The influence of emerging economies in International Affairs

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The arrival of a new group of emerging economies grouped in the BRIC (Brazil, Russia, India and China) has caused a change in the International scenario, not only in the diplomatic stakes, but also in the economic, political and cultural structure worldwide.

The power of the BRIC is present both in its economic growth and in its concentration of land and population, namely more than a quarter of the world’s land and more than 40% of the world’s population is concentrated in the BRIC area. Not to mention, the contribution of BRIC with 15.435 trillion dollars to the world’s Gross Domestic Product (GDP) (Goldman Sachs, 2003), and by 2020, it is expect the BRIC economy will account for a third of the global economy (in PPP terms¹) and contribute about 49.0% of global GDP growth (Goldman Sachs, 2010: 2)

It’s clear that the BRICs have already begun to play a more significant role in the global economy and on the world political stage. The BRICs contributed 36.3% of world GDP growth in PPP terms (or 27.8% in USD) during the first decade of the century. They have also steadily increased their share of global output. Currently, they make up about a quarter of the global economy (in PPP) (Goldman Sachs, 2010: 2)

In this context, the impact of the BRIC becomes paramount for the shaping of the global political system. This essay seeks to analyse the following questions: How has the international scenario changed with the presence of the BRIC?, Could BRIC eclipse the economic power of the richest countries of the world?, and finally What are the strategies of BRIC to project its power?

The text attempts to reach the follow objectives: 1) Study the role of the BRIC in the global political system. 2) Analyse the economic influence of BRIC in the international arena. 3) Describe the tactics implemented by BRIC to project its influence and to make heard its voice worldwide.

The hypotheses set out in this text suppose that the International arena has changed after the arrival of the BRIC’s countries, having more actors dominating the global political system. Also, it is assumed that the economic
growth of BRIC could put in risk the leadership of the richest countries of the world. Finally, it is supposed that BRIC is creating a set of strategies to project its power around the world such as creating schools, health care centres in Africa or Latin America, and promoting an international policy of not intervention in “political issues” of any country.

The text will be presented in three parts; the first one will expose the elements that reflect a new international context, in which the presence of BRIC countries have modified the global political system.

The second part will describe the economic growth of the BRIC, and its risks for the richest countries of the world. The third one will offer a general discussion of the strategies used by BRIC to promote its influence worldwide. Finally, a few comments will be drawn as a way to conclude this work.

A new international context

In the recent decades, the world has experienced multiples changes. New technologies have enabled faster communications; governments have changed laws that in the past restricted economic trade and a rise in the flows of capital, people and knowledge. In this context, new actors² emerge to take an important role in the foreign policies³ and in the global political system⁴.

According to McGrew, the world is on the edge of a new historical stage: “The growing regionalization of the world economy and the emergency of new axes of conflict and alignment are amongst a series of recent developments which suggest that the world is on the edge of a new historical epoch” (McGrew, 1992: 312).

The new historical stage also seems to be more complicated than in the past. Khanna points out that the collapse of the Soviet Union and the loss of the hegemony of the United States as an entity capable of deploying military power anywhere. It is no longer a “unipolar power”, because now there are other important actors in the international arena such as Europe and China. Not to mention, the increasing power of the second world⁵ (Khanna, 2008).

The configuration of the global political system has been modified with the presence of the BRIC⁶, giving as a result a new emerging power which concentrates 12.8% of global trade. In this scenario, the power and influence of the BRIC can not go unnoticed by the main worldwide organisations and international meetings such as the G-20⁷, G2⁸ and the Organisation for Economic Co-operation and Development (OECD).

The presence and power of BRIC in the global political system is driven by cultural diversity, economic inequality, political fragmentation and conflict of interest between the richest industrialised countries and new emerging economies.

In this scenario, Montbrial indicates: “We are not prepared to face a new global scenario. The Westerners accept with difficulty to have to share the power
with States that were called formerly “The Third World”. On the other hand, the new power poles such as China or India, want to enjoy more sovereignty. The reconstruction of the world governance is a serious business that should engage the states of G20, the countries of the European Union and North America in order to anticipate future conflicts” (Montbrial, 2010b:11).

