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## Ruchir Sharma, Breakout Nations (2013)

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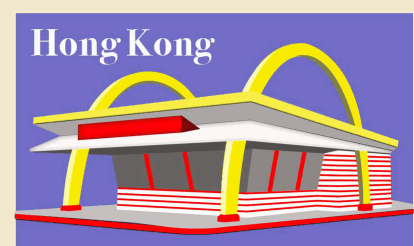
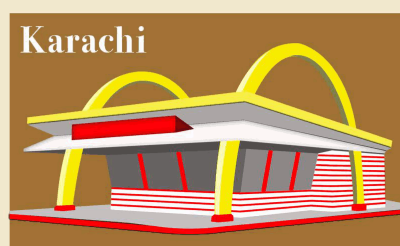
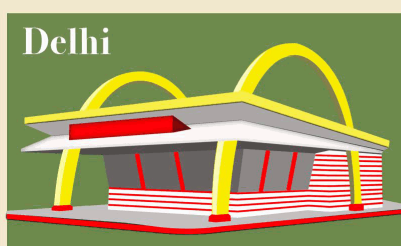
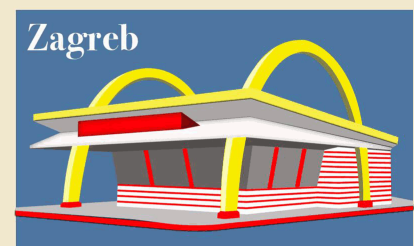
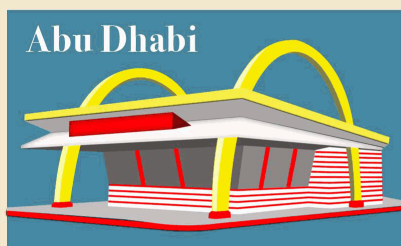
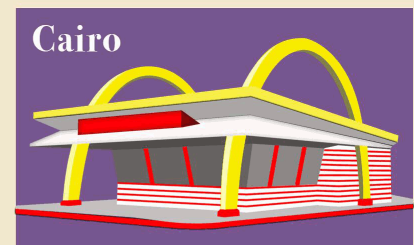
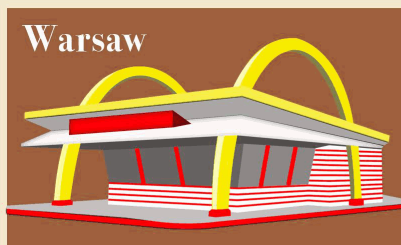
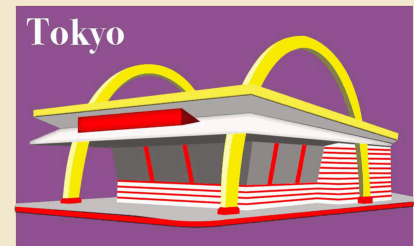
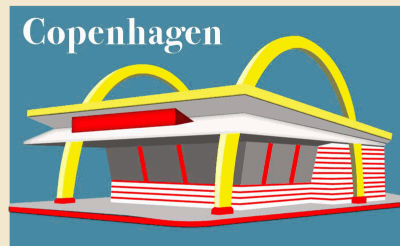
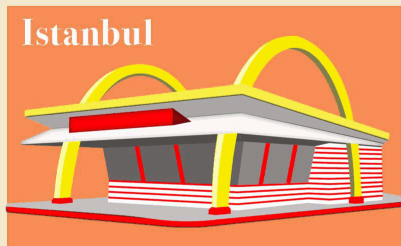
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# Markets, Globalization & Development Review



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## Ruchir Sharma, Breakout Nations (2013)

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## **Book Review**

### **Ruchir Sharma, Breakout Nations (2013)**

*Breakout Nations* is an international bestseller. It has been heralded by the *Wall Street Journal* (and other similar outlets) as the 'best choice' out there on our 'ongoing developing world'. The full title of this 2013 book is *Breakout Nations – In Pursuit of the Next Economic Miracles*, and it is published by W.W. Norton & Company, in New York.

