign that inflation (be) under control, the input prices sub-index of the PMI (drop) 10.4 percentage points in October from a month earlier, to 46.2, (suggest) that some prices for manufacturing inputs (now fall).

Financial Times, 1 November 2011

4. In pairs, create a time line to plot the changing situation in China. Include factors that are influencing the Chinese economy, as well as what is happening in other economies.