

# **BATTLE FOR GLOBALIZATIONS?**

## **BRICS and US**

### **Mega-Regional Trade Agreements in a changing world order**

**Marko Juutinen**

**Jyrki Käkönen (supervisor)**

#### **ABSTRACT**

Some researchers consider BRICS a symptom of a changing world order heralding dawn of a 'Post-Western Age'. Within the context of 21<sup>st</sup> century regionalism and global power shifts, this thesis of change seems viable. Indeed, regional trade agreements and the diverse organizations in Asia, including Shanghai Cooperation Organizations, manifest a division of international cooperation into two centers of political, economic and military power: transatlantic area and Eurasia. Within this context of global transformations, we focus on BRICS, the Transpacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). We test the hypothesis of battle for globalizations. By our two case studies we contribute to our understanding of the global transformations. We operate with various methods, including textual analysis, comparative analysis and literature review. Our evidence leads to rejection of our working hypothesis. Within the context of global transformations we find that because of TPP and TTIP, regional trade remains assertive of economic globalization. Within the field of financial governance and UN, however, we find indications of dispersion of power and variegation of policies. In the context of 21<sup>st</sup> century regionalism, we find indications of a more balanced and inclusive, and less 'western' governance. The world order of tomorrow, we hypothesize, is multipolar, but decisively based on the institutions of economic liberalism.

**KEYWORDS:** BRICS; Mega-Regional Trade Agreements (MRTA); Transatlantic Trade and Investment Partnership (TTIP); Transpacific Partnership (TPP); Power Shift; Battle for Globalizations; multipolar world-order

## **1. INTRODUCTION**

This paper contributes to debates on BRICS, Western Mega-Regional Trade Agreements and the changing world order. One feature of change is transition of power from the West to the East or from the Global North to the Global South. Another feature is the rise of BRICS on the international stage. A third key feature of change is formed by the Western reactions. By concentrating on major powers, particularly the three Eurasian giants and the two transatlantic powers and their reactions to change or the BRICS and the Western

MRTAs we can increase our understanding of change for the future global order. The task of this paper is to provide an analysis of what we see as key features of change, BRICS and the Western MRTAs and how these relate to globalization.

BRIC was founded in 2009 originally between Brazil, Russia, India, and China. BRICS was born with the accession of South Africa in 2011. By some researchers, BRICS is seen as a key actor for a new international order. Transforming power relations and new global initiatives have led some researchers to advance the thesis of a dawning 'Post-Western Age,' with China and India as the future global superpowers<sup>1</sup>. Indeed, BRICS calls for democratization of the inter-state system and opposes Western and US dominance of global governance. The decline of Western and US economic power relative to Asian and other emerging countries lends substantial credibility and international legitimacy to the BRICS demands<sup>2</sup>.

At the same time, US still is a global superpower. Despite power transition US also remains what A.F.K. Organski<sup>3</sup> called a 'competitive nation'<sup>4</sup>. Thus, if US broader objectives on global leadership<sup>5</sup> have not changed then the strategies employed to maintain leadership must have. A key feature of new initiatives from the West are linked to trade. In this paper we study on US Mega-Regional Trade Agreements (MRTAs) as cases of US reaction and adjustment. For example Daniel Hamilton and Ashley Tellis argue that the MRTAs can (and should) strengthen the liberal trade regime but also advance US broader objectives<sup>6</sup>. Trans-Pacific Partnership (TPP) was concluded in October 2015 between US and 11 other Asian and Pacific states, including all the NAFTA members, four ASEAN members, and two Latin American countries. Negotiations between the EU and US for a Transatlantic Trade and Investment Partnership (TTIP) have been going on since July 2013.

Paper is divided into six sections. In section two we provide the overall context of the broader phenomenon which the BRICS and MRTAs are linked to. We also shortly contrast the new phenomenon with the prevailing or former understanding of globalization. In section three we go through discussions on the new phenomenon. We show that there is so far very little studies where MRTAs and the BRICS are treated as different sides of a phenomenon of change. Some research have been conducted both on the Western MRTAs and on the BRICS, which are both evolving and new processes. Thus, our understanding of changing globalization is still premature. There is a clear need to conceptualize the phenomenon, localize its defining factors, estimate their significance and built understanding of the new 'beast in the room', i.e., the contours of the coming global order. Our purpose is to contribute to this important task.

Rest of the paper is about evidence and analysis. Section four deals with BRICS in the context of globalization. We begin with presenting an overview of BRICS initial development from a loose forum to an effective organization for inter-state cooperation. Secondly we focus in on the new initiative, New Development Bank, but also provide some perspective to BRICS relation to economic globalization and international relations.

Section five deals with the MRTAs. Here again we commence with an overview and then provide a short analysis of the change between WTO framework and the new MRTAs. Based on this work we provide an analysis of the significance of BRICS as an answer to power transition both in terms of economic power shift and in terms of stronger alliance formation.

Finally, in the concluding section we review the hypothesis against evidence on BRICS and MRTAs.

As our empirical reference points we have BRICS Joint Statements, TPP agreement and other official BRICS and MRTA documents. We are also strongly relying on previous literature on the various subjects we go through. Hence, our chief contribution does not consist of an analysis of new data but of bringing data together in an attempt to get a grasp of changing global order.

## 2. PHENOMENON

The concept of '21<sup>st</sup> century regionalism' was launched by Richard Baldwin in 2011. He referred to the rise of preferential trade agreements of different standards and scope in wake of the stalling Doha Round<sup>7</sup>. Besides the rise of trade arrangements, the concept should also account for the rise of new initiatives of financial, developmental, political and security cooperation where the leading Western powers US, EU and Japan are either absent or in minor position. In this broader sense the concept of 21<sup>st</sup> century regionalism captures the fact that regional organizations are in vogue. It does not provide much information as to the interrelations and implications of these.

With regard to trade, a Regional Comprehensive Economic Partnership (RCEP) is being negotiated between ASEAN, China, India, Japan, Australia, New Zealand and South Korea. The 16 member countries contribute to about a third of world Gross National Product (GDP) and make up almost half of world's population. It has been classified as a China-centric trade agreement in contrast to TPP that was concluded in October 2015 between US and 11 Pacific States. The Trans-Pacific Partnership also contributes about a third to world GDP but its population is only about 10 per cent of world population. While neither China nor India are members of TPP where US is the great leading power, Japan, Australia, South Korea, New Zealand and four of the ten ASEAN members are. Hence there is overlapping membership but with regard to the great powers, TPP and RCEP are exclusive.

The membership basis is not the only difference. TPP and RCEP also differ in scope and quality. TPP is a WTO plus agreement covering all the WTO agreements with a purpose to a) increase market access by eliminating existing tariff barriers, expanding services commitments and opening public procurement markets, b) streamline regulatory differences that WTO framework allows to persist by regulatory cooperation and further developing of standards like intellectual property rights and finally incorporating c) the contested Singapore issues<sup>8</sup> and d) new non trade issues like labour and environmental chapters.<sup>9</sup> RCEP on the other hand, will likely be more limited with regard to market access, regulatory cooperation, standards like IP-protection, and leave out the non-trade issues entirely<sup>10</sup>. Other trade initiatives include the Russian led Eurasian Economic Union (EAEU) and the Latin American Alianza Bolivariana para los Pueblos de Nuestra América - Tratado de Comercio de los Pueblos (ALBA-TCP)<sup>11</sup>.

In the field of economy, security and politics, Shanghai Cooperation Organization (SCO) is the most significant non-Western initiative. It was founded in 2001 between China, Russia and four minor states with Iran, Mongolia and Afghanistan as observers and Turkey, Belarus and Sri Lanka as dialogue partners<sup>12</sup>. While the organization's power arguably is lesser than the combined power of its members, it may as well be argued that potential

exists for SCO to become an Eastern variant of NATO, as the former Indian diplomat M.K. Bhadrakumar<sup>13</sup> argued already in 2007. Indeed, SCO holds military drills on regular basis. Now that India and Pakistan also are to join<sup>14</sup> in 2016 the bloc will cover most of the Eurasian military and economic power.

Along with BRICS, SCO is not the only organization bringing together the major Eurasian powers. RIC, the ministerial level conference between Russia, India and China coordinates member states policies in multilateral and regional organizations. In the Communiqué of the 13<sup>th</sup> ministerial conference the RIC countries stated their commitment to 'democratization of international relations' and to a multi-polar world. RIC are exploring cooperation in oil and natural gas production and transportation besides building networks between their respective think-tanks, businesses and cooperating in agriculture, disaster mitigation and relief, medical services and public health.<sup>15</sup> With regard to the long-standing disputes between India and China and China and Russia, the SCO, RIC and the BRICS indicate trio's ability and will to see beyond the disputes and work together in the regional and global setting<sup>16</sup>.

Financial initiatives include the Alba Bank in Latin America but more importantly the Asian Infrastructure and Investment Bank (AIIB) and New Development Bank (NDB) launched with the leadership of China and BRICS respectively during the 2015. As international financial organizations, the AIIB and NDB can contribute to a reconfiguration or at least variegation of development finance – besides balancing the political power over development policy that hitherto has rested firmly with the developed countries<sup>17</sup> within the Bretton Woods framework.

In consequence, the Eurasian trio is cooperating on multiple fronts and with different platforms which often also are open for other emerging and/or Eurasian powers. It is also notable that in none of the new initiatives, RCEP, BRICS, SCO, RIC, AIIB, NDB (or ALBA-TCP) do the developed countries have positions of any remarkable influence. In most of these initiatives the developed Western countries are actually excluded and the declining aspirant of global leadership is absent from all of them. We can thus see a kind of realignment along the Eurasian axis of China in the East, Russia in the North and bordering the EU and India controlling the economically vital and politically instable region of the Indian Ocean.

A similar trend can be found among the Western countries<sup>18</sup> (US, Canada, European states, Australia and Japan). The Western initiatives include most importantly TPP, introduced above, Transatlantic Trade and Investment Partnership (TTIP) between EU and US, Trade in Services Agreement (TiSA) between 23 Western countries and their allies, but also the Comprehensive Trade and Economic Agreement (CETA) concluded between EU and Canada in 2014. In TPP, US is the single most powerful state and in all others it is either the EU or both US and EU. Some members of TiSA and TPP have overlapping membership, in case of TPP the ASEAN members and the Western Pacific states, who also a part of RCEP. None of the members of these Western led initiatives, however, are BRICS members, permanent members of the SCO or the NDB. Overlapping membership is limited to AIIB and RCEP, both however centered on China.

What we see then is a diversion of membership in new regional and mega-regional initiatives along the two poles of the West and the Rest the other led by US and the other with China and RIC-countries. As the Eurasian trio maintains a commitment to international democracy and as neither Russia nor India accept Chinese hegemony, one can indeed see the formation of an increasingly multipolar world. We are thus faced with

the question: what do these changes indicate or what is the emerging new *status quo*? Moreover, are we just in the beginning of global transformations? All these questions depend on how the different factors of change relate to each other in the context of globalization. Some interpretations on the change have already been made. In fact, interpretations were made already in 1990s at the end of the Cold war. Fukuyama's thesis on *The End of History and the Last Man* elucidates the spirit of optimism – that world history had reached its final phase and that the future evolution of international relations would now take place along the institutions and principles of liberalism and free markets, guided by world's foremost democracy and the self-claimed leader of the 'free world'.

While cautious voices of some prominent American realists warned against exaggerating the appeal of the liberal order for the future global powers, China, India and Russia<sup>19</sup>, there was little evidence to suggest otherwise. Indeed, in January 2000 President Clinton<sup>20</sup> expressed his belief that China was on track to be integrated with the world order:

Bringing China into the World Trade Organization (WTO) on the strong terms we negotiated will advance critical economic and national security goals. It will open a growing market to American workers, farmers, and businesses. And more than any other step we can take right now, it will draw China into a system of international rules and thereby encourage the Chinese to choose reform at home and integration with the world.

21<sup>st</sup> century regionalism in the above presented trade-plus sense implicates that there was at least one crucial fault in the optimism of 1990s. It is founded in US insistence on global leadership and rejection of a multipolar world order. According to scholars like Samuel Huntington, Niall Ferguson, and Rajiv Malhotra, the Western optimism and US broader foreign policy goals are embedded in a sense of Western supremacy<sup>21</sup>. Looking at the history of civilizations, this Western self-image can arguably be labelled as *hubris*<sup>22</sup>. In addition to this academic perceptions of the fault of optimism, there is practical dimension to it. Joint declarations by the BRICS legitimized through rising international leverage of particularly the Eurasian trio indicate that critical perspectives to Western universalism are not limited to academia. Rejection of Western supremacy and universalism seems also to be a manifest feature of the current change in global order<sup>23</sup>. This begs the question: to what extent are the different processes of change actually competing processes of globalizations. In other words, is there case for a battle for different kind of globalizations?

Globalization refers to the webs of global interdependences, forms of social interactions and power relations that cross territorial and physical boundaries. In this sense, globalization is a not a unitary process but consists of multiple different and overlapping processes. Global governance on the other refers to the institutions that direct the flows of global interactions in a certain manner. It also refers to the official and non-official forms of collective action and the complex of political authority resulting from them. With globalization as a singular phenomenon in contrast to globalizations we thus refer to those forms of governance which provide structure and frame for the multiplicity. In terms of economic globalization, the key structures are Bretton Woods institutions, WTO, Basel Committee, Financial Stability Board and Bank for International Settlements.<sup>24</sup>

So far economic globalization has been closely linked to US and developed country dominance. Partly for this reason can economic globalization be defined as a process with a certain set of values and premises, key institutions and organizations that give the economic globalization a sort of systemic structure and form. Indeed, world systems theory, theories of transnational capitalism and liberal institutionalism seem to agree on this point.<sup>25</sup> Larry Summers<sup>26</sup> for example wrote that even the regional trade agreements are conducive to the process of economic globalization because they share the same basic

premises of commerce and thus have a common framework upon which global trade regime can be build on.

In political globalization the case is different. Nations have been unable to provide for a similar type of governance structure for political governance as within the realm of economy. However, US power, alliance networks, military presence and strong economic ties have created a stability where common action has failed<sup>27</sup>. With decline of US power and the assertiveness of Eurasian global powers US ability to provide structure and form or stability within the field of global political governance is threatened. Similarly, the foundations of economic governance also seem to be subject to divergent conceptions – resulting also from the rise of non-Western powers. Does this imply the creation of a multipolar world or competition for setting the rules of the world order?