It goes without saying that Sharma is a truly global individual and it is evident that he hobnobs with the elite: peppered throughout the book are snippets of conversations Sharma has had with senior government officials, multinational bank managers, ultra-rich and ultra-influential businesspeople, and several presidents and/or prime ministers from across the globe. As the Chief Global Strategist at Morgan Stanley, Sharma has direct access to the world's business and political leaders, especially those from the promising emerging world. Between his economic insight and cultural curiosity, Sharma has managed to compose in *Breakout Nations* quite a comprehensive overview of emerging markets. From the mega-players (read: BRICS – Brazil, Russia, India, China, South Africa) to the 'fourth world' (read: countries that are at the 'frontier' of the global playing field, such as Sri Lanka, Iraq, Serbia and many more), Sharma takes us on a grand tour of what is happening in today's economic world.

Just under 300 pages in length and spread across 14 chapters, *Breakout Nations* covers a lot of ground. Countries and regions are neatly condensed into chapters that can easily be read on their own with little or no attention given to the text as a whole: want to know what doing business in Russia might entail, then read 'In Russia, There's Room only at the Top' and you will get a taste of the opulence, opportunism and rife corruption that makes this nation tick; interested in understanding how Erdoğan came to power, then read the 'Monophonic Voice of Turkey'; want to learn how South Africa will fare in the coming years, go to 'The Endless Honeymoon'; and so on and so forth. Through his pseudo-ethnography and globe-trotting, Sharma gives us a world tour of what is happening in the emerging world. Some chapters concentrate on a single nation whilst others cluster similar markets together. The angle of the book itself is evidently macro-environmental, so that the reader gets a sense of key political, economic, geographical or cultural factors that impact a particular nation, making this an interesting read for global economists, strategists, cross-cultural managers, and macromarketers alike. Sharma's writing style demonstrates his acute understanding of how the macro-environment can impact (at times even negatively) the

emerging world, taking into account the tardy arrival of globalization (Turcan 2016) to some parts of the world.

Sharma's ability to write stand alone, bite-sized country or region-specific chapters is commendable. He usually starts each chapter with some cultural anecdote (many times drawn from personal experience) to ease the reader into a country/region specific context. At times this cultural curiosity will be woven throughout the chapter in a rather poetic manner. Eloquent and worldly, Sharma's writing style allows the reader to easily dip in and out of the book at their leisure, enjoying the in-a-nutshell analysis on offer. In the same breath, however, I feel the book lacks a certain golden thread to tie it all together and at times wonder if the writing process was in fact stilted in its execution. Just as some chapters start off with cultural curiosities or personal introspections from the author, others do not. Also chapters vary in length and focus, and some sections are perhaps too short to be considered faithful renditions of a particular country's economic reality. Also, other chapters felt a little longwinded for me personally and my attention drifted slightly. Perhaps Sharma set himself too large of a task – the entire emerging world in a single manuscript – or carried out his writing in discrete chunks of time that inadvertently thwarted a smoother, more seamless story to unfold. Nonetheless, *Breakout Nations* does offer an excellent *amuse-bouche* for understanding (some of) the key economic, political, social and cultural factors that may help or hinder the *emergence* of the world's emerging markets. To give the reader a sense of what *Breakout Nations* has to offer I will briefly unpack some of the more noteworthy country chapters next.

Sharma begins his tour of the emerging world with 'The Myth of the Long Run', where he considers the myth of super-long forecasting, meaning that virtually *any* emerging nation can potentially claim economic stardom in the future: 'the new rule is to forecast so far into the future that no one will know you got it wrong' (p. 1). Sharma suggests taking such predictions with a pinch of salt and a good dose of patience, highlighting the importance of understanding broader macro-environmental forces at play both locally and globally (Firat 2016).

In 'China's After-Party' he considers the natural slowing down of this mega-power, so that although the nation 'still has plenty of room to grow' it will do so at a discernably slower rate (p. 32). Luxurious infrastructure (such as the underused Maglev), the country's property bubble, and the continuous exodus from the countryside will eventually plateau. Sharma also acknowledges how China's authoritarian control over its people and environment has not thwarted development, but rather made the most of the country's resources and managed its competitive edge. In fact China acts as a barometer for much of the book, where Sharma measures other nations' success (or lack of it) by

comparing them to China. Of the *Breakout Nations*, China seems to be one to beat, acting as a benchmark for the rest.

