THE REPOSITIONING OF THE LARGE EMERGING ECONOMIES
IN THE WORLD ECONOMY

The repositioning of the large emerging economies in the world economy

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Introduction

Over the past decade the emerging economies have grown much faster than the developed economies and, as a result, their share of world GDP and their relative weight in most economic, trade and financial variables have increased substantially. The most recent projections suggest this trend will continue in the coming years. The economic and financial crisis –which hit the advanced economies hardest, while the emerging economies showed notable resilience to its effects– has accelerated the rise in importance of the emerging economies. Moreover, the crisis has brought significant changes in world economic governance, most notably the replacement of the G7 by the G20 as the forum providing international leadership in economic matters. The accompanying map depicts the main groups of countries mentioned in this article.

These developments have given rise to new actors of crucial importance on the global stage (most notably China) and have consolidated the status of the group of large emerging economies formed by India, Brazil and Russia, in addition to China –the so-called BRICs [O´Neil (2001)]– which recently has even taken steps along the path to institutionalisation. The countries of this group have an increasing weight in the world economy and, in general, high growth potential, although they also exhibit significant productive, trade, financial and institutional differences.

Overall, these events can be interpreted as signs that the world is moving towards a more multipolar international economic order in which the emerging countries will have –and in fact the BRICs already have– an ever larger and more important role.

This article seeks to put into perspective and calibrate the growing share of the emerging economies, particularly the BRICs, in the world economy. It also examines the changes in these economies' participation in the main fora and key institutions of world economic government and whether their greater presence in these fora has been accompanied by the assumption of greater responsibility. For this purpose, following is a brief description of the position adopted by these countries on certain key subjects in the global sphere, such as the stability of the international monetary system, international trade and climate change.

The growing weight of the emerging economies in the world economy

Historically the emerging economies,[2] which account for most of the world population, have shown similar, albeit notably more volatile, economic growth rates to those of the advanced countries, a factor which limited real convergence between these two areas. However, the turn of the century saw a radical change in this situation. In the past decade the emerging economies have consistently posted higher growth rates, while their population growth rates have decreased. They have therefore recorded substantial rises in GDP per capita. This headway has come against a background in which the emerging economies are more fully integrated in

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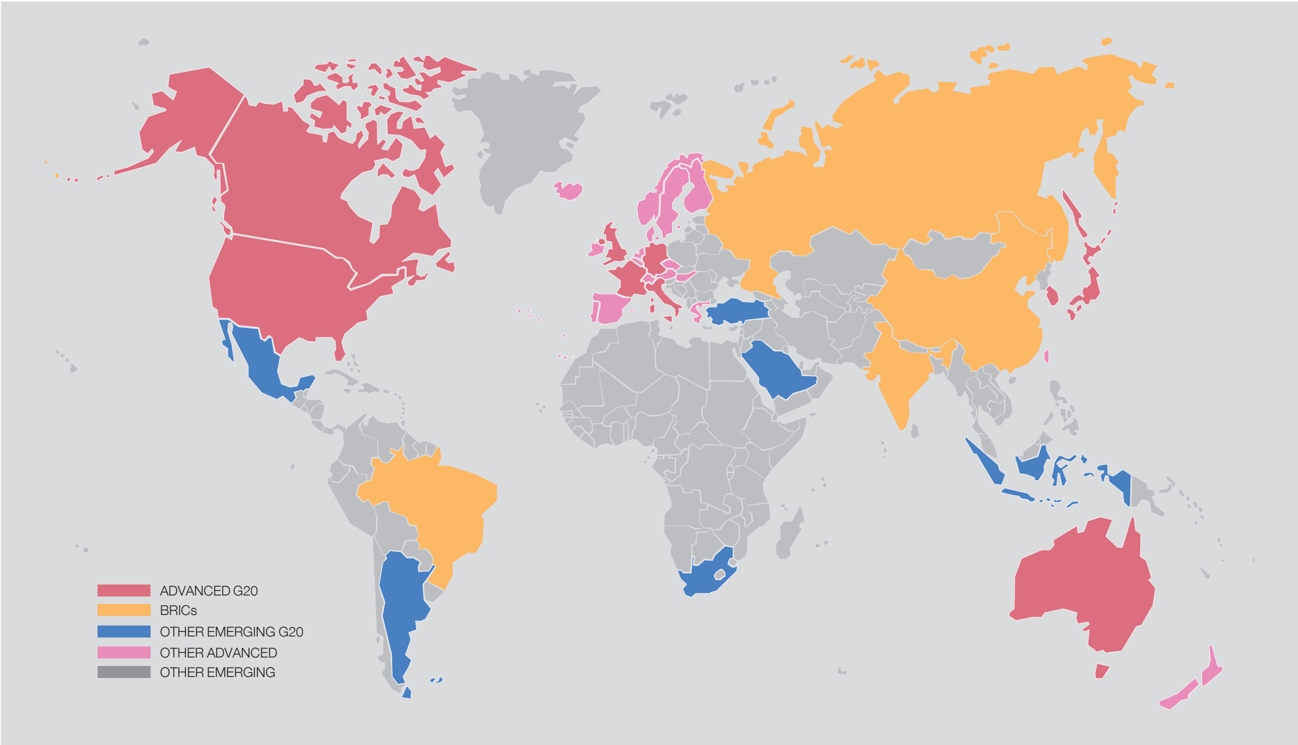
1. For greater detail, see El reposicionamiento de las grandes economías emergentes en la economía mundial: los BRIC, Documentos Ocasionales, Banco de España, forthcoming. **2.** This article adopts the IMF World Economic Outlook's current definitions of advanced, emerging and developing economies, which may not coincide with those of the World Bank or with those of the IMF itself for other types of analysis (such as the calculation of quotas and voting power by group of countries), or with what has traditionally been understood as such. Thus the advanced economies include the Czech Republic, Hong Kong, Israel, South Korea, Singapore, Slovakia, Slovenia and Taiwan.