The increasing influence of BRIC is full of new tensions, as Khanna notices, “each power strives to attain the most advantageous position, while none are powerful enough to dictate the system by itself” (Khanna, 2008:337).

Both the industrialised countries and the members of the BRIC need to compete for the natural resources in a single planet. For instances, the steel demand from BRIC economies are growing as OECD notice and may represent a source of conflict:

The so-called BRIC economies (Brazil, Russia, India and China) are leading the growth of world demand. Chinese steel consumption reached 318 million tonnes in the first nine months of the year, up 30.8 million tonnes or 10.7% from the same period last year. Indian consumption is also increasing at a double-digit pace, though from a much lower level of around 45 million tonnes. In response to growing demand, India may have become a net importer of steel during the course of 2007. Brazilian steel demand is being fuelled by dynamic growth in steel-using industries such as construction, mechanical machinery, and automotive manufacturing. In Russia, the booming oil and gas industry and growth in household income continues to stimulate demand for steel. Steel demand in these economies is expected to continue displaying strong growth in 2008, though some moderation will be felt from the global economic slowdown (OECD, 2007).

In this scenario, the natural resources become a paramount element to continue industrial and economic development both BRIC economies and industrialised countries.

Therefore, the conflict will be formulated between the traditional industrialised countries and the news ones that are hungry for richness and power worldwide. In this sense, the western hegemony worldwide will be reshaped.

The new global politics system, for the first time in the history, establishes a multi-polar and multi-civilizational world, where there are more actors, diverse interests and rivalries, and a large list of challenges and threats to keep a balance of power and global peace.

**Economic leverage of BRIC**

The BRIC countries are the four largest economies outside of the Organisation for Economic Co-operation and Development (OECD). They are the only developing economies with annual GDPs of over $1 trillion (Indonesia’s is only half that). With the exception of Russia, they sustained
better growth than most during the great recession and, without them, world output would have fallen by even more than it did. China also became, by a fraction, the world’s largest exporter. Meanwhile, the BRICs are also increasing their trade with one another: Chinese-Indian trade has soared and is likely to reach $60 billion this year. China has also become the largest market for the fast-industrializing countries of East Asia. (The Economist, April 15th 2010)

The emerging market economies gathered in the BRIC are playing an important role in the worldwide economy, and the development of domestic economies. The most striking sign of the BRICs’ significance to the world economy, though, is probably their share of foreign-exchange reserves. All four are among the ten largest accumulators of reserves, accounting for 40% of the world’s total. China is easily the largest, with a staggering $2.4 trillion. It is the world’s second-largest net creditor after Japan (the net credit position takes account of equities as well as debt). Russia’s foreign-exchange reserves were virtually zero when it began market reform in 1992; now they stand at $420 billion. If the BRIC were to set aside one-sixth of their reserves, they could create a fund the size of the International Monetary Fund. (The Economist, April 15th 2010)

In terms of foreign assets, the BRIC is provided with cushions against the great recession which helped them turn into financial powers. Even as most Western countries struggle to rein in record budget deficits and soaring debts, the BRICs’ public-debt levels are mostly modest and stable (India is a partial exception). Most investment banks offer BRIC funds. The world’s top two banks are Chinese (The Economist, April 15th 2010)

In this vein, the western and industrialized countries are struggling to maintain economical growth and create jobs, which have moved to BRIC’s area. As these economies develop, massive sums are being invested to improve infrastructure such as power, telecommunications and transport systems, especially in India and China. (Lin Tec, 2010)

According to the Goldman Sachs’ report “Dreaming with BRICs: The Path to 2050” presented in 2003, the BRIC economies together could become larger than those of the world’s six most developed countries in less than 40 years. This means they would be larger than the Group of 6 (G6) in US dollar in less than 40 years. Of the current G6, only the US and Japan may be among the six largest economies in US dollar terms in 2050. G6 comprises Britain, United States, West Germany, Japan, Italy and France (Goldman Sachs, 2003).