### 3. OUTLINES OF THE DEBATE

In July 2015 the seventh BRICS Summit was held along with the non-Western international conferences of the SCO and EAEU. Writing in BRICS Post, the Moscow-based researcher Mark Sleboda's<sup>28</sup> interpretation was that 'In Ufa, we are seeing the laying of the foundations of a truly multi-polar world order of independent powers – one that can and will deal with the West on its own terms.' Others, including Barma *et al.*<sup>29</sup>, have also argued that deepening cooperation between the BRICS countries will diminish their connection to the Western-led liberal world order while increasing BRICS' potential as a new, non-Western alternative. Barma *et al.*<sup>30</sup> went on to observe that in constructing parallel institutions of governance with the IMF and the World Bank, BRICS will undermine the role of Western powers and, in particular, that of the US, in defining the trajectory of future globalization whereas Jayshree Sengupta<sup>31</sup> argues that this leads to a reconfiguration of the world order. Finally, some researchers<sup>32</sup> envision an 'Asia-centric global civilization,' spreading peace and prosperity throughout the world. The latter now stands for the most extreme interpretation of the future and emerging new *status quo* where Eurasian trio are the pivotal actors on stage.

This type of arguments resonates with the so-called 'China Threat' theory of the American realists<sup>33</sup>, referring to the rising power of China and its greater consequent role in world affairs. For example, Brzezinski<sup>34</sup> proposed that the US should actively seek pathways to accommodate Eurasian states within the Western order. Were this to fail, Brzezinski argued, the second imperative would be to prevent the formation of an anti-hegemonic alliance between China, India, and Russia. More recently, John Mearsheimer<sup>35</sup>, another prominent realist, has noted that China and the US are destined to be adversaries and that China poses a genuine threat to the liberal world order. Basically then, this perspective is similar to the thesis by Kumar, but the American realists reflect on the change from a Western or US perspective. Correspondingly, what Kumar perceives to be a positive phenomenon the American realists tend to see as a threat.

Not everybody accepts these two divergent yet so similar perspectives to change. In fact, not a few prominent academics are of the view that no real change is really upon us. In other words, this school of thought maintains that power shift (nor 21<sup>st</sup> century regionalism) is not significantly changing the rules and principles of global governance<sup>36</sup>.

A key argument in this context is the undisputable adherence of BRICS to the system of international trade. Intriguingly, BRICS' rise to economic prominence can be attributed to the flows of international trade. China's conduct within the World Trade Organization (WTO), for example, has been that of a rule-following, status quo power<sup>37</sup>.

This resonates with the interpretation that the BRICS alliance is not symptomatic of a changing global order but an attempt by the BRICS elites to gain better access to the networks of transnational capitalist class. This position is prominently held by the researchers with background in Marxist perspectives to the study of political economy<sup>38</sup>. Similarly, proponents of liberal institutionalism hold that any benefits of the status quo slowly but compellingly diffuse liberal norms constraining divergent BRICS political economy initiatives<sup>39</sup>. The thesis of change is further questioned by those who see BRICS as a weak coalition of heterogeneous countries with conflicting interests and suggest that the principal factor that brings BRICS together is an interest in eroding Western hegemony<sup>40</sup>.

On the other hand, BRICS' perspectives to political economy, global economic governance, development policies but also responsibility to protect (R2P) seem to be different from the Western perspectives. Most scholars do indeed agree that BRICS have rejected the dominant political economy paradigms of the liberal order, including a market-oriented regulatory system, fiscal austerity, and comprehensive liberalization of trade<sup>41</sup>. Simultaneously, BRICS have retained varying measures of direct or indirect state control over markets<sup>42</sup>, most notably in China<sup>43</sup>. With regard to R2P, the BRICS maintain that use of force can be authorized only if a state requests intervention and that the sovereignty of the state in question is upheld during the span of the operation<sup>44</sup>.

What remarks can be made from this review on the debate? Firstly, that it is founded on the power shift and its effects. Secondly, that even though power shift is agreed upon there is no scholarly understanding as far as its consequences or the nature of the change in global order is concerned. Indeed, researchers from Marxists and liberal institutionalist backgrounds seem often to reject the notion of change. In contrast, however, realists and non-Western scholarship also emphasises that change is upon us. More importantly, change involves conflicting interests. From this perspective, the worst scenario of 21<sup>st</sup> century regionalism is disintegration of global governance.

Similar main lines of thought can be found in more specialized discussion on the shifting landscape in global trade regime. Within this narrower conceptualization of 21<sup>st</sup> century regionalism we already referred to TPP, TTIP and RCEP as the two major poles of change. At one end of this debate are those who, like Ana Capling, John Ravenhill and Daniel Hamilton believe in multilateralizing regionalism. Now this refers rather to the effect of the Western Mega-Regionals than the RCEP. The idea is that even the RCEP will contribute to multilateralism and that there is no inherent conflict between the two processes.

The rationale can be explicated in following manner. Firstly, RCEP would bring Asian preferential trade agreements under one umbrella thus streamlining the Asian trade regime<sup>45</sup>. Secondly, the interconnectedness of the world economy would contribute to the externalization of the TPP and TTIP standards even to countries covered by the RCEP. For a more explicit explanation we can resort to what Anu Bradford's has called the 'Brussels Effect'. According to Bradford four conditions must be met for an economic area to externalize its standards. First condition is a sizeable market (providing an incentive to

business to follow the strict rules), second is regulatory capacity, third, preference for strict rules, and fourth the propensity to regulate.<sup>46</sup>

In the case of TTIP and TPP, the first condition is clearly met. TTIP and TPP together would account for about 60 per cent of world GDP. Regulatory capacity depends on the ability of the trade area to enforce the new standards. For the EU, EU, Japan, Australia and Canada this would hold. The proposed regulatory cooperation in TTIP and TPP covers interstate level cooperation, ministerial cooperation and sector-based cooperation between competent authorities thus contributing to the regulatory capacity of the Mega-Regional trade areas<sup>47</sup>. Preference for strict rules and the propensity to for them can also be confirmed as these are at the heart of the developed country trade policy<sup>48</sup>. In consequence, despite some expected trade diversion one can argue that the TTIP and TPP standards will prevail in the long run. This is the first school of thought.

Other researchers however focus on trade diversion<sup>49</sup>. From economic perspective trade diversion means loss of the advantages of international competition because the trade flow are directed or influenced by the politics (in the form of Preferential Trade Agreements, PTAs) rather than competition<sup>50</sup>. From a governance perspective this implies the lack of ability to achieve common principles and standards. It also counters the idea of the classic theory on peace and liberal commercialism – that by increasing the commercial relations peoples and states come closer together. The ability to achieve common terms of conduct underpins this notion. This perspective then emphasizes the dissonance of PTAs and the new MRTAs with the multilateral trade regime set up by the 148 signatories of the Marrakesh Agreement Establishing the World Trade Organization in 1994<sup>51</sup>.

Besides these two main perspective, some also argue that TTIP and TPP are vastly overestimated. This school of thought focuses on the long-standing trade disputes between for example EU and US and secondly on the economic weight of the RCEP countries and the emerging markets at large. The implication of trade disputes involving different regulatory approaches to politically sensitive issues, like hormones and GMO or privacy protection between EU and US, will not be solved through Western MRTAs. At the same time, it lies in EUs interest and in the interests of its member states to enhance their ties with the emerging economies. The combined effect of these factors are twofold. Firstly, they obstruct the members of TTIP and TPP from forming an effective ‘Mega-Regional Trade Area’ by keeping them apart and secondly push the members closer to the emerging markets and RCEP. The extreme interpretation of this school of thought is the building of global trade regime not along the ambitious agenda of the developed countries but along the ‘illiberal’ agenda of the East.<sup>52</sup>

## **4. BRICS IN GLOBAL GOVERNANCE**

The concept of BRIC was invented by Goldman Sachs economist Jim O’Neill in a report on investment opportunities, referring to the booming economies of Brazil, Russia, India, and China. Following the crisis of 2008, Western investors are no longer the main users of the BRIC acronym, and its whole ideational context has been turned upside down. Instead of high profit margins for Western capital in the key Southern economies, it refers to Global Southern demands for the leading power in the Global North.

BRICS cooperation has two pillars: (i) cooperation in multilateral fora and (ii) inter-state cooperation. Cooperation in multilateral fora commenced as early as 2006, and inter-state cooperation was initiated at the second summit in 2010. The initial causes of dissatisfaction related mainly to world economic governance and as such were not dissimilar to the concerns of G20. This broad-based forum for inter-state dialogue includes the current dominant power and its major allies – the EU, Japan, Australia and Canada – as well as major emerging economies and all BRICS members. It would therefore appear that, in its early organizational history, the BRIC adopted a cooperative stance toward the US-led world order, and at the first Summit in 2009, the leaders of the four original member states refrained from setting up mechanisms of integration. This indicates that initially BRIC was little more than a forum for inter-state dialogue and coordination for multilateral fora within the US-dominated world order. However, the subsequent evolution of BRICS has transformed it into a fully-fledged international organization.

In this section we study the BRICS evolution within the context of global governance. We firstly frame the scope of analysis with BRICS Joint Statements, wherefrom we derive the following themes on global governance:

- (i) development finance
- (ii) BRICS perception to economic liberalization
- (iii) BRICS perception of the international order

#### **4.1. Initial cooperative position (2009-2011)**

At the first BRIC summit meeting, held in Yekaterinburg in 2009, the four founding members agreed on three overarching themes for future cooperation. First, they emphasized the need to reform the structures of world economic governance, and in particular, the voting structure of the IMF and the World Bank. They also expressed their adherence to WTO and G20. The second agreed theme related to issues of sustainable development, including social responsibility for the poorest countries, environmental protection, climate change, and diversification of energy resources and supply. The first BRIC Statement is largely compatible with the G20 statements of 2008 and 2009<sup>53</sup>. However, a third theme, related to foreign policy and world political governance, sets BRIC apart from the G20. In 2009, the BRIC countries expressed their support for a *multi-polar* world order, ‘based on the rule of international law, equality, mutual respect, cooperation, coordinated action and collective decision-making of all states.’ And whereas the G20 tends to focus on economic governance and development-related issues<sup>54</sup>, the BRIC agenda also includes a demand for ‘comprehensive reform of the United Nations’<sup>55</sup>.

The second BRIC Summit, held in Brazil 2010, produced no substantial changes. However, instead of referring to cooperation with Western powers (under the auspices of G20), the second Joint Statement<sup>56</sup> opens with this strong remark on the changing world order: ‘We share the perception that the world is undergoing major and swift changes that highlight the need for corresponding transformations in global governance in all relevant areas.’ Interestingly, this perception of change is not confined to BRIC’s official statements – for instance, in a US National Intelligence Council report<sup>57</sup>, we read that ‘the “unipolar moment” is over and Pax Americana [...] is fast winding down.’ For BRIC, this perception of power legitimized their demand for equal membership in global economic and political governance within a ‘multipolar, equitable and democratic world order’<sup>58</sup>. At the same time, there is no evidence in the second Joint Statement that BRIC’s semi-satisfaction and desire to cooperate with the West was declining.

Between 2009 and 2010, the most important change was the initiation of inter-state cooperation, structured as meetings between various state and non-state agents. Participating state authorities included ministers of agriculture and finance, high-ranking security officials, governors of central banks and development banks, and heads of statistical institutions and competition authorities. In addition to this inter-state dialogue, meetings were to be launched between BRIC business groups, thinktanks and cooperatives<sup>59</sup>. Inter-state dialogue was further extended and an Action Plan was adopted at the third BRICS Summit in 2011, when South Africa joined the group. New areas of cooperation included dialogue between health ministers and research on economic and trade issues. With intensified inter-state cooperation, in 2011 the BRICS countries also began to express dissatisfaction with the slow pace of reforms in world economic governance. At the 2011 Summit, BRICS called ‘for a quick achievement of the targets for reform of the IMF agreed at previous G20 Summits’<sup>60</sup>.

The Summit of 2011 signals an increased dissatisfaction associated with the deepening of inter-state cooperation. Yet, in 2011, BRICS still remained a forum for dialogue, though with increasingly extensive inter-state networks. At this time, BRICS was actively propagating for reforms in international financial organizations and the UN but had still not provided new alternatives. This can be interpreted in three ways. According to Drezner<sup>61</sup>, the BRICS were critical but not critical enough to provide initiatives of their own. Second interpretation follows from the argument that the BRICS are too different to be able to cooperate: they share common antipathy to US dominance but little beyond that to support internal alignment. A third perspective, finally, acknowledges that while the BRICS are not a cohesive groups of states, their criticism is not necessarily rhetoric but also depends on their willingness and ability to cooperate on multilateral basis with an *equal* footing with the US. Hence, it can be argued that the BRICS channel their criticisms to new institutions only on secondary basis when their demands have not been adhered to on the multilateral flora. The launch of NDB seems to undermine the former two perspectives and stand as evidence of the latter.

## 4.2. New Development Bank

The lack of proper intergovernmental institutions did not forestall BRICS development. At the 2012 Summit, BRICS stated that cooperation among health ministers ‘should henceforth be institutionalized’ in order to address the common concerns of ‘universal access to health services, access to health technologies, including medicines’ (BRICS IV, 2012, 42). More interestingly for this paper, in 2012 the BRICS countries launched an inquiry into the benefits of a New Development Bank (NDB) - ‘to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging and developing countries.’ Finance ministers and central bank governors were also asked to explore the construction of a financial safety net for BRICS through the establishment of a currency reserve: the Contingent Reserve Arrangement (CRA)<sup>62</sup>. NDB commenced business in July 2015, and a Treaty for the establishment of the BRICS CRA also entered into force in 2015. The purpose of CRA is to protect BRICS in the event of any liquidity pressures that might arise in the wake of the persistent sovereign debt crisis and uncertainties in the financial sector of Western economies<sup>63</sup>. In short, BRICS inter-state cooperation has now led to the creation of new interstate institutions with economic and financial authority and with NDB as an international institution.