COUNTRY GROUPINGS (a) MAP 1



SOURCE: Banco de España.

a. The groupings shown here are for the purposes of the article, since some advanced countries have been invited to the meetings of the G20 on several occasions, while Spain in particular has "permanent guest" status at those meetings. The ten emerging countries of the G20 are Brazil, Russia, India, China, Mexico, Argentina, Turkey, Indonesia, South Africa and Saudi Arabia. Also forming part of the G20 are the G7 countries, namely the United States, Canada, Japan, Germany, France, the United Kingdom and Italy, as well as Australia and South Korea, all advanced countries according to the classification of the IMF World Economic Outlook. The twentieth member is the European Union.

the world economy and have become simultaneously both the main beneficiaries and the driving force of globalisation. This integration has occurred in the areas of both trade and finance. Furthermore, in recent years the favourable growth outlook of the emerging economies, their growing share of the global economy and their improved macroeconomic fundamentals have significantly lowered the perception of risk associated with them.

As pointed out above, the emerging and developing economies (hereafter referred to simply as the “emerging economies”) account for most of the world population. Furthermore, their population growth rates are far higher than those of the advanced countries, even taking into account the growing migration to the latter (see Table 1). In 1960, 76.7% of the world population lived in these areas, and on IMF estimates this percentage will be 85.4% by 2015. However, the population growth rate of the four BRIC countries has been below the world rate since 2000, basically due to China, and, as a result, the share of the BRICs in the world population has stabilised at around 44%.

Also, since the new century began the difference between the growth rates of the emerging and the more developed countries has widened. In the last two decades of the previous century, the average GDP growth rate was 2.9% in the advanced economies and 3.6% in the emerging economies, while in the past decade the averages have been 1.9% and 6.2%, respectively, and this difference will persist between 2011 and 2015 (6.6% in the emerging economies and 2.5% in the advanced economies) according to IMF long-term forecasts. In the emerging economies,

WEIGHT OF BRICs AND EMERGING COUNTRIES IN THE WORLD ECONOMY TABLE 1

	Area (million km^2)	Population (million)		GDP PPP ($bn)		GDP growth (%) (b)		GDP per capita ($)	
		1990	2010	1990	2010	1990	2010	1990	2009
BRICs	38.4	2,297	2,867	3,611	16,788	4,8	8,0	5,873	6,851
Brazil	8.6	147	191	782	2,010	1,9	3,7	7,179	9,455
Russia	17.1	145	141	1,169	2,116	-2,1	4,9	12,630	13,554
India	3.3	862	1,199	750	3,615	5,6	7,4	1,249	2,970
China	9.6	1,143	1,335	910	9,047	9,8	10,5	1,101	6,200
Other emerging countries	60.9	1,993	2,793	5,332	15,861	3,3	4,5	7,709	10,304
Emerging countries (a)	99.3	4,290	5,660	8,943	32,649	3,9	6,2	6,941	8,542
Advanced countries (a)	30.5	891	1,011	16,437	37,391	2,9	1,6	27,230	35,183
World	129.9	5,182	6,671	25,380	70,040	3,2	3,6	20,081	22,764
MEMORANDUM ITEMS:									
BRIC / Emerging (%)	38.7	53.5	51	41.6	52.0	1.9	3.9	84.6	80.2
BRIC / World (%)	29.6	44.3	43	13.9	24.5	0.8	1.6	29.2	30.1
Emerging / World (%)	76.4	82.8	85	33.4	47.1	1.4	2.6	34.6	37.5

SOURCES: WEO, IMF and World Bank.

a. Classification of advanced, emerging and developing countries used by the IMF in the WEO. The whole of this table is consistent with that classification, which differs from that used officially by the World Bank and the IMF when these institutions calculate vote reallocations by country group.
b. Average of the periods 1990-2000 and 2001-2010. Memorandum items are contributions (in percentage points) to emerging country growth and to world growth.

