

# **The Balance of Power in the Global Trade System Has Shifted from Western Powers to Rising Developing Countries**

**Raagini Sharma**  
(RIEAS Senior Analyst)

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## **1. Abstract**

The world is confronting a risk of the power vacuum that may loom large on its canvas for a long time. The Vacuum is created in light of the fact that Europe and the USA are in a mode of gradual relative decay vis-a-vis the accelerated growth of the rising powers. The Rising powers are effectively testing western powers. Particularly China as an independent entity and BRICS (Brazil, Russia, India, China and South Africa) as an international group are presenting tough challenges to the Western powers.

There is a continuous structural power move in the worldwide framework. The world is in a state of continuous flux on account of economic and political influences. BRICS has the capability and capacity to be a game-changer yet the absence of cohesive reasonings on political and economic affairs of the world in BRICS is demonstrative of contrasts in national objectives of its members, political and monetary pressures faced by each country member and weak collective will power to play a decisive role in world polity. This aspect drives me to concentrate on the ideology behind the origin of BRICS and re-examine whether these rising forces are truly influencing the world affairs including the promise of general improvement in the least developed nations. To make accord successful and worldwide participation work in present varied and challenged conditions, the BRICS

requires extended degrees of social and cultural ties, political and diplomatic penetration and joint economic projects to challenge the authority of the West.

The focus of this paper will be on BRICS and how are they significantly impact the economic vitality, political environment, cultural canvas, security concerns, exchange of ideas and innovations worldwide manifesting itself as a powerful forum in form of their enhanced footprints on the political and monetary transactions; whether BRICS has truly succeeded or failed in achieving their aims and moving forward their agendas globally; is the balance of power in terms of influencing world trade shifting from West to BRICS; is the BRICS gaining more political, diplomatic and social mileage in the world affairs and lastly what will be the shift in balance of power in the future milieu of technological advancement, penetration of disruptive technologies and changing political interests.

**Keywords:-** BRICS, BRICS role in developing countries, Transnational Corporations, intra-BRICS trade, China and WTO.

## **2. Introduction**

Post-1990 was a turning point in the history which embarked new actors, regional and economic organisations and private-public partnerships responsible for the shift in the equation of global governance tilting it in the favour of emerging powers vis-a-vis USA, EU and Japan. With this decline, the south-south participation gained momentum and was destined for further carving a niche in the world of economic affairs.

Robert Kappel defines emerging power as, “the emerging power is an economic power in the region which has influence and possesses the capacity for regional and global action. It has a relatively large population and covers a relatively large area. The emerging power realises high economic growth, above the regional average, over a longer period of time and thus provides a growing market for the region. It plays a dominant role in trade within the region. It has regionally and globally active businesses which are increasing in strength and it increasingly provides public goods in the form of a stable currency and reliable monetary policy. It takes on an increasing role in global governance and the governance of the region, particularly with respect to regional cooperation agreements”. BRICS itself and its member nations fulfil the prerequisites of Emerging Powers to a large extent.

In 2010, Joseph Nye (2010) claims that the “West is experiencing a relative decline, not an absolute decline”. He further added that the future of the Liberal Order is now at stake. Even though they have the strongest economic and military power, they are struggling with severe weaknesses resulting from low economic growth and the prolonged decline of the industries. He also made an analysis that the hegemonic ability does not depend exclusively on military and economic power, but also on soft power and ultimately on being able to establish and use diplomatic, military, economic and scientific networks. Interestingly, BRICS started posing serious challenges to the West since 2010.

The Goldman Sachs’s Global Investment Research Division in year 2001 published the report - Build Better Global Economic BRICs, coining the acronym for four nations that would re-shape the world economy. The term BRIC was coined for Brazil, Russia, India and China, as part of an economic modelling experiment for the next half century in predicting the global economy patterns. In the seminal paper from Goldman Sachs which gave birth to the BRIC, world trade shares was one of the key parameters used to show the growing importance of these emerging powers. (O’ Neill, J. 2001).

Since 2010, the BRICS has engaged in enhancing its contribution to the UN, global governance and economic globalisation. Even though the initial focus was on economic, commercial and international cooperation between BRICS, they chose to focus their 2017 Annual Summit on finding better ways to defend global governance, economic globalisation, free trade, and collective action on climate.

It is interesting to note with each year's transformation and reform in economic circles how trade policies of BRICS are enforced in several forums such as the World Trade Organisation, and if the BRICS institutionalisation and their person and community activities does or does not represent a separation of the status quo, and how the balance of power between developing countries is shifting. Beside the United Nations, WTO, 20(G-20), in addition to the bilateral, international, multilateral fora and bodies, BRICS nations are now observers and active participants.