The rationale behind NDB can be inferred from the sluggish pace of reform at IMF. At UFA Summit in 2015, BRICS leaders declared, ‘[w]e remain deeply disappointed with the

prolonged failure by the United States to ratify the IMF 2010 reform package, which continues to undermine the credibility, legitimacy and effectiveness of the IMF<sup>7</sup>. Along with World Bank, IMF has been the key institution of financial world governance – which is the reason for the BRICS to demand their reform. But they have also been the dominated by US and other developed countries. In 2015, US share of IMF voting power was 16.5 per cent, G7 countries accounted for 41.2 per cent whereas the share of BRICS was at 14.1 per cent. Indeed, developed still account for about 55 per cent of IMF voting power. As the decision making rule in IMF is majority or qualified majority, this implies that US and the developed countries have so far been able direct IMF policies. Correspondingly, any developing and emerging country agenda to be successful must have had the support from at least some of the developed countries.<sup>64</sup>

In NDP decision making power is equally divided between the five original member states. NDB 2014, art 2. NDP then has a democratic decision-making structure for its members. This throws light on BRICS' concept of international democracy: it does refer economic size or the size of population but at least among the BRICS it means that all members irrespective of their size and power should have an equal say. Taking into account that China alone accounts for about half of the BRICS economic output, this decision making structure clearly deviates from the Bretton Woods. It also implies that NDB will not become a financial arm of China. That does not however stop the NDB from cooperating with the Chinese led AIIB, which was planned for at the Ufa Summit.<sup>65</sup>

NDB is open for all UN members. The terms and conditions for membership are defined by the Board of Governors with a qualified majority of four original members. Except as otherwise provided for, the voting rule is a simple majority. There is however a limit to new members, which guarantees that the NDB remains an institutions controlled by the BRICS. Namely, the share of voting power of the five original members will not fall below 55 per cent of total votes. The maximum voting power for any new member state is set at 7 per cent. In consequence, NDB will remain an international financial institutions dominated by the BRICS. With this regard it is similar it is similar to the Bretton Woods, so far dominated by the developed countries.<sup>66</sup>

The initial authorized capital of the BRICS Bank is one hundred billion US dollars (100 000 000 000)<sup>67</sup>. For comparison, the capital of International Bank for Reconstruction and Development (of the World Bank group) is 230 billion. In IMF the total amount of special drawing rights in 2015 was about 240 billion, which converts to about 340 billion US dollars<sup>68</sup>. The size of CRA on the other hand is also set at on hundred billion. In consequence, the financial strength of the bank and CRA is relatively strong and will be stronger if and when other emerging countries join the bank. Turkey, Indonesia, Mexico have already shown interest, Jayshree Sengupta<sup>69</sup> writes. The financial arm of BRICS is further strengthened if cooperation with AIIB will realize. According to ORF Policy Brief, BRICS share of global savings is larger than the combined share of US, EU and Japan<sup>70</sup>. They authors expect NDB to set the new trend for development financing<sup>71</sup>.

The purpose of NDB is to channel funding for development and infrastructure project in emerging and developing countries. As such, the goal is not different form IMF and World Bank. Almost 80 per cent of World Bank's loans have been directed towards development and infrastructure projects (investment loans). Myanmar for instance launched a project for Ayeyawade river governance and sustainable water usage in 2015 with WB loan of 100 million US dollars<sup>72</sup>. The rest of about 20 per cent consists of development loans known for their conditions on policy reforms.<sup>73</sup> According to Williamson<sup>74</sup>, the lending conditions consisted of 10 reforms that the US officials and the Washington based financial

institutions agreed on, including trade liberalization, cuts in public spending, privatizations, elimination of government subsidies, fiscal austerity and openness towards Foreign Direct Investment. This Washington Consensus has encountered strong criticism since 1980s from notable economists like Joseph Stiglitz and Dani Rodrik with only few countries China included having escaped the reforms. Washington consensus was the frame from Bretton Woods financial governance and development lending. According to Sarah Babb and Glinanavos, conditionality still lives on through focusing lending to countries with a strong track record in successfully implanting the conditions of previous loans.<sup>75</sup>

A key question is then, will NDB be a source of different development lending? The founding agreement of the bank does not offer answer to that question. For this question we can resort to New Development Bank: Identifying Strategies and Operational Priorities, a Policy Brief by Observer Research Foundation (ORF) and National Institute of Public Finance and Policy (NIPFP). ORF is an official BRICS institute and NIPFP an Indian premier research institution in public economics and policy with most of its studies supported by Indian central and State government. The Policy Brief was a product of intra-BRICS expert workshop.

The document begins with stating the need for development finance and the gap between discourse on development and the international financial institutions. Indeed, over 650 million people lack access to pure drinking water, over two and half billions lack access to decent sanitation and over one billion people live without electricity<sup>76</sup>. These are fundamental human needs (and acknowledged as human rights by UN in 2010). For human growth, development of society and economy, social infrastructure and basic social services, most notably education and health care, are as much fundamental. Joseph Stiglitz and perhaps controversial Canadian economist Michel Chossudovsky however argued that conditional lending programs actually led to deterioration of social infrastructure as the debtors were forced to cuts in their public spending<sup>77</sup>. According to the ORF Policy Brief, social infrastructure and basic services along with energy should be among the primary areas of NDB finance. This marks an important distinction between how the Bretton Woods and the BRICS-experts frame development policy. According to the BRICS-experts, 'development finance needs to consider the social return and devise prudential norms accordingly'<sup>78</sup>.

BRICS-experts also emphasize the problem with the fiscal austerity projected by the international financial institutions. Demands for austerity form part of what critics have labelled as supply-side economics and market fundamentalism and imply that markets is the fundamental source of development. Thus development finance should follow 'sound' economic principles which then reflects on what kind of projects and objects are suitable for development finance. According to the BRICS-experts, fiscal orthodoxy leaves some crucial activities with high social returns at the sidelines of development finance. For example rural smallholders, urban infrastructure, sustainable energy, health and education and the micro small and medium enterprises are not recommend objects for prevailing financial institutions but for the NDB they should be, BRICS-experts recommend. Finally, BRICS-experts emphasize the continued importance of coal based energy for developing and emerging economies. In contrast to the increasingly critical attitude among the international financial institutions towards coal based energy, NDB should, the BRICS-expert argue, contribute to a from inefficient coal based power to cleaner and more efficient coal based technologies.<sup>79</sup>

It appears that BRICS seem to be building a tool for alternative and different development policy through the NDB. Founding of the NDB can be seen as a reaction to the rising

power of the BRICS in face of the continued Western dominance of the international financial institutions and the resulting development finance that does not in a satisfactory manner meet the development needs of the South.

### **4.3. Divergent Political Economy?**

How broad then is this seemingly dissenting vision for global development policy and financial governance? Does it also extend to other aspects economic globalization? A short answer would be affirmative. There are two reasons for this claim.

First, in their post-crisis policies, individual BRICS members seem to have rejected Western economic and financial policy paradigms<sup>80</sup>. Also as an entity the BRICS seems to reject these models. From the 2012 Summit onward, all subsequent BRICS Summits have expressed concerns about Western financial and economic policies. Various Summit declarations have noted that the accumulation of sovereign debt and the need for fiscal adjustment in advanced economies creates uncertainties for global growth. Excessive injections of liquidity by Western central banks to the financial sector through quantitative easings and bailout packages from the US government and the Troika in the Eurozone have been characterized by BRICS as spilling over into increased volatility of capital flows and commodity prices. At the same time, the BRICS claim that volatile prices (especially of food and energy) put the recovery of the world economy at risk<sup>81</sup>. Finally, the Sixth Declaration commences by referring to the ‘inclusive macroeconomic and social policies carried out by our governments,’ contrasting the economic and financial policies of the individual BRICS countries with those of Western economies<sup>82</sup>.

While the unconventional financial policies can also be explained from merely economic rationales – through the adverse effects capital flows and commodity prices, the latter notions on inclusive macroeconomics and social policies seem to emphasize a ‘less-liberal’ perspective to economic globalization<sup>83</sup>. Second reason relates to world trade regime. BRICS are firmly committed to the multilateral framework at WTO with all its safety valves, derogations, exceptions, limited market openings on agriculture, services, public procurement, restricted scope of regulatory cooperation, harmonization and the ultimate power of each state to either accept or decline to WTO dispute settlement decisions<sup>84</sup>. Developed countries in contrast have tried to push forward further liberalizations first at the WTO and now on the bilateral and plurilateral track. The crucial insight here is that the BRICS appear to give more emphasis to the role of state in governing and directing economic development in particular and markets in general.

Indeed, the prevalence of state-owned enterprises (SOEs) in China, India and Brazil<sup>85</sup> and the acknowledgement of their ‘important role’ in, for example, the 2014 Summit declaration<sup>86</sup> suggests that such economic partnerships are less ‘liberal’ and ‘market-oriented’ than their Western counterparts. Similarly, research on Chinese and Indian regional trade deals also provides evidence that while BRICS countries adhere to WTO, they are much less inclined to further liberalize non-trade areas like labor and intellectual property rights or to address WTO-plus issues like the liberalization of agriculture, financial services, procurement, and technical barriers to trade<sup>87</sup>. For this reason we consider it possible that BRICS produce new norms for economic cooperation rather than assimilating the more ambitious and market-oriented norms of the West. The focal point of difference here is the relation between public and private authority. To affirm this interpretations, however, we need to consider MRTAs.

In Ufa Summit the BRICS adopted the Strategy for the BRICS Economic Partnership (SEP)<sup>88</sup>. The strategy covers eight broad areas of cooperation, extending well beyond tariff and customs issues to include even issues such as regulatory cooperation. In SEP the BRICS ‘reaffirm the value, centrality and primacy of the multilateral trading system in world trade regulation and their commitment to strengthen the rules-based, transparent, non-discriminatory, open and inclusive multilateral trading system as embodied in the WTO’.<sup>89</sup> BRICS also emphasize the role of macroeconomic and trade policy coordination – that is, state level cooperation in economic matters – and the need to develop public-private partnership as a mechanism to attract resources for state and private sector cooperation<sup>90</sup>. Within the context presented here we interpret this new initiative as BRICS commitment to cooperate on economic and developmental matters on their terms and within the auspices of the WTO. With regard to Western push for more market-oriented or developed country led governance of global economy, the BRICS seem to be divergent.

Does this amount to an alternative vision for economic globalization? With regard to the present trade regime within the WTO context the answer is negative. However, the nature of this question is relative to the visions of other actors at stage, that is, the Western visions. With regard to the Western vision as we will show below, the BRICS are being different – but perhaps not too different not to cooperate in the future.

#### **4.4. Divergent Foreign Policy?**

NDB is just one albeit important initiative of the BRICS. Indeed, not even economic and financial cooperation encompass the whole spectrum of BRICS cooperation. Since the very beginning the BRICS have demanded reform of the UN and increasingly since 2011 taken positions on world conflicts on the basis of the fundamental principles of the BRICS. Let us now see whether there is any relevance in world politics with these principles.

BRICS foreign policy is characterized by adherence to the principles of state sovereignty, regional integrity, and non-interference<sup>91</sup>. Another feature is the separation of particular state interests and BRICS positions. In this regard, the BRICS approach to foreign policy is similar to its financial policies: neither China nor Russia can dictate BRICS common positions. This may be interpreted as a lack of internal cohesion, or as a distinct feature of the BRICS cooperation. To explore this issue, we will examine the role of sovereignty and pluralism as the common denominators of BRICS and, in particular, of its three largest members.

In the Concept of the Foreign Policy of the Russian Federation, remarkably strong emphasis is placed on the ‘partnership of cultures, religions and civilization and harmonious development’<sup>92</sup>. At the same time, Russia warns against imposing ‘one’s own hierarchy of values’, expressing a firm rejection of unilateralism and to any destructive use of ‘human rights concept to exert political pressure on sovereign states.’ World order, we read, should be based on civilizational partnership, state sovereignty, and non-interference in domestic matters<sup>93</sup>. Instead of a universal direction for the future of globalization, we interpret, Russia aspires to a pluralist globalization that opposes what is perceived as Western universalism. Indeed, according to Mäkinen and Turoma<sup>94</sup> Russia is undergoing an ideational delinking from Western values and a quest for a Russian identity. Ukrainian crisis provides additional prism through which to establish this point. Mearsheimer for example writes that Russian geopolitical interests are threatened by the expansion of the liberal West<sup>95</sup>: a liberal Russia would hardly oppose a liberal Ukraine at its borders.

The different concepts of the previous paragraph include identity and civilization, geopolitics and conflicts, sovereignty and cooperation, western values and unilateralism. These concepts resonate with the fundamental values of the BRICS and mark a difference between the Westphalian international order, based on state sovereignty, and the modern (or Western) international order, based on confederalism<sup>96</sup> – yielding of state sovereignty for overlapping supranational authorities.

According to Barry Buzan<sup>97</sup>, China's foreign policy since the economic reforms of 1978 is characterized by (among other things) a desire to achieve a more multipolar and less US-dominated world order, territorial integrity, social stability, and the current political order. In various studies, however<sup>98</sup>, China's adherence to the world trade system has been seen as an indicator of China's relation to the global order as a status quo power with much to gain from cooperation. In his speech to American public in September 2015 Xi Jinping<sup>99</sup> stated that 'China will never close its open door to the outside world [and that o]pening up is a basic state policy of China.'

Yet it is questionable whether China's desire to benefit from economic cooperation equates with acceptance of a Western-led world order – which is, after all, much more than just the exchange of goods and services. In other words, can China's strong civilizational identity and its long history as Asia's Middle Kingdom be led to a process of assimilation through economic transactions? That idea is quite in contrast with the revitalized *tianxia* tradition in China, which refers to a tributary system of territorially sovereign states with China as the central power and leader among them<sup>100</sup>. Moreover, not even in president Jinping's speech addressed to the Americans can you find any implications on political and economic integration. Instead, Jinping stated that relations between US and China should be based on cooperation and mutual understanding, not integrations. President Jinping also noted that '[i]f China and the U.S. cooperate well, they can become a bedrock of global stability and a booster of world peace'.<sup>101</sup> Finally, van der Pijl's analysis shows that Chinese communist party still retains control over Chinese society, which evidences that the commercial ties between 'transnational capitalism' have not transnationalized Chinese political system<sup>102</sup>.