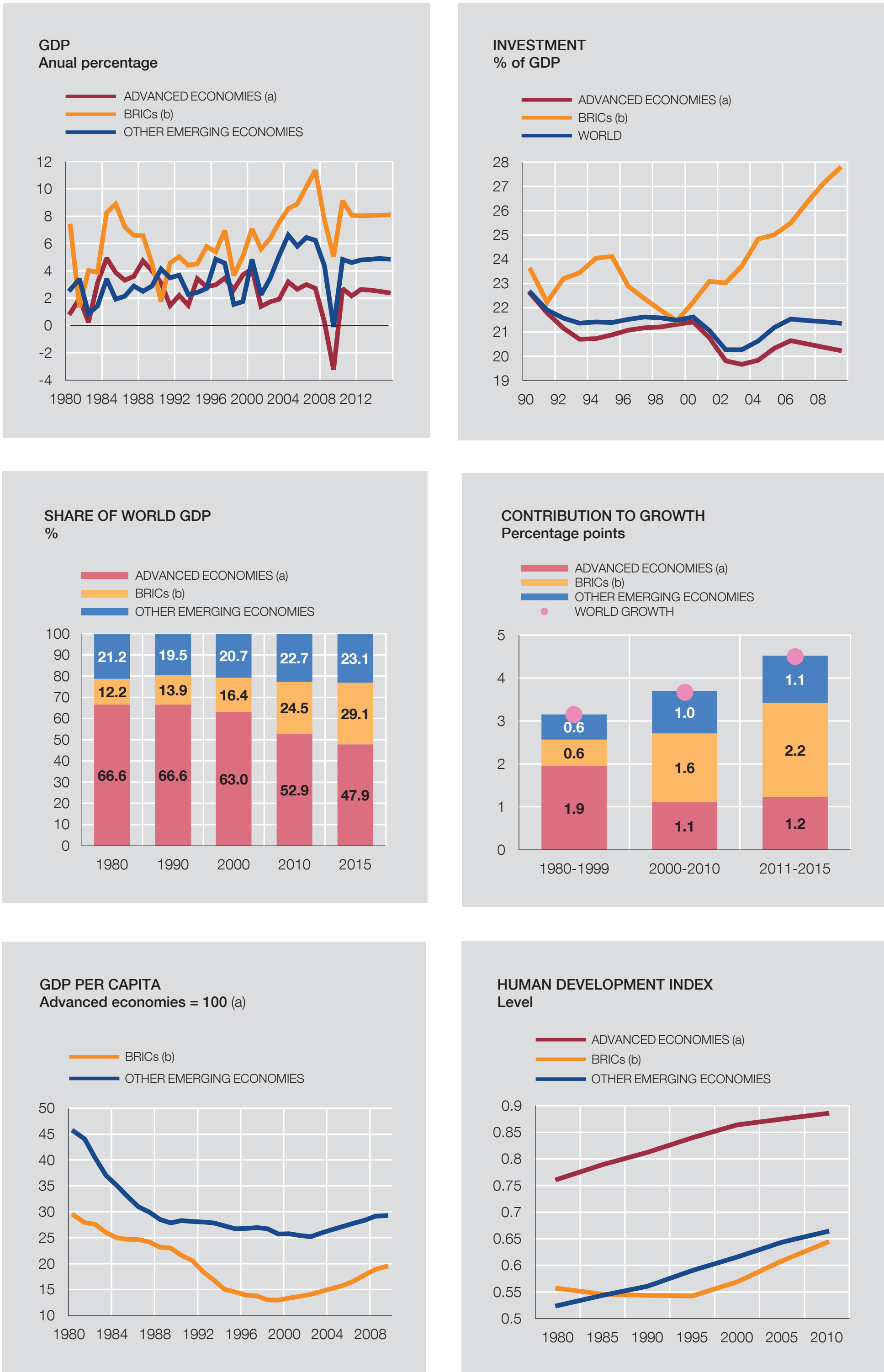
the BRICs are among the countries which have grown most. The GDP of this group expanded by an average of 7.9% between 2000 and 2010, and is expected to grow at 8.1% between 2011 and 2015 (see Chart 1). This acceleration is due to a jump in the growth rates of Brazil (from 2.3% in 1980-1999 to 3.7% in 2000-2010 and to an estimated 4.1% until 2015) and, especially, of India (5.5%, 7.1% and 8.2% in the stated periods). To this must be added the growth of China, which has averaged 10% since the 1980s. The high investment rates of the group point, moreover, to potentially even higher growth in the future (see Chart 1). The strong growth of the last ten years has substantially raised the emerging economies' share of world GDP. Thus, expressing GDP in purchasing power parity (PPP) terms, which tends to increase the weight of these economies, given their lower price level, it can be seen that in 1980 66.6% of GDP originated in the advanced countries, while this percentage decreased sharply to 53% in 2010 and will foreseeably drop below 50% by 2015. Within the emerging economies, the BRICs are again those whose share has increased most, rising from 12.2% of world GDP in 1980 to 24.5% in 2010, and this percentage which may reach 29.1% in 2015.

Hence the emerging economies have become the engines of world growth: Chart 1 shows that in the 1980s and 1990s the advanced economies accounted for more than half of world growth –1.9 percentage points (pp) against 1.2 pp for the emerging economies– while from 2000 to 2010 the opposite occurred, with the emerging economies accounting for 2.6 pp and the advanced economies barely 1.1 pp. It is expected that in the period 2011 to 2015 the emerging countries' share will increase even more (3.3 pp), so the projected higher growth of the global economy in the next five years is attributable solely to the higher contribution of the emerging economies. The BRICs, which contributed 1.6 pp to world growth in 2000-2010, will contribute 2.2 pp in 2011-2015.

The behaviour of the emerging economies' activity and population since 2000 has given rise to an increasing growth rate of GDP per capita, above that of the advanced economies,

EMERGING ECONOMIES: REAL VARIABLES
Annual rate, percentage of GDP, percentage and level

CHART 1



SOURCES: IMF, World Bank and United Nations.

a. Current definition of the IMF.
b. Brazil, Russia, India and China.

CO_2 EMISSIONS FROM FUEL COMBUSTION (% and Gt.) TABLE 2

			IEA benchmark scenario (a)	IEA 450 scenario (b)
	1990	2007	2030	
China	11	21	29	27
India	3	5	8	8
Russia	10	5	5	5
Brazil	1	1	nd	nd
BRICs	25	32	42	40
United States	23	20	14	12
EU27	19	14	9	9
Japan	5	4	2	2
UNITED STATES + EU27 + JAPAN	47	38	25	23
REST OF THE WORLD	28	30	33	37
World total (Gt)	20,9	28,8	40,2	26,4

SOURCE: International Energy Agency.

a. Without adoption of new mitigation measures or policies additional to those adopted or announced in mid-2009.
b. With adoption of new measures, including the adoption of cap-and-trade by the major emitters.

which has brought real convergence. This convergence has been much more marked in the BRICs. In terms of the human development index (a more comprehensive measure of welfare than per capita income), the emerging countries have also improved. And in the last 15 years the BRIC group has been moving much faster towards the levels of the advanced economies (see Chart 1).