### 3. Profile of Exchange

The world economy experienced significant shift in the second half of the 20th century and the first decade of the 21st century. This can be seen in changes in the share of world growth of developing countries. Between 1970 and 2010, the share of developing countries in the world doubled from one-sixth to one third, while their GDP per capita as a proportion to industrialised countries recorded a modest increase from one-fourteenth to one-tenth. (Nayyar, Deepak, 2016) After 2010, developing countries' share of foreign trade in services increased significantly to expose their comparative advantage in service exports. Industrialization also contributed to significant shifts in the composition of their economy, as the share of primary crops and commodity-based products though decreased, while the share of production rose in both exports and imports. The economic significance of Next-14 developing countries was overwhelming in terms of size, GDP and population, while their engagement with the world economy was reflected in trade and investment, their industrialisation was reflected in manufactured exports and industrial production. (Nayyar, Deepak 2016) BRICS countries from the group of Next – 14 are perhaps the most important. China has become the top manufacturing market in Germany (2nd) and the United States (3rd) world-renowned with goods of more than \$2 trillion. With revenues worth \$536 billion, Russia ranks 8. Worldwide. India is 21st, 290 trillion dollars behind, Brazil 23rd, 243 milliards behind, and South Africa is 43rd, 93,8 billion behind. (OCTORY). The majority of goods exports are exported from BRICS countries. Whilst in India manufactured goods make up approximately 66% of total exports, the fuel and mining exports make up about 20% and farming 10%. Exports of South African fuel and mining account for an increase of 35% of total exports, Agricultural exports account for a bit more than 10%. Brazil's exports of resources make up 21.3 percent, with a significant share of its livestock exportations being also 37 percent. Russia's export profile, on the other hand, indicates that almost 70 percent of total exports, led by finished items and agricultural production, control the fuel and mining market. (BRICS 2012 report).

The BRICS exchange profile further illustrates the fundamental changes that have taken place over the past two decades in their individual economies. Such adjustments are also important considerations when gazing at the role and goals that BRICS is working for.

#### **4. BRICS Trade Governance & Power Influence**

The Doha Round was caught amid tectonic shifts in the global balance of economic power—as the 2012 Center for Rising Powers of the Cambridge University study pointed to. The rise of China, Brazil & India, among other emerging economies, affected WTO negotiations, the structure and processes of negotiations. (Baracuhy, B. 2012)

In the field of export regulation, the forces of the BRICS countries are perhaps seen most dramatically. BRICS' increasing role in global trade has changed the shape of global economic force, increased its ability and preparation in the battle against diverse, developed countries, and demonstrated negotiating power.

The G20 has played a critical role in WTO talks in Brazil, India and South Africa, a developing country community collecting on ambitious economic changes in developed countries with prosperity for developing countries. The G20 negotiating group was a counterweight in natural resources negotiations where it had previously been dominated by the US and the EU. In its pre-draft report, a forum option to the USA and the EU, which was immediately rejected by developing countries, the Indian Group led by Brazil resisted the usual "bar" approach.

The entry of China to the WTO platform was undoubtedly a significant boost for organising and liberalising economic policy. For its long accession process, China made some progress, collaborating bilateral trade agreements with the nations, including the United States and the European Union. China thereby adopted massive economic and trade sector changes, including new price caps, reduction of export opportunities for agricultural commodities and WTO alignment as given for in TRIPS Agreement, as a result China has been transformed to conform with WTO obligations.

Involvement of China, then WTO Director-General Michael Moore, was seen as a seminal moment in the history of a multilateral trading system. "WTO will take a significant move in China's growth as a real world body," Moore said. "It is important for global economic stability to embrace its regulatory system almost extensively.

After all, China changed its own national laws and regulations by over 2,500 to become a member of the WTO and scrapped more than 800 more to conform with WTO rules. The prevailing perception of the economic impact of the accession of China to the WTO is emphasised by Chinese trade representatives and FDI's preferential goal. As one American Chinese political analyst says, "China's membership supplied China with resources, technology, vigorous development and innovation and opened up new markets and contributed significantly to the depoliticization of trade disputes." (J-M. F. (2011). Blanchard. Therefore, it is important to note that China is still incomplete, given its position as the leading player in economic development by state-owned companies. The political fields in which China is still sensitive to WTO concerns cover Chinese SOEs and the state's economic activist. The main question now is what kind of power will the BRICS be if the WTO gives rise to the new power structures?

In the very first WTO meetings since Cancún, new powers were happy to clarify Brazil and China as officials, BRAZIL and India became leading power brokers between the industrialised and the developing countries in 2005 at Hong Kong.' The development of a new collaborative coalition, defined as 'the Emerging Four' was strengthened by Hong Kong's leadership. In the strategy and negotiations, the EU, the United States, Brazil and India have all played a crucial role. The main objective in Hong Kong was to save the WTO. And concerning Brazil and India's position in securing the approval of the developing countries in view the EU and the United States unwilling to make substantial agricultural compromises.