What about India? One authoritative and often quoted perspective on Indian foreign policy was written by independent group of analysts and policy makers and first presented in 2012 for an audience of present and former National Security Advisers, Foreign Secretaries, Ambassadors and High Commissioners and policy analysts<sup>103</sup>. This policy report, *Non-Alignment 2.0: A foreign and strategic policy for India in the 21st century* we read that 'India must remain true to its aspiration of creating a new and alternative universality'. Moreover, the report describes India as the most 'Western' among non-western powers, though rooted in Asia. As such, India is committed to democracy, but does not 'promote' democracy. Nor does India, according to the report, 'see it [promotion of democracy] as an ideological concept that serves as a polarizing axis in world politics.' With regard to US, 'the relative decline of the American alliance system is already evident,' and India should be cautious of unduly close ties with the US while pursuing a policy of 'strategic autonomy'. This does not add up to non-cooperation with the major Western power. In fact, with regard to the assertive China, cooperation with US offers a key counterbalance.<sup>104</sup> On the other hand, other researchers argue that a defining factor of an Asian Century are the ties between China and India – not between India and US<sup>105</sup>.

As a member of BRICS, RIC, NDB, AIIB and soon also of SCO, India does have strong connections and common interests with China and Russia. At the same time, during Modi's leadership India is also working hard to improve connections with the US. In January 2015

Prime Minister Narendra Modi and President Barack Obama issued a Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region with the goal of promoting peace, prosperity and stability in the area. US and India indeed have a common interest to rebalance against China. A report issued by Council of Foreign Relations in 2015 emphasizes this aspect of India's foreign policy environment and recommends increased ties and future membership at the US-centred TPP. In consequence, while part of the Eurasian new initiatives, India is also keeps 'open doors' towards the West. From a strategic perspective, this can be seen as a viable policy. However, one will have to bear in mind that in order to cooperate with multiple actors and adversaries, one would need to remain nonaligned.

The BRICS principles of independence, sovereignty, and territorial integrity align with the above perspectives on Russian, Chinese, and Indian foreign policy. It has been argued that the BRICS are united more by their opposition to US dominance than by any common interest<sup>106</sup>. This interpretation fails to take account that adherence to civilizational pluralism does not preclude disagreement on specific issues such as foreign policy. Civilizational pluralism does, however, obstruct conformity in culture, habit, political systems and governance. It does not preclude cooperation but it does obstruct or limit supranationalism, confederalism and conformism in world politics.

Let us now shortly consider the cases of Arab-Israeli, Syrian, and Iranian conflicts in order to increase our grasp of how the aforementioned perspectives and the BRICS principles are reflected on BRICS position on these conflicts. We have chosen these cases because US interest and positions have been strong in all them while not a single BRICS country has a particularly strong interest. Ukrainian case for example is dear to Russia and BRICS positions on it are damped. For example at the 2014 and 2015 Summits, BRICS expressed their 'deep concern with the situation in Ukraine' and emphasized that 'there is no military solution to the conflict'<sup>107</sup>, so avoiding either blaming the US or supporting Russia's strategic interests.

At the 2012 Summit, BRICS urged those involved in the Arab-Israeli conflict to rebuild mutual trust while 'avoiding unilateral steps, in particular settlement activity in the Occupied Palestinian Territories,' encouraged 'broad national dialogue' in Syria and respect for 'Syrian independence, territorial integrity and sovereignty,' and expressed their support for a peaceful resolution of the Iranian nuclear dispute<sup>108</sup>.

In 2013 the language was stronger with regard to the Arab-Israeli conflict and Iranian nuclear dispute. In place of 'avoiding unilateral steps,' the BRICS countries were 'deeply concerned' about Israeli settlement policy, 'which is a violation of international law and harmful to the peace process.' And in place of support for a peaceful resolution of the Iranian issue, the BRICS expressed their 'concern about threats of military actions as well as unilateral sanctions' by the US and its allies<sup>109</sup>.

In 2014 and 2015, the BRICS used the words 'we oppose' in reference to Israeli settlement policy, which was said to 'violate international law' and 'gravely undermines peace efforts'. Thus, 'deep concern' was replaced with active word 'to oppose', and 'harmful' was replaced with 'gravely undermining'. In the case of Syria, BRICS avoided taking sides with either the rebels (allegedly supported by the US) or the Syrian government (allegedly supported by Russia). The BRICS position on Iran, on the other hand, has continued to support Iran's right to develop a peaceful nuclear capacity, in opposition to economic sanctions and military intervention<sup>110</sup>.

The BRICS position on Iran stands in stark contrast to the position of earlier US administrations. Neoconservative *Time* columnist Charles Krauthammer echoed President Bush in arguing that Iran is dangerous because it is ruled by an unstable government of fundamentalist fanatics, who not only want to destroy Israel but are in pursuit of chaos. Krauthammer argued that chaos and destruction create the conditions for Mahdi to ascend on earth and to lead the rightful Shias to an eternal bliss<sup>111</sup>. Against this, BRICS see no such a threat from the Shias. Neither is there mention of Iran's alleged support for what the US government has described as terrorist organizations in the Palestinian territories and Syria. Instead, at the 2014 and 2015 Summits, BRICS expressed support for the establishment of a Middle East zone free of nuclear weapons, implying that Israel's alleged nuclear weapons should be treated in the same way as the alleged program in Iran. At the Ufa Summit in 2015, BRICS stated their desire for closer cooperation with SCO and its observer states, including Iran.

BRICS foreign policy statements against Israeli settlements have grown stronger. Some researchers like Guy Burton<sup>112</sup> argue that despite this rhetoric support for the Palestinian cause, not much is being done in active support. On Syria, there has been no significant change in rhetoric in the BRICS documents. China and Russia on the other hand, as permanent members of the Security Council, have vetoed UN operations under the auspices that President Assad has not requested support. US commenced targeted air strikes in the end of 2014 without request from the Syrian government. In autumn 2015 Russia joined in after official request from Mr. Assad. Russian and Chinese positions in the UN and the subsequent Russian intervention can thus be seen to conform with BRICS principles.

Democracy promotion and responsibility to protect (R2P) is another dimension within the theme of sovereignty. BRICS 'insist that international law provides tools for achieving international justice, based on principles of good faith and sovereign equality.' They 'emphasize the need for universal adherence to principle and rules of international law in their interrelation and integrity, discarding the resort to "double standards" and avoiding placing interest of some countries above some others'<sup>113</sup>. On discursive level it appears that the BRICS subordinate UN principles such as the R2P to the principle of state sovereignty. Moreover there seems to exist antipathy towards democracy promotion or to categorization of states according to their adherence to the democratic principles. In case of Russia and China this certainly is understandable and Russian and Chinese positions on Syria further emphasize this, but also the BRICS statements lend some support to this idea. This is also the interpretation by for example Oliver Stuenkel<sup>114</sup> and the expressed opinion of former Indian UN ambassador Hardeep Puri<sup>115</sup>.

## **5. MEGA-REGIONALS TRADE DEALS**

In 2010, a year after the first BRIC Summit, the US and eleven Pacific states embarked on negotiations for a comprehensive and ambitious free trade agreement, the Trans-Pacific Partnership (TPP), and negotiations between the EU and US on the Transatlantic Trade and Investment Partnership (TTIP) were launched in 2013. The TPP countries constitute the largest export market for US goods and services, representing 44 percent of US goods exports, 85 percent of US agriculture exports, and 27 percent of US private services exports. The combined TPP countries' share of total world GDP is about 40 per cent, and the combined EU and US (TTIP) share is nearly 50 per cent. Moreover, transatlantic trade accounts for about 30 per cent of world trade<sup>116</sup>. Together, TPP and TTIP countries would

account for about 60 per cent of world GDP while the BRICS share of total GDP is only about 20 per cent<sup>117</sup>.

The official objectives of the TPP and TTIP are to boost transatlantic and transpacific trade, to increase economic growth, and to create new jobs. The instruments for achievement of these goals include three different forms of liberalization. The first cluster relates to issues of market access – that is, the opening of new markets and enhancement of access to existing markets. The second cluster relates to regulatory cooperation and so-called ‘non-tariff’ barriers to trade. A final group of issues relates to rules and standards. Most of these matters are covered by WTO agreements, but the negotiating parties have expressed their commitment to going beyond these with an ambitious WTO-plus agenda<sup>118</sup>.

In this section we set out to analyze the question of rebalancing. We are concerned with the following issues of which the latter three follow in the analysis.

- (i) Economic liberalization
- (ii) Integration of the West
- (iii) Rebalancing of economic power

## **5.1. Overview of TPP and TTIP**

The negotiating parties believe that the opening of new markets in services and procurement is economically promising<sup>119</sup>. Certainly, the services sector is the largest employer in advanced economies while procurement accounts for a significant share of GDP. In the EU, for instance, 16 per cent of GDP is accounted for by government procurement<sup>120</sup>. The aim of the negotiating parties is to achieve the most ambitious possible liberalization of services. In official statements of negotiating objectives, no exclusions are made in indicating that all WTO sectors – health, education, insurance and so on – are on the table (other than those services supplied on a non-commercial basis or non-competitively). With regard to procurement, laws requiring local content (like the Buy American Act) are to be relaxed, and threshold values for international bidding contests are to be lowered<sup>121</sup>.

Along with the opening of new markets, TPP and TTIP tackle a broad range of non-tariff or ‘behind the border’ barriers. All of these originate in government regulation, for different purposes such as consumer safety and environmental protection. Safety regulations, procedures for safety assessments, quality controls and licensing impose preconditions for market access that must be met thus creating costs for companies. Different set of regulatory systems impose additional costs through multiple set of requirements thus multiplying the administrative costs. While these issues are covered by WTO agreements they also are subject to safeguards and exceptions. For example, the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) has not prevented a battle between the EU and the US at the WTO’s dispute settlement body over the safety of genetically modified foods and pathogen treatments<sup>122</sup>.

The WTO-plus agenda includes mechanisms to help overcome such long-standing disputes both in old and new issues in addition to reducing the cost for doing business (Lamy, 2015: 67–8). The mechanisms include regulatory cooperation, harmonization, mutual recognition, promoting common standards, promoting international standards, exchange of information on upcoming regulatory changes and ensuring that these reforms

do not build new trade barriers. Due to the open ended character of regulatory cooperation (in contrast to a fixed set of rules), negotiating parties speak of ‘living agreements’<sup>123</sup>.

For the purpose of regulatory cooperation TPP includes 16 regulatory committees and TPP commission. Committees are responsible for ensuring that cooperation takes place, obligations of the agreement are followed, and that information of new potential obstacles and new potential areas for integration are mediated to the TPP Commission. As an intergovernmental body, TPP Commission has the ultimate right to decide upon new and upcoming changes, to supervise and to oversee the implementation of the agreement. TPP Commission does not, however, function as a dispute settlement body. Both state-to-state disputes and investor-state disputes are separated from the inter-governmental authority of TPP Commission. Compared to WTO, this is significant difference in the governance structure of the new MRTA. It is also proposed to be part of the TTIP agreement<sup>124</sup>. Table 3 enumerates the different regulatory bodies of the TPP.

**Table 1. Regulatory bodies in Trans-Pacific Partnership**

Name of the Regulatory Body	Article no
Trans-Pacific Partnership Commission	Article 27.1
1 Committee on Trade in Goods	Article 2.17
2 Committee on Rules of Origin and Origin Procedures	Article 3.32
3 Committee on Textile and Apparel Trade Matters	Article 4.8
4 Committee on Sanitary and Phytosanitary Measures	Article 7.5
5 Committee on Technical Barriers to Trade	Article 8.11
6 Committee on Financial Service	Article 11.19
7 Committee on Temporary Entry for Business Persons	Article 12.7
8 Committee on Telecommunications	Article 13.26
9 Committee on Government Procurement	Article 15.23
10 Committee on State-Owned Enterprises and Designated Monopolies	Article 17.12
11 Environment Committee and Contact Points	Article 20.19
12 Committee on Cooperation and Capacity Building	Article 21.4
13 Committee on Competitiveness and Business Facilitation	Article 22.2
14 Committee on Development	Article 23.7
15 Committee on SMEs	Article 24.2
16 Committee on Regulatory Coherence	Article 25.6

*Source* : TPP

TPP and TTIP also address non-trade issues that include intellectual property rights and labor and environmental standards<sup>125</sup>. Intellectual property rights encompass controversial issues like pharmaceutical patents and rules on generic drugs as well as the illicit distribution of software and other copyrighted material on the Internet. A framework agreement for IP already exists within the WTO, but even here, there is scope and willingness to go much further<sup>126</sup>. For example, De Micco<sup>127</sup> argues that, in the EU alone, nearly 200,000 jobs were lost in 2008 due to copyright infringements. In line with ACTA agreement<sup>128</sup> there is an interest to increase the possibilities to control and inhibit criminal use of copyrighted material on the net. Secondly, TPP includes US provisions on the patentability of new use of known substances and extension of the patent protection time.

This is of benefit for the patent holders, research and development, but decreases the competitive advantages of generics industry.

Labor standards such as the right of union membership are an extra-WTO issue. According to Bhagwati *et al.*<sup>129</sup>, China, India, and Brazil have strictly opposed further inclusion of non-trade issues within the WTO. The necessity to develop and raise not only labor and environmental standards but also other regulatory standards appears to widely accepted among for example Indian think tanks and industries. The reason for opposing their inclusion in the current trade regime is rather based on timing. Standards will be raised with the due order along with economic development. If imposed now they will inhibit the economic development by posing additional costs for the Indian industries. From developing country perspective non-trade issues and higher regulatory standards can be seen as mercantilist measures.<sup>130</sup>

## 5.2. Mega-Regionals and WTO

Whatever their political implications may be, TPP and TTIP are trade agreements that build on the existing framework structuring economic globalization. The existing framework was built during the various rounds finally leading to the Agreement Establishing the World Trade Organization, one of the three core institution of global economic governance. As a multilateral organization, however, the WTO was a compromise. It included ambitious principles but less ambitious concessions. To the right background, let us shortly dwell at the politics of WTO.

The correct answer to any question of the proper relation between state and market is usually political. And because it is a political question, there are multiple answers and interests at play. In the WTO context, the different arrangements in place to protect interests other than trade through safeguards and exceptions are a manifestation of this multiplicity<sup>131</sup>. In consequence and from the Western perspective, the result of the multilateral negotiations leading to the formation of WTO in 1994 was ‘incomplete’ liberalization, to be completed in subsequent negotiating rounds such as the protracted Doha Round.