A less benign aspect of this process of development is the rapid increase in greenhouse gas emissions, with its negative consequences for climate and ecological balance on a worldwide scale. Nowadays two thirds of emissions are by non-member countries of the OECD (see Table 2). The BRICs currently account for one third of world greenhouse gas emissions originating from fuel combustion, such as CO2. Their share increased by seven percentage points (pp) between 1990 and 2007, from 25% to 32%. In that year China for the first time exceeded the United States as the world's largest emitter of CO2, accounting for 21% of the world total; Russia, for its part, is the only BRIC whose CO2 emissions decreased in that period, dropping by 27% as a result of the country's economic decline in the 1990s, despite which it continues to rank third worldwide among the CO2 emitting countries. The fourth highest emitter is India, whose emissions have doubled between 1990 and 2007, with Brazil being ranked lower. The International Energy Agency [IEA (2009)] estimates that, without the adoption of new measures, the BRICs' share of world emissions will continue to increase and by 2030 will exceed 42%, compared with 25% for the United States, the EU and Japan together.

The change in growth trends took place against a background of rapid integration in the global commodity and capital markets. The emerging economies raised their openness to trade on a sustained basis. Exports rose from 19.4% of GDP in 1980 to 29.9% in 2009, and imports from 21.2% to 27.8%, which meant that their openness to trade went from 40.6% of GDP in 1980 to 57.7% 2010, overtaking that of the advanced economies (36.7% in 1980 and 50.8% in 2009). Again, the BRIC group, led by the two Asian countries, underwent the most pronounced changes, with its trade openness rising from 20.5% in 1980 to 47% in 2009. As a result, the emerging economies play an increasing role in world trade (see Chart 2); in particular, China became the third largest world exporter in 2009. The increase in the trade openness of the developing economies

OPENNESS TO TRADE
Levels and percentages

CHART 2

SOURCES: IMF and World Bank.

a. Current definition of the IMF.
b. Brazil, Russia, India and China.

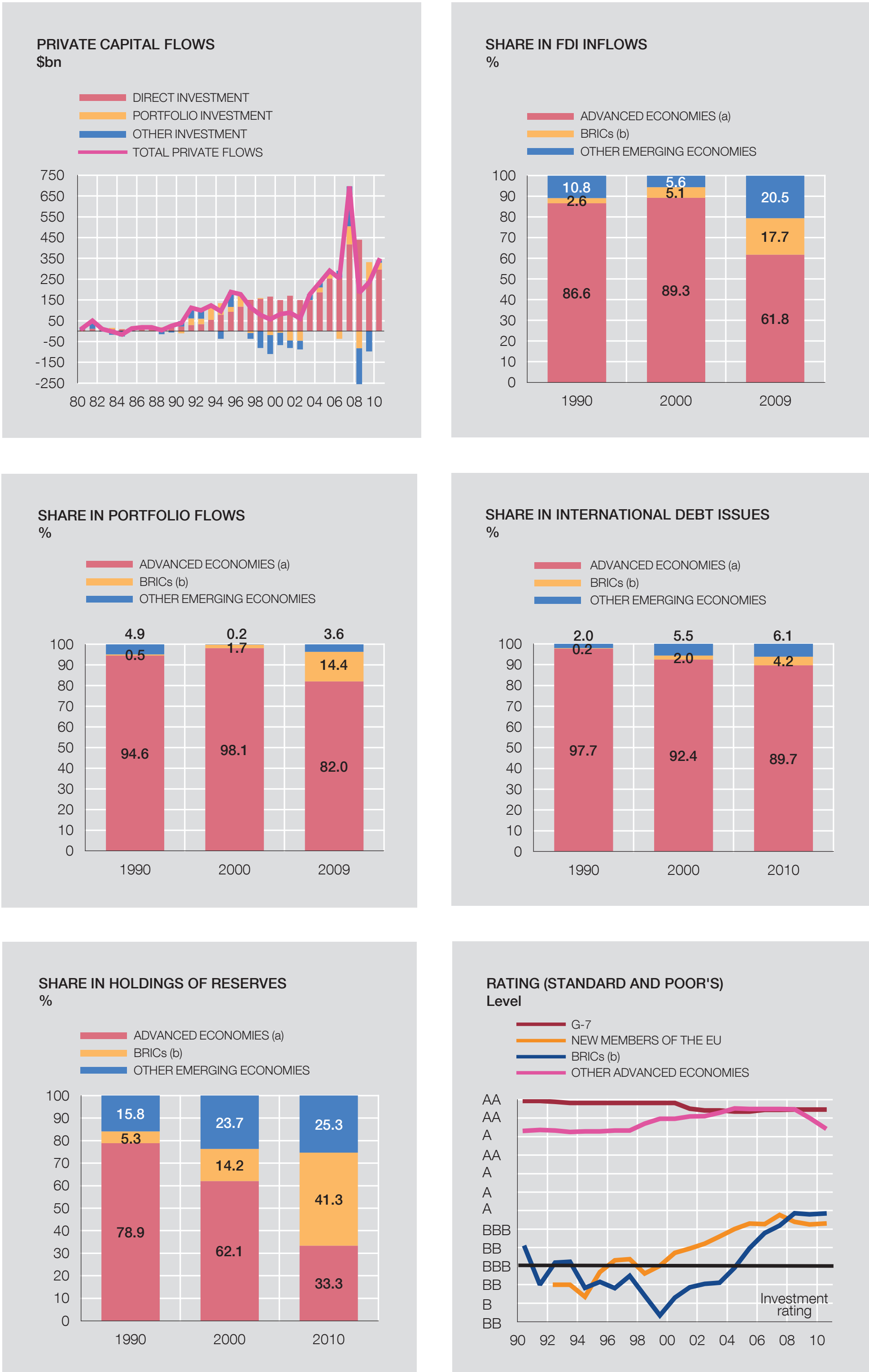
largely reflects greater trade between the emerging regions themselves, which, as shown by Chart 2, rose from 25.1% of the external trade of the emerging economies in 1990 to 37.6% in 2009. This trade basically centres on commodities, and the BRIC countries are especially active, either as exporters (Brazil and Russia) or as importers (China and India). However, China (in manufacturing) and India (in services) are rapidly raising the technological content of their exports.