Following to predictions of Goldman Sachs (2010) in terms of size, Brazil’s economy will be larger than Italy’s by 2020; India and Russia will individually be larger than Spain, Canada or Italy (Goldman Sachs, 2010:1).

Goldman Sachs now expects the economies of BRIC countries to overtake the US economy in 2027 rather than 2035. BRIC economies will
also take over that of the G6 countries come 2031. Many experts in international relations indicate that the BRIC’s economic growth shows the decline of the western world. In this respect, Nial Ferguson says: “What we’re witnessing is the decline of the west world. We assisted west predominance for more than five hundreds years continuously, from the XV\textsuperscript{th} to the XIX\textsuperscript{th} century. Since the XV\textsuperscript{th} the west countries mainly Europe, United States, Canada, Australia rose its power and to the XIX\textsuperscript{th} century the west had dominated completely the world.

What we’re witnessing at the moment is a fundamental historical shape. A rebalancing, a returning to a sort of equilibrium between west and east, and for the Asian countries this is a great news because they had centuries of stagnation to endure. The fact that they have growth rates ranging between 7 and 10 per cent event in the times of the recession. This is great news for Asia” (Ferguson, 2010).

The influence of the emerging economies is growing, and conforming to Ferguson, BRIC’s countries will pass soon from the manufacture to the innovation process which can put at risk the strong areas of the industrialized countries. “The Americans think that they have the intellectual property, the design and creation; they think that Chinese will continue doing manufacturing. It is true that the USA is still the best place in the word to make reality this idea and to turn it into business. In terms of innovation, they are still ahead. But not body should assume that they have the monopoly on innovation” (Ferguson, 2010).

The history of finances, says Ferguson, shows that it is very easy to steal the idea and concept from the innovator. “Britain was an innovator in the industrial revolution, but in a few years the ideas from Britain were borrowed and improved by countries like Germany. It is very hard to protect intellectual property, and Piracy is a phenomenon not only in the sea of Somalia, but through the Asian world. This is translated into power in different ways. If you measure power in traditional ways: armies, navies and those sorts of things, China is long, long way behind of this. But military power is not only about chariots and aircraft even though China is building those. It is also about software and technology, and Cybernetics is an area where China and India can make a big stakes and they can catch up the level of the USA. This is one of the biggest worries at the moment at the pentagon. I think there are many years ahead before the Chinese army can challenge the USA army in the open battle in the pacific waters. But I think China can close the geopolitical gap” (Ferguson, 2010).

The influential power of BRIC and other emerging economies are flourishing in the time of globalisation\textsuperscript{10} and financial uncertainty, which is also creating a global political system more complicated to understand and predict, seeing that will not follow the recipes and models from the World Bank, International Monetary Fund or any other hegemonic worldwide institution.
BRIC power projection

The economic performance of the BRIC’s countries is translated into different sorts of influence such as organising annual meetings\(^{11}\) and discussing major issues of the international agenda. As well as, reforming the World Bank and the International Monetary Fund (IMF), and having an active role in the G20. Not to mention, the new projection of the BRIC in terms of soft power\(^{12}\).

In keeping with Dodd, the emerging economies, particularly China is using soft power to attract allies and supporters in order to grow its influence in several parts of the world in the same way that the American model did. The Chinese government is promoting a wide range of events to project its soft power. The World Expo held in Shanghai from May to October 2010, and the Olympic Games in Beijing 2008 helped to promote an image of China as a welcoming and warm country with a political system different from the USA and different from the UK. Also, China is setting up many institutions around the world to promote Chinese language with more than 2000 schools and thousands of institutions. Not to mention, the promotion of Chinese culture: Tai Chi, philosophy of Confucius, medical treatments, art exhibitions, seminars, festivals and other activities (Dodd, 2010a).

The ability to attract Chinese supporters is reinforced through technical cooperation and financial support to poor countries for implementation of development policies and social protection for their populations, such as building schools and hospitals in Peru, Ecuador, Africa, and of course in the same BRIC area, that’s means Brazil or India.