For instance, the General Agreement on Services (GATS) covers all sectors of trade in services, from health care to insurance and tourism, but after the Uruguay Round, only 40 per cent of WTO members liberalized education. In contrast, tourism was listed by more than 90 percent of the signatories<sup>132</sup>. Government procurement (GP), another WTO issue, remains protected even in advanced countries (EU and US included), and regulations relating to local content and high threshold values for international bidding contests continue to inhibit competition<sup>133</sup>.

**Table 2. GATS Scheduled Commitments by sector**

Services sector	Number of Commitments	Commitments as share of signatory states (n=150)
Business Services	116	77 %
Communication Services	113	75 %
Construction and Related Engineering Services	87	58 %
Distribution Services	65	43 %
Educational Services	59	39 %
Environmental Services	67	45 %
Financial Services	121	81 %
Health Related and Social Services	58	39 %
Tourism and Travel Services	141	94 %
Recreational, Cultural and Sporting Services	72	48 %
Transport Services	97	65 %
Other Services	10	7 %

Source: WTO 2015: GATS Schedules

WTO-plus approach in TPP and TTIP means ambitious trade opening through increased market access, regulatory cooperation, reduction of non-tariff barriers, and the establishment of new rules and standards<sup>134</sup>. To this end, negotiating parties will have to yield portions of their sovereignty in favor of a common rules. This happens in all international agreements that are implemented as binding international law. In WTO however, the intergovernmental nature of WTO's highest decision making bodies, the Ministerial Conference and the WTO Council, imply that ultimately the states have retained their right even not to abide with their own commitments. In practice though, that right is not exercised, because generally, common rules and predictability are useful. With regard to furthering the common rules to issues such as consumer protection and safety regulations, common rules that are legally enforceable through supranational dispute settlement process, predictability and trade law becomes more politically sensitive.

For this reason TTIP and TPP have raised extensive debates and opposition even within the West. In the EU over three million citizens have signed a petition calling for stop in the ongoing negotiation between the transatlantic federations. This is also a significant issue for the BRICS. If the BRICS indeed are divergent in terms of political economy as suggested above and as indicated by the CREP as a less ambitious trade agreement, then the question of scope and regulatory depth in the MRTAs relates to the scope of depth economic globalization.

Developed countries attempted to push a relatively ambitious agenda during the Doha Round. In Cancún Ministerial conference they tried to incorporate the so called Singapore issues inherited from the Singapore Ministerial Conference in 1996 to the Doha Agenda. Singapore issues were particularly dear to EU, South Korea, Japan and US consisting of four issues: investments, competitions, transparency in public procurement and trade facilitation. Doha agenda also included expanding services commitments and tariff concessions, market access for agricultural products, stricter rules of subsidies and exceptions (trade distortions).<sup>135</sup>

Cancún ministerial failed, because India and Brazil rose to lead the developed countries against the developed country agenda. One of the key issues employed by the developing country alliance was the Western agricultural subsidies. Why would the developing and emerging countries subject themselves to stronger developed country competition when their own agriculture had to compete with subsidies western products – was one edge of

the critique leading to closing of the Cancún Conference even before all the issues on the agenda had been on the table.<sup>136</sup>

The MRTAs are now realizing an even more ambitious agenda on mega-regional level. Indeed, facing the set back of Doha Round, US trade representatives Robert Zoellick and Susan Schwab have been quoted saying, ‘we are perfectly capable of moving ahead on the bilateral track’<sup>137</sup>. Table 4 provides a synthesis of this presentation.

**Table 3. TPP and the controversial WTO issues**

Trans-Pacific Partnership (TPP)	Singapore issues and WTO+	Non-Trade issues (NTM)	Tariffs	Non-tariff measures
1. Initial Provisions and General Definitions				X
2. National Treatment and Market Access for Goods	WTO+		X	
3. Rules of Origin and Origin Procedures	WTO+			X
4. Textiles and Apparel	WTO+			X
5. Customs Administration and Trade Facilitation	SI			X
6. Trade Remedies				X
7. Sanitary and Phytosanitary Measures	WTO+			X
8. Technical Barriers to Trade	WTO+			X
9. Investment	SI			X
10. Cross-Border Trade in Services	WTO+			X
11. Financial Services	WTO+			X
12. Temporary Entry for Business Persons				X
13. Telecommunications				X
14. Electronic Commerce				X
15. Government Procurement	SI			X
16. Competition Policy	SI			X
17. State-Owned Enterprises and Designated Monopolies				X
18. Intellectual Property	WTO+			X
19. Labour		X		X
20. Environment		X		X
21. Cooperation and Capacity Building				X
22. Competitiveness and Business Facilitation				X
23. Development		X		X
24. Small and Medium-Sized Enterprises				X
25. Regulatory Coherence		X		X
26. Transparency and Anti-Corruption				X
27. Administrative and Institutional Provisions				X
28. Dispute Settlement				X
29. Exceptions and General Provisions				X
30. Final Provisions				X

Source: TPP; CETA; WTO Agreement; Capling & Ravenhill 2011; Bhagwati et al. 2015.

### 5.3. On the Politics of Mega-Regional Trade Policy

For TPP and TTIP members, access to new markets in services and procurement modifies state-market relations. We anticipate that expanding competition to formerly state-dominated areas increases the tendency towards conformity in systems of political economy within the MRTAs. This widens the operational networks of capital, further accelerating the process of norm diffusion and socialization, which is generally linked to integration by Marxist and liberal researchers alike<sup>138</sup>.

The major reason for the thesis of *political* consolidation of a dominant bloc, however, relates to regulatory cooperation – specifically, to its inherent political dimension. The proposed instruments of regulatory cooperation include harmonization, mutual recognition (i.e., treating other members’ regulations as equivalent to national regulations), coordination among regulatory authorities, and a new institution to oversee the process. This proposed new institution will play the essential role of preventing new regulatory disconformities in national legislative processes<sup>139</sup>.

This level of cooperation qualifies as what Bela Balassa<sup>140</sup> defined as positive integration and what Daniel Elazar<sup>141</sup> defines as a confederate arrangement. According to Balassa, positive integration is not confined to issues of tariffs and trade but is open-ended, with potential for further evolution. The proposed new institution and the classification of the MRTAs by the negotiating parties as ‘living agreements’ imply just this. Depending on the scope and political impact of the new regulatory institution, the commonly acknowledged problem of democratic accountability in international governance may intensify. As strong federal democracies, citizens of EU and US may demand creation of new supranational institution of political governance – which indeed would echo history of European integration.

Transatlantic federalism is certainly not a new idea. Its’ roots going back to pre WWII times. Before the outbreak of WWII Clarence Streit<sup>142</sup> propagated for a union of North Atlantic democracies to balance the Nazi threat and the Communism of the USSR. Atlantic Union Committee (the predecessor of the NATO Parliamentary Assembly) was founded in 1949, and the Atlantic Council of 1961. Atlantic union was also advocated by eminent statesmen such as Jean Monnet<sup>143</sup>. In 1962 J.F. Kennedy<sup>144</sup> for example declared,

I will say here and now, on this Day of Independence, that the United States will be ready for a Declaration of Interdependence, that we will be prepared to discuss with a united Europe the ways and means of forming a concrete Atlantic partnership, a mutually beneficial partnership between the new union now emerging in Europe and the old American Union founded here 175 years ago.

In consequence, we consider TPP and TTIP as means to promote deep economic integration along with political consolidation of the mega-regionals.

Second, the economic gains from integration<sup>145</sup> are likely to increase the relative gains of the new mega-regional economic area in contrast to BRICS. Some estimates of the size of rebalancing have already been made. According to a study commissioned by the European Commission on the economic impacts of TTIP, the EU’s GDP gains would be 0.48 % to 2027, with total US GDP growth of 0.39 % against the same benchmark. The estimated spillover effect for the rest of the world would be 0.14 % during the same period, with China and India respectively experiencing additional growth of 0.04% and 0.03%. As used by the EU and US to evaluate economic gains, this study suggests greater benefits for the

contracting parties<sup>146</sup>, although the significance of economic gains and the potential rebalancing appears minor.

Another study of the economic impact of both TTIP and TPP, conducted by Chinese economists and employing the same Computable General Equilibrium Analysis, indicated negative effects on Chinese and Indian GDP, with estimated deterioration of 0.075 % and 0.03 %, respectively. Negative gains were also forecast for all non-member states, leading to the conclusion that rebalancing is the first US aim for the two MRTAs, especially TPP. China's losses would derive mainly from decreasing exports<sup>147</sup>. These two prognoses suggest a limited impact on rebalancing of the power shift. According to Subramanian<sup>148</sup>, lowering barriers between American, Asian, and European markets will increase the comparative advantage for companies within the trading bloc, with a corresponding decline in the BRICS' competitive position globally. The effect would extend to a broad range of market access and non-tariff issues such as technical barriers to trade (TBT) (e.g., regulation of chemicals) or food and animal safety (SPS) regulations. The size of the effect will depend on the level of ambition of the MRTAs.

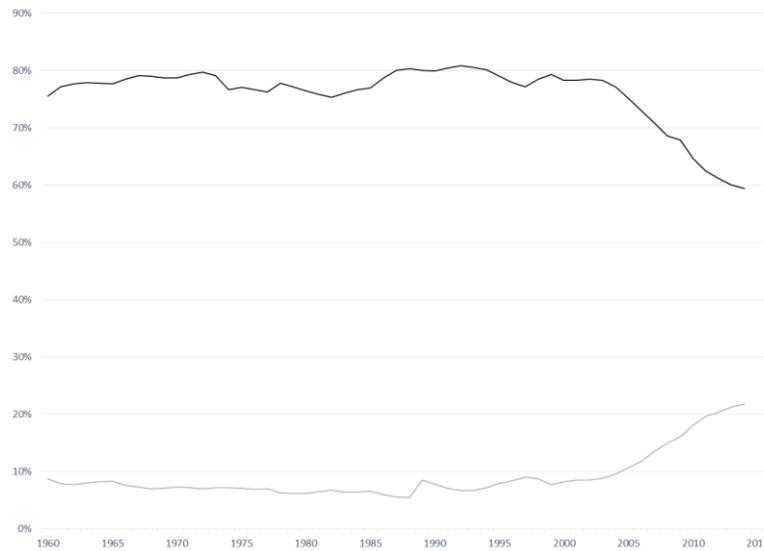
In addition, inclusion of labor and environmental standards and stricter IP rules would impose direct costs for outsiders whose labor and environmental clauses and IP standards are lower (including BRICS). If the negotiating parties can overcome their regulatory differences (particularly TBT and SPS issues) and achieve a high level of ambition, these non-tariff areas may become a significant additional cost for exporters. Then, if imports from outside the Western bloc are subjected to 'conformity assessments to determine the acceptability of their product standards', as Singh<sup>149</sup> argues, they will either have to accept the increased costs of meeting them or they will have to find new markets. The latter is not an easy option, as almost 40 % of Chinese exports go to the US, the EU, and Japan. Similarly, almost 30 % of Indian exports go to either the US or the EU<sup>150</sup>. Creation of world's largest marketplace will only increase the appeal of Western markets.

As a result, we expect some economic rebalancing through the MRTAs. From this perspective, BRICS opposition to the introduction of 'exclusive and discriminatory clauses and standards' with regional trade agreements<sup>151</sup> is understandable.

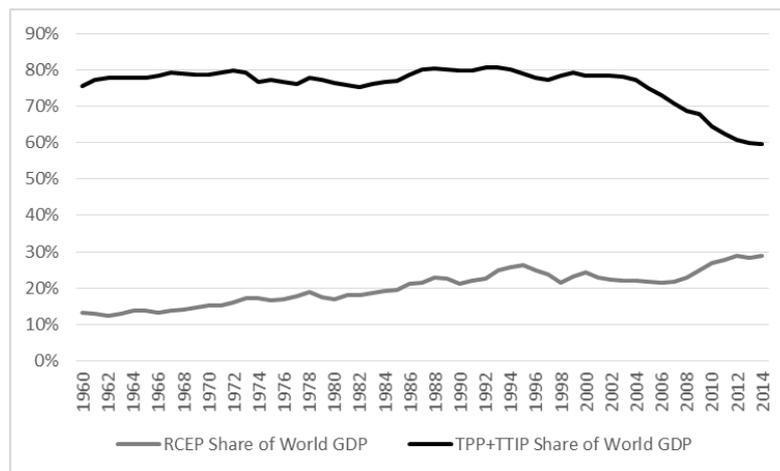
Another aspect of rebalancing relates to the reallocation of *Western* capital and investments. Increased comparative advantages for companies operating within the area of MRTAs and conformity assessment of imports will affect not only Chinese and BRICS exporters but also Western exporters operating in the Special Economic Zones (SEZ) of emerging and developing countries. Western 'merchants' are not necessarily directly interested in the predominance of US power, but states can force the issue to some extent by cutting the economic gains of manufacturing in the SEZs and increasing the gains of manufacturing in the area of the MRTAs. Moreover, if the EU structural reforms undertaken in response to the Eurozone sovereign debt crisis are successfully implemented, it is likely that labor markets and other structures will become more flexible even in the EU thus further increasing Western competitiveness. Increased relative gains through the MRTAs and 'third-worldization' of the North are likely to contribute to what President Obama envisioned in his State of the Union Speech in January 2015: the return of investors from Asia.

Adam Smith<sup>152</sup> wrote that 'it is in a great measure indifferent to him [a merchant] from what place he carries on his trade; and a very trifling disgust will make him remove his capital, and together with it, all the industry which it supports, from one country to

another.’ Through the MRTAs, Western states can provide impetus for Western capital to move back from Asia.



**Figure 1** World GDP share, TPP/TTIP and BRICS, 1960–2014.  
*Source:* World Bank.



**Figure 2** World GDP share, TPP/TTIP and RCEP, 1960–2014.  
*Source:* World Bank.

The formation of world largest trading bloc with some confederal and/or functional features increases the possibility to impose new rules and standards on the rest of the world. The two Mega-Regionals account for about 60 per cent of world GDP. The share of BRICS is left at around 20 per cent (Figure 1) and RCEP share at less than 30 per cent (Figure 2.) Table 4 show the shares of world merchandise and services trade. TPP and TTIP stand for over 40 per cent of world’s imports meaning that the new rules apply for almost half of world’s imports. RCEP share of imports is less than thirty per cent and share of exports at about 25 per cent. However, TPP members who also are members of RCEP stand for over 30 per cent of RCEP figures.