As with their trade integration, the financial integration of the emerging economies has accelerated substantially in recent years, although at a lower pace than in the advanced economies. Chart 3 shows that net private capital flows to these economies have been very high from 1991 and have intensified since 2000. As a result of all this, the sum of assets and liabilities as a percentage of GDP in the emerging economies rose from 66.9% to 114.5% between 1990 and 2009, while these percentages were 144.4% and 455.6%, respectively, for the advanced economies. The largest increases were in eastern Europe and in the BRICs (particularly in Russia), whose financial openness surged from 32% to 101.4%.

Direct investment played a notable role. Thus, while in 1990 direct investment flows moved between the advanced economies (99% of outflows and 87% of inflows of this type of capital),

FINANCIAL OPENNESS AND RISK
Levels and percentages

CHART 3



SOURCES: Dealogic, IMF and Standard and Poor's.

a. Current definition of the IMF.
b. Brazil, Russia, India and China.

the current century has seen this picture change radically. Thus in 2009 the developing economies received 38.2% of total direct investment inflows, i.e. an increase of 25 pp in their share. Likewise, the emerging economies saw their share of direct foreign investment outflows rise to 15% of the total in 2009. Nearly half of the emerging economies' direct investment inflows and outflows are accounted for by the BRICs (see Chart 3), most notably China, which is the second recipient of direct investment and is rapidly scaling positions amongst outward investors.

Portfolio flows have behaved similarly, with Brazil standing out amongst the recipients, while the emerging economies' share of world fixed income issues has increased less markedly (from 2.3% of total issues in 1990 to 10.3% in 2010). Brazil, with 1.8% of world issues, is the largest emerging economy issuer, followed by Russia, with 1.5% of the total. Much more marked is the role of the emerging economies in the accumulation of foreign reserves, since they have gone from holding 21% of international reserves in 1990 to a share of 66.7% at present. China, with $2.6 trillion, accounts for 30% of total world reserves, and the other three BRIC countries also hold large amounts, accounting for another 11.5% of the world total. This accumulation, as will be seen below, entails risks for international financial stability.

Overall, the emerging economies' good outlook for short- and medium-term growth, their role in international trade and financial flows and their progress in macroeconomic management and stability have reduced the perception of risk traditionally associated with them, particularly the BRICs. Thus their sovereign debt rating has amply exceeded the investment rating level since 2005 (see Chart 3). This poses new challenges and responsibilities for these economies, in terms of contributing actively and positively to economic and financial stability and to global governance.

Participation of the large emerging economies in the international economic institutions

The growing economic, trade and financial weight of the emerging economies has made it inevitable and necessary for the institutions leading world economic governance to reflect that new reality. The outbreak of the international financial crisis precipitated that process, first with the launch of the G20 as the key crisis management group at the Washington Summit (November 2008), and its subsequent self-proclamation as the principal forum for international economic cooperation (at the Pittsburgh Summit in November 2009), and second with the renovation drive of the IMF and the World Bank. Furthermore, the BRIC group of countries has taken steps towards a more institutionalisation nature by holding two summits at the level of heads of state and of government in Ekaterimburg in June 2009 and in Brasilia in June 2010, with another scheduled in China in 2011.

The four BRIC countries share a series of characteristics and interests that lend the group a certain coherence and explain the formation of this coalition, which can be described as "soft". All of them are, to a greater or lesser extent, countries below average world per capita income (see Table 1), highly populated, economically large, of growing weight in the world economy and high potential. They are, in addition, systemically important countries [Truman (2006)] with the intent and ability to exercise significant influence in world economic governance. Furthermore, their public sectors still predominate in many productive and financial activities and they occupy a relatively low position in terms of institutional robustness and development. But the BRIC countries also exhibit very important differences in their production structure, their export specialisation, the size and sign of their current account balances and their foreign exchange regime, to mention just a few examples.

China's largest size gives it a leadership role in the group, although in the global context vis-à-vis the G7 countries, the dilution of China's predominance in a group of nominally equal developing countries with only loose common commitments is advisable, both for China and for the other BRICs. Thus, in matters in which there are diverging, or simply non-coincident, interests among the BRICs, the structure of a soft coalition enables its members to opt out, avoiding the costs of a stricter alliance, and even to enlist other emerging countries in a common position when feasible. It should be kept in mind that there are other emerging countries with characteristics akin to those of the BRIC countries, such as Mexico, South Africa, Indonesia and even Turkey, all members of the G20. In this respect, the BRIC group could be termed a coalition of variable geometry.

The G20

The most visible sign of the growing influence of the BRICs and other emerging economies in world economic governance has been the replacement of the G7 by the G20 as the central forum for international economic cooperation. The reasons for this decision and the rapidness with which it was accepted and became operative are several. The first was its timeliness and had to do with the state of emergency following the outbreak of the crisis and the need for a rapid and forceful response. Thus, what in a more normal situation would have been interpreted as the relinquishment of international leadership by the G-7 countries was regarded as a timely and necessary movement by them.

Another reason is that, in comparison with the G7, the G20 is much more representative because its 19 member countries account for 75% of world GDP in PPP terms and 62% of the world population, although it has also been accused of a lack of legitimacy because it omits many countries and has no predefined objective criteria for determining membership. In this respect, the prior existence of the G20 as a group already in place circumvented this issue and facilitated its choice as the new decision-making forum.

A new stage in the history of the G20 began in 2008, when it held its first meeting attended by heads of state and of government, rather than by ministers of economy and central bank governors, as had been the case since it was created in 1999. The new reinforced G20 decided to set up a Financial Stability Board (FSB), of which the 10 emerging countries of the G20, plus Korea, Spain and the EU, became members. This, along with the inclusion in the Basel Committee on Banking Supervision of the G20 emerging countries which previously had not formed part of it,[3] notably expanded the number of countries participating directly in the international fora responsible for international financial regulation.