The BRICS Summits had always included economic questions as an important part of the official agenda. After formalising their alliance, BRICS has released trade statements and a correspondence exists on a regular basis on main business and investment issues, outlining central subjects and defining areas for further economic cooperation. On some times, though, BRICS Trade Ministers operated regularly in tandem with the main BRICS Summit meetings and even prior to the WTO negotiations. A first meeting of BRICS Trade Ministers took place on the grounds of the third BRICS Summit in Sanya, China on 13 April 2011. Foreign ministers will meet in Brussels in 2012 and 20 in South Africa in Durban, India. Ministers of Commerce met in 2011. In the Doha WTO process, the BRICS

have agreed to a multilateral, less protectionist, more inclusive and more sustainable results, throughout order to improve the global business and investment.

We would like a multi-stakeholder arrangement that would cover only expand, but would also be rather involved at different levels in the discussions on bilateral trade. We advocate the liberalisation of trade in services in services but contend that each national development and regulatory capacity should be a step-by-step procedure. In other parts of the world, developing countries claim they will use this kind of liberalisation in return for 'additional market access possibilities'. In other words, they certainly welcome market liberalisation, but they welcome market access to cultivations and other products and barriers to trade left over at their own time and in exchange.

## **5. Trade Development of BRICS With Developing Countries.**

Three important areas investigate the effect of the BRICS on growth. The WTO was created in 1995 as the adjudicator of world trade law, first and probably most important. The Doha Process, which was introduced in 2001 in a round of collaboration to respond to the concerns in less developing countries, was of particular concern.

In addition, BRICS will be made a powerful power of various metrics, such as FDI pressures and outflow rates, open trading markets, current account position, projected assets as well as economically active labour powers. Another such indicator of how critical it is for the global economy was the promises the BRICS Group made to add a whopping \$75 billion to its 2012 G-20 Summit in Los Cabos, to keep the Eurozone crisis from expanding to the global market. Others argue that only this new global equilibrium of economic strength helps us to grasp the Doha Round's diplomatic past, including the latest year of talks deadlock.

A policy statement and analysis into what each BRICS nation is doing with respect to Bilateral Investment Treaty (BITs) agreements and trade treaties must be made, so that BRICS representation can be properly understood in trade balance and capital expenditure. China has, in fact, pressed for FTA as the most competitive nation with other developing countries. This is motivated by two strategic goals. The first is to secure the availability for exports of goods of long-term oil and other natural resources. Secondly, the demand must be expanded to new areas in order to sustain expansion. There are now fourteen FTA

nations, namely Asia Pacific, Latin America and the UK, in China. There are 31 economies and dependencies in the states. After 2002, ASEAN FTA negotiations have been signed in China and with Canada, India, New Zealand, Peru, Costa Rica, Hong Kong, Macao and Taiwan. It negotiates FTAs with Australia, Sweden, South Africa, Japan and the Switzerland (China-Japan-SK FTA) and the Gulf Cooperation Council (GCC). The FTAs are the focus of talks with South Africa. FTA Feasibility Studies are currently being performed with India and South Korea.

Brazil was the least consistent in FTA's among the BRICS members, with five agreements Brazil, in addition, led to the collapse of FTA talks during its government under Lula da Silva (2003-2011) to maintain its control in local and regional markets. Although talks with the EU were launched in 2010 in Brazil- MERCOSUR, a deadline for the sharing of market access agreements remained to be established after nine negotiating rounds. Brazil has little to benefit by signing an FTA with either the US or the EU unless its subsidies for agricultural products with benefits for Brazil are reduced. Consequently, the WTO remains Brazil's principal site for demands for northern concessions, especially with regard to domestic agriculture support, but there is no indication that the Northern countries will change their locations in the short term. Rather, Brazil has relied on frameworks of international cooperation such as the Global System of Trade Preferences (GPS) and the Trade Negotiations Protocol (PTN) which represent trading choice agreements for developing countries. As such, Brazil has depended on multilateral structures. Through lowering duties, they give privileged access to certain goods from the member countries.