On the other hand, according to Goldman Sachs (2010), it is observed a rise of the new BRIC middle class with income between $6,000 and $30,000:

The middle class as we define it (people with incomes greater than $6,000 and less than $30,000) has already grown by hundreds of millions in the last decade alone, and is set to grow even more in the coming decade. Growth in the middle class will be led by China, where we expect the number of people entering the middle class to peak during this decade. Meanwhile, middle class growth in India will accelerate throughout this decade. As China and India are the world’s two most populous countries, rising incomes there will have much greater impact on global demand than any other countries could (Goldman Sachs, 2010: 1-2).

The rise of middle class also means that there will be a rise of “upper class” in the next decade (people with income higher than $30,000) (Goldman Sachs, 2010:2) leading to competition for resources, environment pressures, jobs, market performance, capacity of traveling around the world, empowerment of their country position, and projection of their soft power.

For Ferguson, China is doing a sort of altruism without conditioning countries: “The message is clear. The Chinese government in Africa is saying
we will build up roads, and certain facilities for you, but you make sure that we will have access to the commodities and primary sources. As to your domestic politics and human rights you do whatever that you like. So, it seems to me that in terms of soft power China is making a rapid strikes and strong allies. China’s influence worldwide is growing and in some parts of the world is greater than the USA” (Ferguson, 2010).

In agreement with Joseph Nye (2004), the ability to establish preferences tends to be associated with intangible assets such as attractive personalities, culture, political values and institutions, and policies that are seen as legitimate or having moral authority. In this sense, China is creating an image to promote not only a positive attitude, but also a new system of allies, attracting countries that do not buy the idea that Western culture is the only model to follow.

Montbrial mentions that the BRIC’s countries try to increase its power, through the extension of membership to other strategic countries such as Turkey or Egypt. At the same time, new countries can be attracted to be part of BRIC, which can introduce unpredictable political changes inside of the North Atlantic Treaty Organisation (NATO). The action of BRIC suggests that the relation of forces in medium and long term can tip over into the international arena in favour of a club of states that do not share the same history, the same feelings and values than the west countries (Montbrial, 2010a: 2).

For Dodd, China is showing that it is possible to modernise without westernising a country: “This is a very attractive message for 1.2 billion Muslims that in the past rejected modernisation for accepting “westernisation”, so China showed them that it is possible to be modern and not to be western” (Dodd, 2010 b).

Dodd considers that Western and American credibility is under real threat by the BRIC, mainly after Guantanamo, Irak, Afghanistan. Therefore, the western soft power has been damaged, and the crisis of 2008 has undermined this power: “The interference of the USA in other countries has also weakened the American soft power. The damage is so severe that it can damage the whole of the west countries and democracy itself. Now USA has one billion enemies in the world and China has not. If China continues growing in the region and in the rest of the world, democracy becomes less important” (Dodd, 2010 b).

The undermining of western soft power and the empowerment of BRIC is accelerated by the fact that the population is better educated than before, and the technology make easier to show abuses of governments. So, the whole world can see the weakness of the USA such as the poor conditions of prisoners, the high level of incarceration and the death penalty, and poor health care services.
Final comments

The world of the twenty-first century seems to be more complex and unpredictable than even before. Multiple poles of power along with multicultural realities are the new variables that can define this new century.

In this context, the objectives and hypothesis set out at the beginning of the text were analysed in terms that observe the presence of more actors in the global political system coming from different parts of the planet. The world has change irrevocably; the world has more than one soft power. The western has not finished yet, but “something profound” has changed as Dodd (2010 b) says. Financial and global power including, soft power not longer belong to one single country, and the BRIC is a new reality that we need to study deeply. The tragedy is that many western countries do not want to accept the changes of a new international reality, where they do not have a hegemonic position any more.

It is also observed that the BRIC is creating a new consensus among emerging economies and attracting more and more dissidents from western countries worldwide.

Finally, it can be said that the new international transformations are been generated in the turbulent seas of globalization, technology and development of internet. The political, economic and social indicators are moving in different directions simultaneously, which give as a result a world full of risks and challenges.