In these fora each member country has the right to be heard and decisions are adopted by consensus, so each country is on an equal footing, which is of particular interest to the emerging countries. This avoids the problem of determining different countries' weights, which complicates the functioning of the more regimented institutions such as the IMF. Indeed, from the standpoint of the composition of the group, the G20 has a membership structure characterised by virtual parity: in addition to the EU, there are nine developed countries and 10 emerging countries (see map at the beginning of the article).

Lastly, another reason for the G7 giving way to the G20 is the expectation of greater effectiveness. Although it has been argued that the larger size of the G20 may impede consensus, it is also true that consensus would be largely ineffective if it did not encompass systemic economies such as the BRICs and other emerging countries, which have to be taken into account in the coordination of national economic policies, due to their effects on other countries. The general acceptance of the G20 signifies, in short, the acknowledge-

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3. Argentina, Indonesia, Saudi Arabia, South Africa and Turkey. Other new members of the Basel Committee on Banking Supervision are Singapore and Hong Kong.

ment by the developed countries that the exit from the crisis and the resolution of the problems besetting the world economy in recent years necessarily require greater international coordination and more active involvement of the emerging countries. In exchange, it is to be expected that these will assume greater responsibility in the area of international coordination and will take into consideration the global effects of their national economic policies.

The IMF, the World Bank and other agents of international cooperation

The desire to increase their voting power, right to be heard and representation in the IMF and the World Bank is one of the most solid common positions of the emerging countries and the BRICs. The latter group in particular assert that their voting power should reflect their growing weight in world GDP and propose that the formulas for calculating quotas in the multilateral institutions give more weight to this variable, measured in PPP terms, and less to others representing their weight in financial flows.[4] Table 3 shows that the latest revisions of voting power in the IMF and the World Bank put the BRICs at percentages of 13.5% and 12.3%, respectively, which are below their weight in world GDP. This is explained basically by the situation of China and, to a much lesser extent, Brazil. However, in both the IMF and the World Bank, the emerging and developing countries as a whole have an aggregate voting power above their weight in world GDP in current terms.

The revisions of voting power in the IMF and World Bank to adapt their structure to changes in the economic and financial weight of countries are enormously complex processes in which the gains of some countries inevitably mean losses for others. In any event, the reallocations of votes in the World Bank in recent years have raised the weight of the emerging and developing countries (up by 4 pp) and of the BRICs (up by 2 pp). In the IMF, the quotas and voting rights of the dynamic emerging economies and of developing countries will substantially increase following the resolution of the G20 passed in Korea last October. This resolution, which will come into force by end-2012 following the ratification process, in unison with the change agreed in April 2008, will raise the voting power of the four BRICs by 3.8 pp (2.4 pp of which correspond to China), putting all of them amongst the top 10 countries of the IMF in terms of voting power.

There are other aspects of the governance of the IMF and of the World Bank criticised by the emerging countries which are important in the decision-making process [IMF (2009)]. First, the emerging countries consider that the developed countries, particularly European ones, are overrepresented on the IMF board. By way of responding to their claim, in Korea the developed European countries undertook to reduce their representation on the board and raise that of the emerging and developing countries. However, it is hard to improve the situation of the BRICs, since China and Russia have their own seat (as does Saudi Arabia) and thus a permanent representative, while Brazil and India, although they share a seat with other countries, always hold the position of executive director.

There are two other issues in the governance of Bretton Woods institutions which have attracted criticism: the voting power of the United States and the selection of the persons heading them. The first is that certain matters, defined in the articles of association as very important, require a qualified majority of 85% of the total votes, and the United States is the only country with a percentage of votes above 15%. The amendment of this rule is precisely one of the matters which requires a qualified majority to be changed. The second issue relates to the tradition that the managing director of the IMF is a European and the president of the World

4. The formulas include GDP in current terms and in PPP terms, as well as other economic and financial variables associated with the specific functions of each institution.

SHARE OF WORLD GDP AND VOTING POWER (%)

TABLE 3

	World GDP in PPPs. 2010	World GDP in $. 2010	Current IMF	IMF yet to be ratified (b)	Current WB	WB yet to be ratified (c)
China	13,3	9,3	3,7	6,1	2,8	4,4
India	5,3	2,3	1,9	2,6	2,8	2,9
Russia	3,0	2,4	2,7	2,6	2,8	2,8
Brazil	2,9	3,3	1,4	2,2	2,1	2,2
BRICs	*24,5*	*17,2*	*9,7*	*13,5*	*10,5*	*12,3*
EMERGING & DEVELOPING COUNTRIES	47,1	33,5	38,0	41,3	40,9	44,6
United States	20,2	23,6	16,7	16,5	16,4	15,9
G7	*40,1*	*51,2*	*44,4*	*41,2*	*42,9*	*39,3*
Spain	1,9	2,2	1,4	1,9	1,7	1,9
ADVANCED COUNTRIES (a)	52,9	66,5	62,0	58,7	59,2	55,4
EU countries	*20,6*	*26,0*	*32,0*	*29,4*	*28,5*	*26,3*

SOURCES: WEO, IMF and World Bank.

a. Classification of advanced, emerging and developing countries used by the IMF in the WEO, which considers South Korea and Singapore to be advanced countries. The whole of this table is consistent with that classification, which differs from that used officially by the World Bank and the IMF when these institutions calculate vote reallocations by country group. The data included here are for illustrative purposes only.
b. The agreements reached in April 2008 and November 2010 have yet to be ratified by countries representing at least 85% of total votes.
c. The October 2008 and April 2010 agreements have yet to be ratified by countries representing at least 85% of total votes.