Continuing with the BRICS and 'The Great Indian Hope Trick' explores how although India continues to be in the shadow of its chief rival (i.e., China) in economic development, the nation hopes to soon overtake its competitor in demographic terms, meaning that 'the hope is that China will get old before it gets rich, and India will reach middle-income status while it is still young' (p. 38). India also benefits from being a democracy and an ex-colony. Scholars foresee India becoming self-sufficient in terms of agriculture, a recognized brand in terms of tourism, and a global player in terms of technology and software production (Venkatesh 2012). However, Sharma bemoans that India continues to face ongoing issues of corruption, crony capitalism, nepotism, and poor infrastructure. The country's multi-layered demographics also bring about palpable challenges to this single economy. For this chapter, Sharma decides to weave in some cross-cultural dimensions drawing on Edward T. Hall's (1976) seminal book - *Beyond Culture* - on high and low context communication. As well as oversimplifying this socio-anthropological analysis, Sharma also decides to bring Brazilian culture into the mix, highlighting the similarities between the two nations regarding their collective/family-orientation, their 'noisy' nature and 'colorfulness', their ability to read in between the lines, and their need to build strong business relationships based on trust. This *skimming-on-the-surface* cultural analysis of these two economies feels somewhat out of place, given the overall style and macro-environmental ethos of the rest of the book. Why haven't cultural dimensions such as individualism/collectivism, orientations of time and space, particularism/universalism, and communication styles been coupled with the book's macro-level analysis in subsequent chapters? Presumably, as an Indian national himself, Sharma felt more inclined to offer some deeper sociocultural insight into India and made a quick link to Brazil, spring-boarding off the countries' shared love of soap operas.

Moving swiftly onto Brazil ('Is God Brazilian?') and we see, as Sharma portrays it, how incredibly rich (in natural resources) and ridiculously overpriced (in local currency and cost of living) this economy actually is. Sharma covers some key issues affecting Brazil including its centralization of industry, population, and power in the Southeast of the country, its political turbulence, its inflation and heightened interest rates, and its less-than-ideal infrastructure.

To wrap up the BRICs, we have the chapter entitled 'In Russia, There's Room Only at the Top', where Sharma explores the Russian economy with its explicit display of nouveau-riche gaudiness coupled with negligent investment in the most basic infrastructure: whilst luxury car sales are on the rise, roads are literally falling apart (p. 85). Sharma

considers the significant political shifts that have shaped the Russian economy in its recent history, noting how a transition from Communist state to open market is never easy. He laments how Russia lacks global brands, despite being a nation of multiple Nobel-prize winners and space explores, meaning that Russian companies 'are not serious international players even in signature products like vodka' (p. 90).

Another noteworthy emerging power is covered in chapter 5, titled 'Mexico's Tycoon Economy', where we see first hand how Mexico's oligopolies have hindered the country's competitive edge on the global panorama. Strong companies and stock markets 'do not necessarily make for strong economies' if the wealth of the nation is concentrated in the hands of the few (p. 76). Rather than fighting against these dominant family organizations, many Mexican firms choose to operate abroad, and the country suffers from one of the largest exodus in the world, with 2.4 million people migrating between 2006 and 2010.

In 'The Monophonic Voice of Turkey' (chapter 8) we are shown how Turkey's unique geographical position between Europe and Asia, coupled with its balancing act between secular liberalism and Muslim conservatism, has given the country some discernable strategic advantages. Here Sharma tells the tale of Turkey's modernization, secularization and growing fondness for European acceptance (both in mercantile and cultural terms) under Atatürk's famous leadership. Change, however, is never easy and this Turkish revolution was followed by several decades of political unrest with multiple changes to the constitution, economic crises, and unsettling military coups, which would eventually lead to the reign of Recep Tayyip Erdoğan. Although he may not condone the populist rhetoric and heavy-handed approach adopted by Erdoğan, Sharma does justify Turkey's disenchantment with the European dream and subsequent desire to move Eastwards in economic, cultural, and even religious terms. Perhaps if Sharma were to write about Erdoğan's Turkey today (some four years after the publication of *Breakout Nations*) he would offer a slightly different account of the country's political and economic strategy and global potential under its current circumstances (see for instance Subaşat's (2017) more recent analysis of Turkey's political economy).

Moving back to Asia, the chapter called 'The Gold Medalist' focuses primarily on the South Korean market, although there are several comparisons made with Taiwan throughout the chapter. Optimistic about the potential that lies in South Korea, Sharma argues that despite its large family-run conglomerates, the country has a better chance of becoming a breakout nation, meaning that it will continue to 'grow faster than most people would expect' (p. 155). Korea has done wonders to successfully position strong Korean brands on the global market such as Samsung, Hyundai, LG, and even K-pop (Hong 2014).