For all companies importing to the Mega-Regional area, new rules will apply. If the same companies also operate within the BRICS and RCEP, this creates incentive for the companies to demand conforming standards even in the internal markets – so as to reduce

the cost of duplicate practices.<sup>153</sup> Indeed, some countries with strong regulatory capacity like Japan and Australia are members of both the RCEP and the TPP.

**Table 4: RCEP Share in World total Trade**

RCEP-members	merchandise trade		comercial services trade	
	exports	imports	exports	imports
Brunei Darussalam	0,06	0,02	0,01	0,04
Myanmar	0,06	0,08	0,05	0,03
Cambodia	0,06	0,07	0,08	0,04
Indonesia	0,93	0,93	0,46	0,69
Lao PDR	0,01	0,02	0,02	0,01
Malaysia	1,23	1,09	0,8	0,93
Philippines	0,33	0,35	0,5	0,41
Singapore	2,16	1,92	2,84	2,96
Thailand	1,2	1,19	1,11	1,11
Vietnam	0,79	0,78	0,22	0,3
Australia	1,27	1,24	1,08	1,3
China	12,33	10,26	4,71	7,98
India	1,69	2,43	3,15	3,07
Japan	3,6	4,31	3,2	3,97
Korea, Rep.	3,01	2,75	2,14	2,38
New Zealand	0,22	0,22	0,29	0,27
<b>RCEP</b>	<b>28,95</b>	<b>27,66</b>	<b>20,66</b>	<b>25,49</b>
Of which TPP-members	9,33	9,58	8,44	9,77
TPP/TTIP-members	merchandise trade		comercial services trade	
	exports	imports	exports	imports
Australia	1,27	1,24	1,08	1,3
Brunei Darussalam	0,06	0,02	0,01	0,04
Canada	2,5	2,49	1,72	2,22
Chile	0,4	0,38	0,23	0,3
Japan	3,6	4,31	3,2	3,97
Malaysia	1,23	1,09	0,8	0,93
Mexico	2,09	2,16	0,43	0,66
New Zealand	0,22	0,22	0,29	0,27
Peru	0,21	0,22	0,12	0,16
Singapore	2,16	1,92	2,84	2,96
Vietnam	0,79	0,78	0,22	0,3
United States	8,53	12,64	13,92	9,44
European Union	14,98	14,7	26,2	20,09
<b>TPP and TTIP</b>	<b>38,04</b>	<b>42,17</b>	<b>51,06</b>	<b>42,64</b>
Of which RCEP-members	9,33	9,58	8,44	9,77

Source: WTO 2015.

## 6. BATTLE FOR GLOBALIZATIONS?

This paper commenced with an exposition of a new phenomenon in global politics. The first part of this paper (sections two, three and four) provided a short description of that phenomenon, which consists of at least two dimensions – regionalism and power shifts. More explicitly, we commenced with Robert Baldwin’s concept of ‘21<sup>st</sup> century regionalism’ – in contrast with the concept of ‘new regionalism’ of 1990s. We expanded on this concept by showing that the phenomenon is not restricted to regional trade agreements but encompasses also political and security related cooperation. Thus, ‘21<sup>st</sup> century regionalism’ not only is a broader matter of global transformations but also emphasizes that unlike ‘new regionalism’ the ‘21<sup>st</sup> century regionalism’ no longer is clearly conducive to and assertive of global governance. We also provided some empirical background for the second dimension of the new phenomenon, power shifts. While we left theoretical discussion to a minor role, we linked our study to literature on global governance and power transition theory. Finally, we reviewed the ongoing debates on the two dimensions of the new phenomenon.

Through this process of contextualization, literature review, and comparative analysis of empirical data, we attempted to clarify (and justify) the idea that transformation of the current global order indeed is an ongoing process. We further attempted to provide an analytical frame for this phenomenon through expanding on previous literature. Based on this work we provided the frame and perspective for the second part of this study. More specifically, we formed the hypothesis that the new phenomenon in global politics consists of non-conforming processes of globalization and enforce the new balance of power between US (and EU) on the one hand and the Eurasian trio on the other. In consequence, we asked the question whether the new phenomenon in fact is some form of battle for different globalizations and whether the different processes are can qualify a ‘battle for globalizations’ – hypothesis.

The second part of this study focused on two case studies as evidence, BRICS and US MRTAs, TPP and TTIP. We read BRICS Joint Statements from the perspective that we developed in the first section. We then lifted up three specific areas of potential point of divergence. We studied firstly the recently launched New Development Bank. We employed multiple methods, framed textual analysis, comparative analysis and literature review. The other two areas were BRICS political economy and foreign policy perspectives, where we relied strongly upon framed literature review. With framed textual analysis and literature review we refer to the process of using a frame as the lens through which the object of study is observed. The frame in question was developed in the first part of this paper and culminates in the research hypothesis. As for the TPP and TTIP we employed comparative analysis and framed literature review as our key tools of analysis.

Research is always founded upon some premises. These relate to understanding of the ‘what is out there’ and ‘what can be known of it’, i.e., the ontological and epistemological questions of reality and knowledge. By employing an existing theory researcher chooses to build on certain premises and thus to contribute to our understanding of the world from a certain perspective. In similar manner, this paper was build on a premise: the idea that globalization may be in a process of disintegration or conflict. Let us now review the results of our analysis and the reservations of it. In other words, let us see what our evidence suggest for thesis of a ‘battle for globalizations’.

With regard to BRICS a key insight is that BRICS is an evolving process. Its members states are by far unitary and important strategic and territorial cleavage points exists within its three most powerful members. Within the context of global governance, however, the strategic and territorial differences do not appear to obstruct cooperation. NDB is the perhaps the best case of this. It appears that NDB is an instrument to reconfigure the previous development finance but it can also affect global financial governance of the world.

Does this amount to a battle for globalizations? Our understanding is, that while NDB does seem to reject the development policy of the Bretton Woods system, it is likely to become a complementary institution as well as a source for complementary development policy. Now that IMF has granted China a larger share in SDR it appears likely that through the political leverage of NDB and AIIB, the emerging countries could gain stronger role even in the 'dominant' institutions of global financial governance. For this reason, thesis for a battle for globalizations is not viable. Instead, our evidence suggest that world financial governance is becoming more diverse. Potential for conflict abides rather in the potential quest by China for financial dominance – if that quest is not acceptable for China's Western counterparts and the other two Eurasian giants.

The political economy of the three major BRICS countries as far as we in this paper were able to analyze also shows semblances of divergence. Nevertheless, the cleavage points are not directly related global economic governance. One could argue that divergences of the three major BRICS countries stands as a reason for negotiating Regional Comprehensive Economic Agreements – a 'low quality' trade agreement. However, interviews with Indian experts seem to reverse this policy based interpretation. Instead, Indian experts view RCEP as a means to advance within the current trade regime with a sort of slow motion, which would be necessary because of the high costs or impossibility to upgrade regulatory standards and labor laws on a quickly. In consequence, as far as India is concerned, political economy divergence is rather a matter of development rather than divergent perceptions of the overall benefits of trade (in the long run). Similarly, China has already expressed its desire to join TPP.<sup>154</sup>

Besides development finance, foreign policy statements by the BRICS stands as evidence for some disagreement concerning the fundamental values of democracy and human rights. More specifically, BRICS perception of national integrity and state sovereignty collide with promotion of democracy and military interventions as part of R2P. However, only Russia and China have actively engaged in countering these policies. Nevertheless, this critical stance does not mount up to a battle for globalizations. Instead, with the rising influence of the BRICS and SCO we may encounter a more balanced discussion on premises of R2P and democracy promotion.

What about TPP and TTIP? From the perspective of power transition theory, the MRTAs can be conceived of as means to create a stronger alliance system around the dominant power. There are two dimensions to this perspective, economic rebalancing and political integration. From this perspective, the creation of a market place that account for about 60 percent of world trade can arguably be presented as such a measure. The actual effects of rebalancing economic powers shifts, however, seem to of minor scale. The mechanism is firstly the increased efficiency within the MRTAs and secondly the rising cost of at least certain imports from the BRICS to the MRTA-areas. Together these mechanisms increase the comparative advantages of the MRTA members and correspondingly decrease the comparative advantages of outsiders. Secondly, because of the upgraded regulatory cooperation and founding of common institutions, the logic of economic integration as a

foundation for further political cooperation seems to exist. This holds in particular for EU and US whose bilateral relations have a clear federalist undercurrent.

Power transition theory would also suggest that alliances are the means to provide incentives for outsiders and potential challengers to opt for cooperative strategies with the dominant group of states. China's reactions to TPP already provide evidence for this. However, this does not amount to dissolution of the BRICS. As far as intra-BRICS cooperation in various issues like agriculture and health, and as far as the new financial institutions are concerned, TPP and TTIP do not have any direct effect on them. Thus, TPP and TTIP do not seem to provide for incentive not to further the BRICS cooperation. Interestingly, this deepening cooperation does not preclude the likely effect of MRTAs on global trade regime. It was said already in early stages of negotiations for both TPP and TTIP that they provide a new gold standard for trade and there is nothing to suggest otherwise. Indeed, the overlap of RCEP and TPP memberships, China's willingness to join TPP and the sheer size of the MRTAs leave little space to contradict this interpretation. Indeed, some of the expert interviews after Nairobi Ministerial Conference suggested that TPP is now going to set the stages for multilateral trade negotiations too.

In conclusion, MRTAs and BRICS do not appear to be conflicting processes. They can exist simultaneously. MRTAs effect on the evolution of global trade regime and BRICS contribute to a diversification of development finance and US or Western foreign policy. BRICS may not be an instrument for new international order as far global trade regime is concerned, but our evidence suggest that in development and foreign policy BRICS seems to have the potential to contribute to a more balanced or even a multipolar world order. Economic globalization however seems to be on the track of further integration after fifteen years of stalemate within the WTO framework. However, while TPP and TTIP seem likely to set the direction of global trade regime, they cannot force developing countries to yield their development concerns. Instead, TPP and TTIP would seem likely to give an incentive to take steps for domestic reforms on the path of development – in order to be ready for the MRTAs in the future.

Consequently, we reject the thesis of a battle for globalizations. We do however adopt the thesis for a more diversified globalization in the realms of finance, development and politics. As for economic globalization, diversification is likely to be only an intermediate period.

Finally some reflections on the phenomenon of global transformations. This paper offered a case study on the phenomenon. With the realization of MRTA the effects of power transitions seem not likely to lead to a reconfiguration of global trade rules according to the goals and objectives of China nor any other of the rising powers. Trade still seems to be conducive to and assertive of economic globalization. Interestingly, this effect can be attributed to the former dominant power and EU.

Our analysis of BRICS suggest that 21<sup>st</sup> century regionalism also has a drive towards a multipolar and more inclusive governance of at least development policy and crisis management. It seems probable that BRICS, SCO and RIC conduce to a more balanced global political, environmental and security related cooperation. In this restricted and nuanced sense, a new world order is emerging.

## ACKNOWLEDGEMENTS

Despite of its shortcomings, this paper has already accumulated a sizeable intellectual debt. We are grateful to prof. Heikki Patomäki, University of Helsinki, Finland; prof. Tapio Raunio, University of Tampere, Finland; Dr. Saara Särämä, feminist think tank Hattu, Finland; Vice President Samir Saran, Senior Fellows Jayshree Sengupta, P. K. Ghosh, and Britta Peterson at Observer Research Foundation, New Delhi, India; Mr. Michele Monelli, EU Delegation to India; Ms. Ritva Haukijärvi, Embassy of Finland, India; Dr. Arpita Mukherjee, Indian Council for Research on International Economic Relations (ICRIER); Prof. Abhijit Das, Indian Centre for WTO Studies; Mr. Pranav Kumar, Confederation of Indian Industry (CII); and Mr. Chad R. Norberg from the Embassy of United States of America, India.

Finally, Mr. Juutinen, the primary author of this paper acknowledges his immense intellectual debt and deeply felt gratitude to Emeritus Professor Jyrki Kähkönen, the supervisor of this paper.

## BIBLIOGRAPHY

### References:

- Adlung, Rudolf and Carzaniga, Antonia (2001) 'Health services under the General Agreement on Trade in Services', *Bulletin of the World Health Organization* 79:4, 352–364.
- AiIB (2015), Asian Infrastructure Investment Bank, <http://www.aiibank.org/html/pagemembers/>, 14 July 2015.
- Atkinson, Carol (2015), 'US Strategic preferences in the early twenty-first century', *Defense & Security Analysis* 31(1): 35-43.
- Babb, Sarah (2013) 'The Washington Consensus as transnational policy Paradigm: Its origins, trajectory and likely successor', *Review of International Political Economy* 20:2, 268–297.
- Balassa, Bela (1962) *The theory of economic integration*, London: Allen & Unwin.
- Baldwin, R. (2011), '21<sup>st</sup> Century Regionalism: Filling the gap between 21<sup>st</sup> century trade and 29<sup>th</sup> century trade rules', *CEPR Policy Insight*, No. 56.
- Barma, Naazneen, Giacomo Chiozza, Ely Ratnerand and Steven Weber (2009) 'A World Without the West? Empirical Patterns and Theoretical Implications', *Chinese Journal of International Politics* 2:4, 525-544.
- Bartsch, Detlef (2014) 'GMO regulatory challenges and science: a European perspective', *Journal of Consumer Protection and Food Security*, 9:1, 51–8.

Baru, Sanjaya (2015) 'Power shifts and new blocs in global trade', in Baru, Sanjaya and Dogra, Suvi (eds.) *Power Shifts and New Blocs in the Global Trading System*, London: Routledge, pp. 11–16.

Bhadrakumar, M.K. (2007), 'NATO of the East', *Asia-Pacific Journal: Japan Focus*.

Bhagwati, Jagdish, Krishna, Pravin and Panagariya, Arvind (2015) 'Where is the world trade system heading?', in Baru, Sanjaya and Dogra, Suvi (eds.) *Power Shifts and New Blocs in the Global Trading System*, London: Routledge, pp. 17–38.