Bank is from the United States, although the articles of association only stipulate that the respective boards have to elect the persons in these posts by simple majority.

The growing importance of the emerging countries is being reflected to differing degrees in other areas of international cooperation, such as the multilateral regional development banks (MDBs), the Paris Club or the OECD. Regarding the former, the BRICs have a scant presence in the capital of the MDBs outside their region, although China has recently entered the Inter-American Development Bank and the structure is highly consolidated, so there are notable restrictions on a substantially higher presence. The Paris Club, the group of creditor countries which renegotiate the bilateral official debt of countries in payment difficulties, only has Russia as a permanent member (Brazil is an associate member), although steps are being taken to increase the involvement of the other BRICs and of other emerging country creditors in this forum. Finally, membership of the OECD, traditionally a club of advanced countries, requires compliance with democratic and market economy principles, a condition which limits access by many emerging countries, regardless of their advances in economic development. Nevertheless, Russia is a candidate country, and progress is being made on a strategy of strengthened commitment and greater cooperation with various emerging economies, including the other BRICs.

The large emerging economies vis-à-vis certain global challenges

The shared interests of the major emerging economies can be roughly determined from the common positions set out in the communiques published following the BRIC summits. With regard to global and economic governance, they favour a multipolar world order in which the United Nations plays a central role, and support the aspirations of Brazil and India to become permanent members of its Security Council. They also recognise the leadership of the G20 and emphasise the need for substantial change in voting powers in the IMF and World Bank in favour of the emerging and developing economies. In any event, leaving aside these matters of governance, below is a general review of the positions of the BRICs and the emerging economies on some of the key issues for the global economy: the stability of the international monetary system, the Doha trade negotiations and the fight against climate change.

Stability of the international monetary system

The BRIC countries favour a more stable, predictable and diversified international monetary system designed to maintain the relative stability of the major reserve currencies. The Chinese authorities have even undertaken initiatives in this respect [Zhou Xiaochuan (2009)], proposing a system in which the international reserve currency is supranational. However, it should be noted that some of their policies (such as excessive accumulation of reserves or exchange-rate rigidity, in some cases) do not contribute to the stability of the system.

The changes in the international monetary system in the past decade have been marked by a sharp rise in the accumulation of foreign reserves (to a level equivalent to 14% of world GDP) and by their growing concentration in the emerging countries (particularly China and the BRICs), as noted in Section 2. So far most of these reserves are denominated in dollars, but the possibility of sharp adjustments in their level or in the mix of assets and currencies in such a large volume of reserves is invested means that the countries with large reserves have a notable ability to affect international financial stability. An example is the recent controversy over the tendency for Chinese purchases of yen-denominated assets to cause this currency to appreciate. In this respect, international reserve management must be exercised prudently and the mitigation of the factors behind the excessive growth of world reserves should be a shared responsibility of the international community, including the main reserve-accumulating countries.

The escalation of reserve accumulation among the emerging countries has been prompted by the benefits, whether actual or perceived, of the above-mentioned accumulation, which, in part, drive them to not fall behind their peers. For that reason, it is essential to prevent reserve accumulation from becoming an indicator of the vulnerability and external solvency of countries. Furthermore, the accumulating countries themselves should avoid manipulating exchange rates to gain competitiveness. Finally, for the BRICs to take an international economic leadership role, their currencies would have to move towards full convertibility, which necessarily requires greater openness of the capital account. Here Brazil and Russia are more advanced than the other two BRICs. In the case of China, which because of its size is more likely to spawn an international reserve currency, more audacious steps will be needed than those taken so far in this respect, and they will have to be directed to refocusing its development model on the domestic market and to raising exchange-rate flexibility.

International trade

The emerging countries, particularly the BRICs, have significantly liberalised their trade in the last two decades and, accordingly, its volume has grown considerably. The liberalisation has been based mainly on tariff reductions. These cuts have not been made linearly, but rather have fluctuated over time depending on the country involved, and even moved backwards at certain moments. Currently China is the country with the most open tariff regime of the four BRICs [it is ranked 63rd out of 125 in the 2007 MFN Tariff Restrictiveness Index (TTRI)][5] and, at the other extreme, India, ranked 102nd, is the most protectionist country of the four, while Russia is ranked 70th and Brazil 93rd. Therefore, despite the sharp tariff reductions of the last 20 years, there is still much room for trade liberalisation in the four countries. The BRICs joined the WTO fairly recently: India and Brazil have been members since 1995 and China since 2001, while Russia, which began membership negotiations in 1993, concluded bilateral conversations with the United States in October 2010, and foreseeably its admission, supported by the other BRICs in their communiques, will be formalised in the next few months.

The global prospects of trade liberalisation are largely based on the consummation of the Doha Round, also known as the "development round", which began in 2001 and should have

5. The Most Favoured Nation Trade Tariff Restrictiveness Index (MFN TTRI) summarises the trade restraints exercised by the MFN trade structure of the country. It is calculated by the World Bank Development Economics Research Group.

finished in 2004. The positions in play allow a first broad distinction to be drawn between developed countries and emerging countries. The latter insist that the developed countries practically remove subsidies on agricultural production and on the export of agricultural products. By contrast, the developed countries are asking for greater tariff reductions for industrial products in the emerging countries, particularly China, Brazil, South Africa, Argentina and India, and greater liberalisation in trade in services. From the outset of the negotiations, both India and Brazil have played a notably active role and more recently they have been joined by China.