In acknowledgment of its support for the FTAs, India has concluded 18 deals and engaged in negotiations for a further 16 bilateral trade pacts. Although imports from all these countries and regions into India have increased substantially, exports to India have stagnated. Most of the FTAs are profitable— positive strategies — income to the trading partner and loss to India. Imports expanded more rapidly than exports when the Indian administration decided to cut tariffs in almost all cases. Indonesia, ASEAN, China, Malaysia or South Korea. India's trade deficit was 3.6 billion dollars in 2010-11, before the Comprehensive Economic Partnership Agreement (CEPA) was an aggressive bilateral agreement in 2011. The CEPA was launched one year back, despite India's economic deficit nearly doubling at \$6.3 billion in 2012-13. 2013] (Basu, N.) Such as in Brazil, South Africa's South-African Customs Union (SACU) policy is far more focused, focussing on



economic relations convergence within the African region than the Southern African Development Community (SADC) approach. South Africa frequently strengthens existing agreements with Europe and explores new northern arrangements, demonstrating a growing desire to expand relations with other emerging economies, such as China and Brazil.

As regards investor security and investment arbitration, China is the only BRICS affiliate of the ICSID, the World Bank-led International Council for the Settling of Investment Conflicts, with the primary goal of providing conciliation and arbitration facilities to foreign investment conflicts. On 16 June 1992, Russia agreed, but it was never accepted. Russia signed on 16 June 1992. The treaty has not been ratified in South Africa, Brazil and India, and private investors can not prosecute them.

The BRICS has increasing importance and impact on foreign trade and investment as to how and to what degree it will boost relations between the North and South and increase economic interaction in the economy, business and development fields and exchanges of expertise.

Southern trade as part of global trade grew rapidly from only 10 to 17 percent in 2009 in 2001, as stated by the Asian Development Bank (Asian Development Bank (ADB)). In trade, investment, development aid and other funding flows in the past two decades, exports from developing countries have shown a substantial increase in economic relations between South and South (SSEC). According to the ADB, this rapid growth is driven by relatively high economic growth, growing globalisation of supply and network trading and incremental elimination of trade barriers (Jha, S. and McCawley, P. 2011). The idea of collaboration between North and South, which is the major driver of development in the West, is advocated by many multilateral institutions, including the WTO and ADB. In order to justify the conditions for further liberalisation and opening up the southern markets, more growth prospects were also used in SSEC.

## **6. Conclusion**

Trade and innovation are the cornerstones of the BRICS. In the global economy, they have played a key role with strong growth, increased trade and increasing FDI inflows and

exports. The revival of the BRICS and its quick return to economic growth were a significant catalyst that contributed to a global recuperation and thus reinforced the group's place in a multipolar world as a major power bloc. At a moment of global economic crisis, the most advanced economies are being stirred up.

A majority of international economic deals are the focus of free trade and investment, either under the WTO's multilateral framework or under bilateral and regional structures. The BRICS countries have become a significant platform in which they can show their increasing role in global economic globalisation and make use of relevant trade and investment policies. In the long-run Doha Round programme, WTO, Mexico, India, South Africa and China have become important players. Although the restoration of the power circle hasn't entirely distanced the balance of power from the approach of the original quad, the America, UK, Canada and Japan, the quad plan was still substantially counterbalanced and thus allowed more developing countries ' parties to emerge and support their development agenda.

After so many years of BRICS preparation, no proposal was made for a free trade agreement between all BRICS countries. Instead, the BRICS strategy has been to commit government resources to BRICS and infrastructures or other projects for developing countries to create competition for their own enterprises and to provide their economies with more natural resources. The illustration of BRICS and BITs indicates a little more overlap between BRICS leaders and certain modern policies.

However, this does not mean that everything is good for the group, as a number of problems need to be dealt with both in the short and long term. The rankings in the World Bank's 2012 Annual Report show relatively low BRICS, insufficient services, lack of institutionalisation, heterogeneous community life and erosion of coherent culture, and the fragility of the trade and capital ties between the BRICS countries. If these problems were not resolved immediately, significant complications might occur in order to understand what Goldman Sachs anticipated. In the lack of an immediate solution to these problems, serious problems could be generated to grasp Goldman Sachs ' aspirations.

Which sort of power is BRICS in reality the major issue posed by the BRICS's emergence as major trading authorities? Does a status quo campaign seek to defend the system or is it

a revisionist effort to follow an alternative vision of business and economic policy? The individual BRICS and the BRICS have consistently promoted the WTO reform agenda. as a group. The change programme also demonstrates to what point the WTO will become a more stable entity. As we have seen, although trade and economic cooperation between Southern and Southern countries have increased with BRICS' economic growth in fact, the patterns of this increased relation with the rest of the south follow more or less the same course of North-South relations. Trade globalisation, including growth from North to West, is being developed as the core hub in a fragmented production chain in which transnational corporations and the FDI power world production networks driven by economies such as China and India.

Therefore, the BRICS ' initial change of trade policies does not indicate a drastic break from a trend of world trade that has generated enormous profits for several large multinational corporations, but has seen incomes, working conditions and environmental underdevelopment.

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