Bi, Huimin, Xiao, Hao and Xiao, Mingzhi (2013) 'The Impact of TPP and TTIP on the International Trade in China: A Computable General Equilibrium Analysis', *Business Intelligence and Financial Engineering (BIFE)*, Hangzhou, pp. 206–210.

Bond, Patrick & Garcia, Ana (eds.), 2015, *BRICS: An Anti-Capitalist Critique*, London: Pluto Press.

Bradford, Anu (2012), 'The Brussels Effect', *Northwestern University Law Review* 107(1): 1–67.

BRIC I (2009), *Joint Statement of the BRIC Countries Leaders*, 1<sup>st</sup> BRIC Summit.

BRIC II (2010), *Joint Statement*, 2<sup>nd</sup> BRIC Summit.

BRICS III (2011), *Sanya Declaration and Action Plan*, 3<sup>rd</sup> BRICS Summit.

BRICS IV (2012), *Delhi Declaration and Action Plan*, 4<sup>th</sup> BRICS Summit.

BRICS V (2013), *eThekwin Declaration and Action Plan*, 5<sup>th</sup> BRICS Summit.

BRICS VI (2014), *Fortaleza Declaration and Action Plan*, 6<sup>th</sup> BRICS Summit.

BRICS VII (2015), *Ufa Declaration and Action Plan*, 7<sup>th</sup> BRICS Summit.

Broomfield, Emma (2003) 'Perceptions of Danger: the China threat theory', *Journal of Contemporary China* 12:35, 265–284.

Brzezinski, Zbigniew (1997) *The Grand Chessboard. American Primacy and its Geostrategic Imperatives*, New York: Basic Books.

Brütsch, Christian and Papa, Mihaela (2012) 'Deconstructing the BRICs: Bargaining Coalition, Imagined Community or Geopolitical Fad?', *CRP Working Paper* 5 October.

Burton, Guy (2015) 'Pulling their Punches: BRIC Foreign Policies in the Middle East', in Aharon Klieman (ed) *Great Powers and Geopolitics: International Affairs in a Rebalancing World* London: Springer, pp. 207–230.

Buzan, Barry (2014) 'The Logic and Contradictions of "Peaceful Rise/Development" as China's Grand Strategy', *The Chinese Journal of International Politics* 7:4, 381–420.

Capling, Ann and Ravenhill, John (2011) 'Multilateralising regionalism: what role for the Trans-Pacific Partnership Agreement?', *The Pacific Review* 24:5, 553–575.

Carroll, William K. (2010), *Making of a Transnational Capitalist Class: Corporate Power in the 21st Century*, London: Zed Books.

Chan, Steve (2014) 'So What About a Power Shift? Caveat Emptor', *Asian Perspective* 38:3, 363–385.

CFP (2013) '*Concept of the Foreign Policy of the Russian Federation*', The Ministry of Foreign Affairs of the Russian Federation.

Chossudovsky, Michel (1997), *The Globalization of Poverty: Impacts of Imf and World Bank Reforms*, London: Zed Books.

CIA (2015), *The World Factbook*. Available at <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2119rank.html>, 18 December 2015.

Clinton, William J. (2000), 'Letter to Congressional Leaders on Permanent Normal Trade Relations Status With China', in *Weekly Compilation of Presidential Document* Vol 36(4), Office of the Federal Register, National Archives and Records Administration, January 24, 2000.

Cohen, Benjamin J. (2012) 'The Yuan Tomorrow? Evaluating China's Currency Internationalisation Strategy', *New Political Economy* 17:3, 361–371.

De Micco, Pasquale (2013) *Does Acta Still Matter? Protecting intellectual property rights in international trade*, Directorate General for External Policies of the Union.

Drezner, Daniel W. (2014), 'The System Worked: Global Economic Governance during the Great Recession', *World Politics*, 66, pp 123-164.

Dunmire, Patricia L. (2015), 'Beyond Space and Time', *Critical Discourse Studies*, 12:3, 297-312.

EC (2014) *Public procurement*, European Commission, 31 October, accessed at <http://ec.europa.eu/trade/policy/accessing-markets/public-procurement/>, 27 July 2015.

EC (10.2.2015), *Initial Provision for Chapter [ ] Regulatory Cooperation*. Accessible at [http://trade.ec.europa.eu/doclib/docs/2015/february/tradoc\\_153120.pdf](http://trade.ec.europa.eu/doclib/docs/2015/february/tradoc_153120.pdf)

Elazar, Daniel J (1998) *Constitutionalizing Globalization. The Postmodern Revival of Confederal Arrangements*, Oxford: Rowman & Littlefield Publishers.

Ferguson, Niall (2011), *Civilization. The West and the Rest*. New York: Penguin Press.

Fleming-Williams, Mark (2015) 'China's New Investment Bank: A Premature Prophecy', *Stratfor. Global Intelligence*, 22 April, accessed at <https://www.stratfor.com/weekly/chinas-new-investment-bank-premature-prophecy>, 10 June 2015.

Fourcade, Marion (2013) 'The material and symbolic construction of the BRICs: Reflections inspired by the RIPE Special Issue', *Review of International Political Economy* 20:2, 256–267.

Frank, Andre Gunder (1998) *ReOrientation: Global Economy in the Asian Age*, Berkeley: University of California Press.

Glinavos, Ioannis (2008), Neoliberal Law: Unintended consequences of market-friendly law reforms. *Third World Quarterly*, 29: 6, 1087-1099.

Hamilton, Daniel (2014) 'America's Mega-Regional Trade Diplomacy: Comparing TPP and TTIP', *The international spectator: Italian Journal of International Affairs* 49:1, 81–97.

Haukkala, Hiski and Jakobson, Linda (2009) 'The Myth of a Sino-Russian Challenge to the West', *The International Spectator* 44:3, 59–76.

Held, D., McGrew, A. (eds.) 2002, *Governing Globalization. Power, Authority and Global Governance*, Cambridge: Polity Press.

Hoekman & Kostecki 2001. Hoekman, Bernard M. & Kostecki, Michel M. (2001), *The Political Economy of the World Trading System. The WTO and Beyond*, Oxford: Oxford University Press.

Huntington, Samuel (1996) *Clash of Civilizations and the Remaking of World Order*, New York: Simon & Schuster.

Huntington, Samuel (1999) 'The Lonely Superpower', *Foreign Affairs* 78:2, 35–49.

G20 (2008) *Declaration*, Summit on Financial Markets and World Economy, 15 November.

G20 (2009) *Leader's Statement*, London Summit, 2 April.

G20 (2014) *Leader's Communiqué*, Brisbane Summit, 15–16 November.

Gilpin, Robert (2001), *Global Political Economy. Understanding the International Economic Order*, Princeton: Princeton University Press.

Goldman Sachs Group (2007), *BRICS and Beyond*, New York: Goldman Sachs Global Economic Group.

Gruzalski, Bart (2015), Attempt to Pre-Empty the Post-Dollar World. *Modern Diplomacy*. [http://www.moderndiplomacy.eu/index.php?option=com\\_k2&view=item&id=748:attempt-to-pre-empty-the-post-dollar-world&Itemid=490](http://www.moderndiplomacy.eu/index.php?option=com_k2&view=item&id=748:attempt-to-pre-empty-the-post-dollar-world&Itemid=490) read June 7, 2015.

Hobson, John M. (2004), *Eastern Origins of Western Civilization*, Cambridge: Cambridge University Press.

Hoekman, Bernard M. and Kostecki, Michel M. (2001) *The Political Economy of the World Trading System. The WTO and Beyond*, Oxford: Oxford University Press.

Ikenberry, John (2001) *After Victory. Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, Princeton: Princeton University Press.

Ikenberry, John (2008) 'The rise of China and the future of the West', *Foreign Affairs* 87:1.

IMF (2015a), *Doubling of quotas and major realignment of quota shares*, available at <http://www.imf.org/external/np/exr/facts/quotas.htm>, 16.10.2015.

IMF (2015b), *IMF Members' Quotas and Voting Power, and IMF Board of Governors*, available at <https://www.imf.org/external/np/sec/memdir/members.aspx>, 16.10.2015.

Indian Ministry of External Affairs (2015), *Joint Communiqué of the 13th Meeting of the Foreign Ministers of the Russian Federation, the Republic of India and the People's Republic of China*, February 2, 2015.

Jacques, Martin (2012) *When China Rules the World. The End of the Western World and the Birth of a New Global Order*, London: Penguin Books.

Jiang, Yang (2014) 'Vulgarisation of Keynesianism in China's response to the global financial crisis', *Review of International Political Economy* 22:2, 360–390.

Jinping, Xi (2015), 'Chinese President Xi Jinping's Address to the American Public', The National Committee on U.S.-China Relations, September 22, 2015.

Juutinen, Marko (2013) *Neoliberal Civilization: Definition, Evaluation and Trends*, Tampere: University of Tampere, School of Management.

Kennedy, John F. (4.7.1962), *Declaration of Interdependence*, accessible at <http://www.jfklibrary.org/Asset-Viewer/RrjaDhW5B0OYm2zaJbyPgg.aspx>, 24.12.2015.

Khilnani, Sunil, Kumar, Rajiv, Bhanu Mehta, Pratap, Menon, Prakash, Nilekani, Nandan, Raghavan, Srinath, Saran, Shyam and Varadarajan, Siddharth (2012) *Nonalignment 2.0. A Foreign and Strategic Policy for India in the Twenty First Century*, New Delhi: National Defense College and Centre for Policy Research.

Krajewski, Markus (2003) *National Regulation and Trade in Liberalization in Services. The Legal Impact of the General Agreement on Trade in Services (GATS) on National Regulatory Autonomy*, London: Kluwer Law International.

Ratha, Keshab Chandra and Mahapatra, Sushanta Kumar (2015), 'Recasting Sino-Indian Relations: Towards a Closer Development Partnership', *Strategic Analysis* 39(6): 696-709.

Kumar, Niraj (2013) 'Asia in Post-Western Age', *Journal of Indian Research* 1:1, 8–30.

Kumar, Niraj (2014) *Asia in Post-Western Age*, New Delhi: KW Publishers.

Käkönen, Jyrki (2014) 'BRICS as a New Power in International Relations?', *Geopolitics, History, and International Relations*, 6:2, 85–104.

Käkönen, Jyrki (2015), 'Global Power Transition: From Trans-Atlantic to Asia-Pacific Centred Order', in P.-E. Korvela, K. Palonen, & A. Björk (eds.), *The politics of world politics*, Jyväskylä, Finland: Jyväskylän yliopisto, pp. 36-64.

Laidi, Zaki (2012) 'BRICS: Sovereignty power and weakness', *International Politics* 49:5, 614-632.

Lamy, Pascal (2015) 'Is trade multilateralism being threatened by regionalism?', in Baru, Sanaya and Dogra, Suvi (eds.) *Power Shifts and New Blocs in the Global Trading System*, London: Routledge, pp. 61–78.

- McNally, Christopher (2012) 'Sino-Capitalism. China's Reemergence and the International Political Economy', *World Politics* 64:4, 741–776.
- Malhotra, Rajiv (2013), *Being Different. An Indian Challenge to Western Universalism*, Noida: Harper Collins, India.
- Mastanduno, Michael (2002), 'Incomplete Hegemony and Security Order in the Asia-Pacific', in John Ikenberry (ed.) *After Victory. The Future of the Balance of Power*, London: Cornell University Press, pp. 181-210.
- Mearsheimer, John J. (2010) 'The Gathering Storm: China's Challenge to U.S. Power in Asia', *The Fourth Annual Michael Hintze Lecture in International Security*, University of Sydney, August 4.
- Mearsheimer, John J. (2014) 'Why the Ukraine Crisis Is the West's Fault', *Foreign Affairs* 93:5, 77–89.
- Meyer, Henning and Luenen, Chris (2008) *Transatlantic Economic Cooperation: A Reader*, London: Global Policy Institute.
- Mielniczuk, Fabiano (2013) 'BRICS in the Contemporary World: changing identities, converging interests', *Third World Quarterly* 34:6, 1075–1090.
- Mäkinen, Sirke and Tuoma, Sanna (2014) 'Discursive and material practices of space and modernization in Russia: an Introduction', *Eurasian Geography and Economics* 55:6, 579–587.
- Nataraj, Geethanjali, Bhunia, Abhirip, Bhunia & Garima Sahdev (2015), 'The Changing Global Trade Regime and Emergence of Mega FTAs: Strategy for India's External Sector Sustainability', *OFR Occasional Paper*, Issue 56.
- Nölke, Andreas, ten Brink, Tobias, Claar, Simone and May, Christian (2014) 'Domestic structures, foreign economic policies and global economic order: Implications from the rise of large emerging countries', *European Journal of International Relations*, November 25, 2014. Doi: 10.1177/1354066114553682.
- O'Brien, Robert and Williams, Marc (2007) *Global Political Economy*, Hampshire: Palgrave Macmillan.
- Organski, A.F.K (1958), *World Politics*, New York: Alfred A. Knopf.
- Panda, Jagannath P. (2013) *BRICS and the China-India Construct. A New World Order in Making?*, New Delhi: IDSA Monograph Series No. 24.
- Pieterse, Jan Nederveen (2011) Global Rebalancing: Crisis and the East South Turn, *Development and Change* 42:1, 22-48.
- PwC (2015) 'The World in 2050. Will the shift in global economic power continue?', PwC, accessed at <http://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf>, 13 July 2015.
- Ratner, Ely (2014) 'Making Bank. Why China's new infrastructure bank represents a challenge to the global order', *Foreign Policy*, October 23, 2014. <http://foreignpolicy.com/2014/10/23/making-bank/> read 2.4.2015.

Robinson, William I. (2015) 'The Transnational state and the BRICS: a global capitalism perspective', *Third World Quarterly* 36:1, 1–21.

Rosenau, James N. (2002), 'Governance in a New Global Order', in David Held & Anthony McGrew (toim.) *Governing Globalization. Power, Authority and Global Governance*, Cambridge: Polity Press, pp. 46–69.

Saran, Samir (2015), 'India's Contemporary Plurilateralism', in David Malone, Srinath Raghavan & Raja Mohan (eds.) *The Oxford Handbook of Indian Foreign Policy*, Oxford: Oxford University Press, pp. 623–635.