Notes

1 PPP: Purchasing Power Parity. This a method of measuring purchasing power of different country’s currencies over the same types of goods and services, which allows comparing living standards (Goldman Sachs, 2010)

2 Actors are entities capable of the exercise of independent will and decision-making, and are relatively easy to identify for their decisional impact (Hill, 2003: 27).

3 The term foreign policy is used following the definition of Hill: “the sum of official external relations conducted by an independent actor (usually a state) in international relations. The phrase ‘an independent actor’ enables the inclusion of phenomena such as the European Union; external relations are ‘official’ to allow the inclusion of outputs from all parts of the governing mechanisms of the state or enterprise while also maintaining parsimony with respect to the vast number of international transactions now being conducted; policy is the ‘sum’ of these official relations because otherwise every particular action could be seen as a separate foreign policy –whereas actors usually seek some degree of coherence towards the outside world. Lastly, the policy is ‘foreign’ because the world is still more separated into distinctive communities than it is a single, homogenizing entity (Hill, 2003: 3).

4 By global or world political system we understand the world –wide network of interaction that embraces not only states but also other political actors, both “above” the
state and “below” it. The global political system has five distinctive characteristics: complexity and diversity; intense patterns of interaction; the permeability of the nation-state; rapid and cascading change; and the fragility of order and governance. The global political system embraces international organizations, bureaucratic fragments of governments, subnational government agencies, and a diverse ensemble of non-state bodies from transnational corporations to individuals, including social and class forces as well as transnational pressure groups and Non-Governmental organisations (Mc Grew, 1992: 313).

5 The second world is a zone of great potential, both actual and unrealized. They are countries in transition and they represent the most important emerging economies and potential markets including India, Brazil and Russia. China alone, according to Khanna, is becoming a superpower (Khanna, 2008).

6 The acronym BRIC was introduced by Jim O’Neill of the Gold Sachs, a Wall Street bank, in 2001 to describe the rapid economic growth of Brazil, Russia, India and China. (Economist, 15th April 2010)

7 G20= The Group of Twenty Finance Ministers and Central Bank Governors South Africa, Argentina, Brazil, México, Canada, United States, China, Japan, South Korea, India, Indonesia, Saudi Arabia, European Union, France, Germany, Italy, Russia, Turkey, United Kingdom, Australia.

8 G2= United States and China

9 Balance of power refers to a condition of, or tendency toward, equilibrium among states. It is useful as a rational basis for justifying policies, and occurs as a natural outcome of international politics, whether or not diplomats or statements intend such as outcome. A dynamic equilibrium refers to an inherent systemic tendency to return to equilibrium each and every time the balance is upset. ( Viotti and Kauppi 2006: 550)

10 Globalisation is the rapid integration and exchange of trade, culture, technology, telecommunications, goods, markets and labour force between the world’s nations (Donnellan, 2005: 12).

11 The first one had took place in 2009 in Ekaterinburg, Russia, the second in Brasilia, Brazil in 2010, and the third one will be hosted in China in 2011 (Dodd, 2010a).

12 Soft power is the indirect way to get what you want through admiring its values, emulating its example, seduction by the style of life, aspiring to its level of prosperity and openness. In other words, this soft power –getting others to want the outcomes that you want- co-opts people rather than coerces them. Soft power rests on the ability to shape the preferences of others and selling the attractiveness of the country model (Nye, 2004: 5).

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**Abstract** - This article explores the impact of emerging economies in international affairs. The arrival of the BRIC’s countries (Brazil, Russia, India and China) has changed the map of the global order and the strategies to project hegemonic power. Could the BRIC eclipse the economic power of the richest countries of the world? What are the main strategies of BRIC to project its power worldwide? These and other questions are analysed in this text taking into account the new geopolitical scenario of the twenty-first century.

**Keywords** - Emerging economies, Bric, Globalisation, International affairs, New global powers.

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Received on 24 Ago. 2010 and accepted on 02 Set. 2010.