The growing role of the BRICs has been reflected particularly in agricultural negotiations, which are of great importance for China, India and Brazil, and for the developing countries as a whole. In this respect, it is interesting to note that, although these three countries have partly opposing interests, they have managed to reach common positions since 2003, within the G20 group of countries in the negotiations of the Round, composed solely of emerging countries. In industrial products, the positions of Brazil and India a more defensive and seek to limit the openness of their markets. For its part, China, as a major exporter, defends a substantial tariff reduction, although it considers that it already made significant commitments when it joined the WTO, and is more active in negotiations on rules, particularly against dumping, since it is often subjected to this practice. Finally, as regards access to services markets, India holds more open positions in specific cases, such as the provision of information technology services, whereas China opts for gradual liberalisation and Brazil strongly resists significant liberalisation in sectors considered strategic (education, health, insurance and financial services).

Outside the strict Doha environment, it will also be desirable for the BRICs (and particularly China) to adapt their export credit practices to international standards, since none of them has committed itself to the "OECD consensus" which sets the common rules on the financing of exports with official support.

In short, there is room for a more ambitious contribution from the BRICs to help bring the Doha Round to a successful conclusion. In particular, as part of the necessary quid pro quo of the negotiations, greater commitments would be required from them on access to the market for non-agricultural products and on services.

Combating climate change

Given the growing weight of the emerging and developing countries in greenhouse gas emissions, they will have to adopt new measures also in this area and to participate more actively in the global fight against climate change.

Their stance on this issue highlights the principles of equality and differing responsibilities. Their main arguments are: that regard should be had not only to present and future emissions, but also to those in the past; that the limitation of their CO2 and other greenhouse gas emissions would restrict their possibilities of economic growth and development; and that their emissions per capita are lower than those of the developed countries, especially the United States. According to these arguments, the BRICs did not commit themselves to limit emissions under the Kyoto Protocol, with the exception of Russia. Its case was special, since, given the sharp fall in its emissions in the nineties, it could accept a binding commitment to ensure that its emissions would not exceed those of 1990, which is actually an unambitious commitment.

The Copenhagen Accord of December 2009 failed to live up to expectations, following the intense preparatory work led by the European countries. Unlike the Kyoto Protocol, it is not an international agreement in the United Nations framework and the targets announced by the countries are not binding. Thus, although the result of the recent Cancun Summit was encour-

KYOTO EMISSION REDUCTION COMMITMENTS AND COPENHAGEN TARGETS. MAJOR EMITTERS

TABLE 4

	KYOTO PROTOCOL (a)	COPENHAGEN ACCORD (b)
China		-40% to -45% in CO_2 emissions per unit of GDP with respect to 2005
India		-20% to -25% in carbon emission intensity with respect to 2005
Russia		-15% to -25%
Brazil		-35% to -39% with respect to emissions expected in 2020
USA		-17% with respect to 2005
EU		-20% to -30%
Japan		-25%

SOURCE: United Nations Framework Convention on Climate Change.

a. GHG emission levels in the 2008-2012 commitment period with respect to 1990.
b. 2020 levels with respect to 1990, except where indicated otherwise.

aging, the legal framework which will govern the fight against climate change after 2012 has yet to be determined. The positive results of Copenhagen include a significant expansion of the number of countries which have assumed voluntary quantitative targets to be met in 2020, such as the United States, the BRICs (see Table 4) and many other emerging countries. China and India, maintaining their position of not accepting quantitative limitations on emissions, has specified their targets in terms of a reduction in their GDP emission intensity; Brazil has announced, among other actions, the reduction of deforestation in the Amazon Basin; and Russia will seek to reduce its total emissions with respect to those of 1990. However, although the objectives announced by many countries are significant and represent a step forward in the global solution, especially if the upper range of the announced bands is reached, additional measures will be required by both the developed and the emerging and developing countries. These additional measures will include the reduction of solid fuel subsidies, commonplace in the developing economies, and the widespread application of the system of emission rights trading.

Conclusions

The emerging economies, and, among them, China and the other three countries of the BRIC group, have, with the turn of the century, become increasingly important actors in the global economy, raising their share of world GDP and trade, and of financial flows of all types, be they direct investment, portfolio investment or debt security issues. Their resilience to the crisis, in contrast to the strong impact suffered by the developed economies (where the effects will limit growth in the coming years), will hasten the consolidation of the increasingly important positions of the emerging countries in the global economy. Indeed, on recent estimates, the buoyancy of their activity will make them the powerhouses of world growth over the next five years. The achievement of an ongoing growth rate which is high but also more stable, along with slower population growth, has, moreover, brought sharp rises in income per capita and an acceleration of the process of convergence with the advanced economies.

These significant changes in the governance of the international economic institutions in the last two years reflect the growing weight of the BRICs and other emerging countries in the world economy, a process which has accelerated drastically with the international financial crisis, and respond to the need to take them into account in designing the exit from the crisis. Moreover, the BRICs (the systemically most important emerging countries) have forged a certain coalition amongst themselves to defend common interests, and have achieved unquestionable progress in the most important one, namely increased participation in the institutions of international governance so as to better reflect their economic weight. These changes are more complicated to make in the institutions where country representation is a zero sum game, such as the IMF and the World Bank, but even in these cases they have made substantial progress. However, the interests of these countries do not extend with the same intensity to other international fields and institutions where their active participation would also be desirable and beneficial. In particular, an increased contribution to development aid channelled through the multilateral financial institutions, the express assumption of the costs and discipline associated with the Paris club, and the acceptance and internal application of the OECD general framework for best policy practices, would help to lend greater legitimacy and substance to the BRICs' desire to increase their participation in world governance.

Similarly, a movement of these countries towards positions which more accurately reflect global interests in key matters for the international economy, such as the accumulation of international reserves, the Doha Round and the fight against climate change, would be highly beneficial, particularly at the present time, when the world economy needs collective agreements which can raise confidence in the measure needed to consolidate the recovery. More generally, it can be expected that the large emerging economies will involve themselves in world government in a constructive way, befitting the responsibility and institutional maturity which should accompany their greater weight in the global economy. This attitude, which is already becoming evident in some areas, can only result in a better situation for all.

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