Also, it has purposefully moved manufacturing (cars, petrochemicals and mobile handsets) to China to add to its competitive edge. Compared to Taiwan's painfully narrow niche market, Korea has sought to diversify its manufacturing strengths. In economic terms, Korea was keen to pay off its sizeable IMF bailout package (\$58 billion) within a couple of years, ensuring its credibility and place on the global playing field.

Sharma amalgamates a variety of nations into the 'Fourth World' (chapter 12). From Africa to the Middle East, from Latin America to the Eastern Europe, the fourth world encompasses virtually every nation that doesn't quite make the 'emerging market' cut; not dissimilar to Serkin's (2015) compendium of *Frontier* market economies. Put simply, Sharma defines the boundaries of the Fourth World 'not by poverty but by rule of law or the lack of it' (p. 187), meaning that nations within this category do not operate within the realm of an orthodox market economy. Doing business with these 'frontier' nations can be volatile, unpredictable, and inevitably risky, characterized as they are by a sort of lawlessness (or poor sportsmanship) when it comes to playing by the rules of the global market. Some nations may be recovering from recent civil wars such as Sri Lanka, Vietnam, Uganda, Mozambique and Iraq; while others may have fallen prey to autocratic governments that purposefully push them away from the global playing field, such as Venezuela under Hugo Chávez. Some frontier nations may in fact be incredibly wealthy yet closed to foreign investors, such as the Middle Eastern petro-monarchies.

Considering the breadth of the term itself, what is certain is that no two emerging or frontier nations are alike and should therefore not be assessed with the same set of rules or economic indices. What we can conclude from Sharma's analysis in *Breakout Nations* is that every emerging nation (or emerging region) has its unique socioeconomic, political and geographical features, and should therefore be considered individually. In fact, acronyms that carelessly cluster diverse emerging markets together (such as BRICS) 'are so last decade' according to Sharma (p. 256).

After a brief overview of the commodity market (chapter 13, 'After the Ecstasy, the Laundry'), Sharma wraps up his narrative with 'The Third Coming' (chapter 14), where he considers the foreseeable moderate growth of the emerging world, with inevitable boom-bust business cycles. When considering the global economy of today, Sharma argues that 'the growing ties between nations over the last decade have made every one of them less inclined to allow their trade partners to go under' (p. 252), assuming an inherent cooperation between nations at least in economic terms. Sharma's epilogue feels too long as a wrap up for this already lengthy book. After the



acknowledgments, Sharma also includes some world map appendices, distinguishing the emerging markets from the frontier markets.

Overall *Breakout Nations* is pretty comprehensive in its presentation of our emerging world. I particularly liked Sharma's openness not only to the possibility of nations rising to stardom, but also falling off the podium, and applaud his snakes-and-ladders analogy as a way of visualizing the precariousness of our market economy:

history suggests economic development is like a game of snakes and ladders [...] a nation can climb the ladders for a decade, two decades, three decades, only to hit a snake and fall back to the bottom, where it must start over again, and maybe again and again, while rivals pass it by (p. ix)

Although I found *Breakout Nations* slightly fragmented in parts, I do applaud how Sharma makes these emerging markets the protagonists of the story (see also Guillén and García-Canal's work (2016) on the rise of new the global giants). Not wishing to offer a *how to* manual for emerging nations to 'break' into the global market – there simply is 'no magic formula' – Sharma presents in *Breakout Nations* an overview of what is happening in the emerging world drawn from his own personal experience of being *in the field* and professional position as a global strategist. *Breakout Nations* differentiates itself from other textbook exemplars available on the market (such as Cavusgil et al.'s 2012 *Doing Business* guide to the emerging world) and feels more like a casual anecdotal narrative or extended dialogue with an Emerging Market expert. Here Sharma offers an overview of the political, economic, social, and cultural forces that may help these nations to flourish in the coming years. Full of facts and figures, peppered with personal anecdotes and insights, signposted with useful tips (or 'rules of the road' as he refers to them), and illustrated with some relevant photographs at the start of each chapter, *Breakout Nations* is an enjoyable read for any global manager, strategist, economist and macromarketer.

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