SCO (2015), available at <http://www.sectSCO.org/>.

Sengupta, Jayshree (2014), 'BRICS and the new international world order', *ORF Papers*, October 29, 2014.

SEP (2015) *The Strategy for BRICS Economic Partnership*, BRICS.

Schmalz, Stefan and Ebenau, Matthias (2012) 'After Neoliberalism? Brazil, India, and China in the Global Economic Crisis', *Globalizations* 9:4, 487–501.

Scott, James and Wilkinson, Rorden (2013) 'China Threat? Evidence from the WTO', *Journal of World Trade* 47:4, 761–782.

Shintaro (2014), 'Trans-Pacific Partnership versus Comprehensive Economic Partnership: Control of Membership and Agenda Setting', *ADB Working Paper Series on Regional Economic Integration*, No 146.

Singh, Harsha V. (2014) 'Implications of the Trans-Pacific Partnership (TPP) for India', *Implications of the Trans-Pacific Partnership (TPP) for China and India workshop in Beijing, China*, 21 July, The international Institute for Sustainable Development.

SIPRI (2015), *SIPRI Yearbook 2015*, Stockholm International Peace Research Institute.

Sleboda, Mark (2015) 'Ufa at the Center of the World', *The BRICS Post*, 9 July, accessed at <http://thebricspost.com/ufa-at-the-center-of-the-world/#.VaI9eGOkupg>, 12 July 2015.

Schneider, Gerald (2014) 'Peace through globalization and capitalism? Prospects of two liberal propositions', *Journal of Peace Research* 51:2, 173–183.

Sharma, Shalendra D. (2004), 'Going beyond Cancun: Realizing the development promise of the Doha Agenda', *Global Economic Review* 33(2): 17–38.

Smith, Adam (2005 [1776]) *An Inquiry into the Nature and Causes of the Wealth of Nations*, Pennsylvania: Pennsylvania State University, electronic classics series.

Snyder, Quddus Z. (2012) 'The illiberal trading state: Liberal systemic theory and the mechanism of socialization', *Journal of Peace Research* 50:1, 33–45.

Stephen, Matthew D. (2014) 'Rising powers, global capitalism and liberal global governance: A historical materialist account of the BRICs challenge', *European Journal of International Relations* 20:4, 912–938.

Streit, Clarence (1939), *Union Now. A Proposal for a Federal Union of the Democracies of the North Atlantic*, New York: Harper & Brothers.

Stiglitz, Joseph (2002), *Globalization and its Discontents*, New York: Norton.

Stuenkel, Oliver (2014), 'The BRICS and the Future of R2P. Was Syria or Libya the Exception?', *Global Responsibility to Protect*, 6 (2014): 3–28.

Subacchi, Paolo (2015) 'The AIIB Is a Threat to Global Economic Governance. The era of U.S. dominated global economic order is ending but the fragmented governance system isn't the best replacement', *Foreign Policy*, 31 March, accessed at <https://foreignpolicy.com/2015/03/31/the-aiib-is-a-threat-to-global-economic-governance>, 1 April 2015.

Subramanian, Arvind (2015) 'Ideas and power in contemporary trade development' in Baru, Sanaya and Dogra, Suvi (eds.) *Power Shifts and New Blocs in the Global Trading System*, London: Routledge, pp. 39–60.

Summers, Lawrence (1991), 'Regionalism and the World Trading System', in Lawrence Summers (ed.) *Policy Implications of Trade and Currency Zones*, Federal Reserve Bank of Kansas City, Kansas City.

Tammen, Ronald L., Jacek Kugler, Douglas Lemke, Allen C. Stam III, Carole Alsharabati, Mark Andrew Abdollahin, Brian Elfrid and A.F.K. Organski (2000) *Power Transition Strategies for the 21st Century*, Washington: CQ Press.

Tellis, Ashley J. (2015), 'The Geopolitics of the TTIP and the TPP', in Sanjaya Baru ja Suvi Dogra (eds.) *Power Shifts and New Blocs in the Global Trading System*, Oxon: Routledge, pp. 93–120.

The Hindu (2015), 'India, Pakistan become full SCO members', *The Hindu*, July 11, 2015.

TPP, Trans-Pacific Partnership Agreement.

NIC (2012), *Global Trends 2030: Alternative Worlds*, US National Intelligence Council.

USTR (2015) *Overview of the Trans Pacific Partnership*, Office of the United States Trade Representative, accessed at <https://ustr.gov/tpp/overview-of-the-TPP>, 27 July 2015.

USTR (2013) *Final Report of the U.S.-EU High Level Working Group on Jobs and Growth*, United States-European Union High Level Working Group on Jobs and Growth, February 11, accessed at <https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2013/final-report-us-eu-hlwg>, 27 July 2015.

USTR (2011) *Enhancing Trade and Investment, Supporting Jobs, Economic Growth and Development: Outlines of the Trans-Pacific Partnerships Agreement*, TPP members, November 12, accessed at <https://ustr.gov/tpp/outlines-of-TPP>, 27 July 2015.

Wallerstein, Immanuel (1984), *The Politics of the World-Economy. The States, the Movements and the Civilizations*, Cambridge: Cambridge University Press.

Van der Pijl, Kees (2012) 'Is the East Still Red? The Contender State and Class Struggles in China', *Globalizations* 9:4, 503–516.

- Varoufakis, Yanis (2013) *The Global Minotaur*, London: Zed Books.
- Vermeiren, Mattias (2013) 'The Crisis of US Monetary Hegemony and Global Economic Adjustment', *Globalizations* 10:2, 245–259.
- Williamson, John (1990), *What Washington Means by Policy Reforms*, Peterson Institute for International Economics.
- Wilson, Jeffrey (2015) 'Mega-Regional Trade Deals in the Asia-Pacific: Choosing Between the TPP and RCEP?', *Journal of Contemporary Asia* 45:2, 345–353.
- Woods, Ngaire (ed.) (2000), *The Political Economy of Globalization*, London: Macmillan.
- World Bank (2015a), *GDP (current US\$)*, accessed at <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>, 13 July 2015.
- World Bank (2015b) *Annual Report*, available at <http://www.worldbank.org/en/about/annual-report>, 16.10.2015.
- World Bank (2015c), *Investment and Development Policy Loans*, available at <http://digitalmedia.worldbank.org/projectsandops/lendingtools.htm#investment>, 16.10.2015.
- WTO (2014) *Trade Profiles 2014*, World Trade Organization.
- Yueh, Linda (2010) *The Economy of China*, Cheltenham: Edward Elgar.

---

## Endnotes:

- <sup>1</sup> Frank 1998; Kumar 2013; 2014.
- <sup>2</sup> Eg. Kumar, Niraj 2014; Baru 2015.
- <sup>3</sup> Organski 1958, 55.
- <sup>4</sup> Atkinson 2015; Dunmire 2015.
- <sup>5</sup> 2010 National Security Strategy.
- <sup>6</sup> Hamilton 2014; Tellis 2015.
- <sup>7</sup> Baldwin 2011, 24.
- <sup>8</sup> Sharma 2004.
- <sup>9</sup> TPP; Capling & Ravenhill 2011.
- <sup>10</sup> Wilson 2015; Hamanaka, Shintaro 2014; Panda 2014.
- <sup>11</sup> ALBA-TCP was founded between the socialist leaders of Cuba and Venezuela in 2004. Today its other major members are Ecuador and Bolivia – both minor economies. As the opposition won the recent congressional elections in Venezuela, bloc's biggest economy, the future of the Bolibarian alliance is unclear.
- <sup>12</sup> SCO 2015.
- <sup>13</sup> Bhadrakumar 2007.
- <sup>14</sup> The Hindu 2015.
- <sup>15</sup> Indian Ministry of External Affairs 2015.
- <sup>16</sup> Saran 2015.
- <sup>17</sup> In IMF classification the developed countries are the G7, euro-countries, Australia, Hong Kong, Israel, South Korea, Norway, San Marino, Singapore, Switzerland, New Zealand and Taiwan (Province of China). Among the EU countries, Bulgaria, Croatia, Poland, Romania and Hungary are not counted as developed.

- 
- <sup>18</sup> Among Western countries we include US, Canada, European states, Australia and Japan. This follows from three grounds, a) the prevalence of liberal democracy and free markets, which incorporates all them, b) elite level interconnections which are strongest between the transatlantic triangle including US, EU and Canada, c) the anglo-saxon cultural heritage (which excludes Japan). See Fergusson 2011 and Carroll 2010.
- <sup>19</sup> Brzezinsky 1997; Huntington 1997.
- <sup>20</sup> Clinton 2000.
- <sup>21</sup> Huntington 1997; Fergusson 2011; Malhotra 2013.
- <sup>22</sup> Hobson 2004.
- <sup>23</sup> Various BRICS Joint Declarations and RIC Joint Communiqués.
- <sup>24</sup> Wallerstein 1984; Held & McGrew 2002; Woods 2000; Rosenau 2002, 72, 73; Gilpin 2001; O'Brien & Williams 2007.
- <sup>25</sup> E.g. Wallerstein 1984; Robinson & Harris 2000; Carroll 2010; Ikenberry 2001.
- <sup>26</sup> Summers 1991.
- <sup>27</sup> See Mastanduno 2002.
- <sup>28</sup> Sleboda 2015.
- <sup>29</sup> Barma *et al.* 2009.
- <sup>30</sup> Ibid.
- <sup>31</sup> Sengupta 2014.
- <sup>32</sup> Eg., Kumar, 2013: 27.
- <sup>33</sup> Broomfield 2003.
- <sup>34</sup> Brzezinski 1997.
- <sup>35</sup> Mearsheimer 2010.
- <sup>36</sup> Drezner 2014.
- <sup>37</sup> Scott and Wilkinson 2013.
- <sup>38</sup> Robinson 2015; Bond and Garcia 2015.
- <sup>39</sup> Ikenberry 2008; Snyder 2012.
- <sup>40</sup> Laidi 2012; see also Haukkala and Jakobson 2009; Käkönen 2014; 2015.
- <sup>41</sup> Schmalz *et al.* 2012; Mielniczuk 2013; Babb 2013; Fourcade 2013.
- <sup>42</sup> Nölke *et al.* 2014; Stephen 2014.
- <sup>43</sup> McNally 2012; Van der Pijl 2012; Jiang 2014.
- <sup>44</sup> Stuenkel 2014.
- <sup>45</sup> Capling & Ravenhill 2011.
- <sup>46</sup> Bradford 2012.
- <sup>47</sup> TPP; EC 10.2.2015.
- <sup>48</sup> Capling & Ravenhill 2011; Panda 2014.
- <sup>49</sup> Nataraj *et al.* 2015.
- <sup>50</sup> Hoekman and Kostecki 2001.
- <sup>51</sup> Bhagwati *et al.* 2015.
- <sup>52</sup> Interview, Juutinen 2015; also Snyder 2012; Stephen 2014.
- <sup>53</sup> BRIC I, 2009: 1–11; G20, 2008, 2009.
- <sup>54</sup> G20, 2009.
- <sup>55</sup> BRIC I, 2009: 12–15.
- <sup>56</sup> BRIC II, 2010, 1.
- <sup>57</sup> NIC 2012: x.
- <sup>58</sup> BRIC II, 2010: 2.
- <sup>59</sup> BRIC II, 2010: 27.
- <sup>60</sup> BRICS III, 2011: 1, 15, 27, II.
- <sup>61</sup> Drezner 2014.
- <sup>62</sup> BRICS IV 2012:13; V 2013: 10.
- <sup>63</sup> BRICS VII 2015: 2.
- <sup>64</sup> IMF 2015b.
- <sup>65</sup> BRICS 2015 VII, 15.
- <sup>66</sup> NDB 2014, art. 5, 6, 8, 11.
- <sup>67</sup> NDB, art. 7.
- <sup>68</sup> IMF 2015a

- 
- 69 Sengupta 2014
- 70 ORF 2015.
- 71 IMF 2015a
- 72 World Bank 2015b.
- 73 World Bank 2015c.
- 74 Williamson 1990
- 75 Babb, 2013; Glinavos, 2008
- 76 World Bank 2015b, 19; Stern *et al.* 1.5.2013.
- 77 Stiglitz 2002; Chossudovsky 1997.
- 78 ORF 2015, V.
- 79 ORF 2015, III, IV.
- 80 See for instance Fourcade 2013; Schmalz *et al.* 2012; Mielniczuk 2013; Nölke *et al.* 2014.
- 81 BRICS IV, 2012: 5–6; V, 2013: 6–7; VI, 2014: 1, 6–9; VII, 2015: 11.
- 82 BRICS VI, 2014: 6–9.
- 83 See Stephen 2014.
- 84 Eg. Hoekman & Kostecki 2001.
- 85 Nölke *et al.*, 2014.
- 86 BRICS VI, 2014: 23.
- 87 Wilson, 2015: 347; Capling and Ravenhill, 2011: 555; Subramanian, 2015: 53.
- 88 BRICS VII, 2015: 17.
- 89 SEP, 2015: 2, 27–8.
- 90 SEP, 2015: 6, 8.
- 91 BRICS III, 2011: 9; VII, 2015: 6.
- 92 CFP, 2013: 13–14.
- 93 CFP, 2013: 20, 55, 68, 71.
- 94 Mäkinen and Turoma 2014.
- 95 Mearsheimer 2014.
- 96 Eg. Duchatek 1982; Elazar 1998.
- 97 Buzan 2014: 393
- 98 Ikenberry, 2008; Scott and Wilkinson, 2013; Chan, 2014; Robinson, 2015.
- 99 Jinping September 22, 2015.
- 100 Dreyer 2015.
- 101 Jinping September 22, 2015.
- 102 Van der Pijl 2012. William Robinson (2015) in contrast argues that the Chinese economic elites indeed seem to be willing to enter the transnational capitalist class. Even if true, that does not necessarily mean the loss of confucian and/or Chinese identity nor socialization with the Western counterparts.
- 103 The Hindu February 29, 2012.
- 104 Khinali *et al.* 2012, 123-134.
- 105 Keshab Chandra Ratha & Sushanta Kumar Mahapatra 2015.
- 106 E.g., Brüttsch and Papa, 2012; Laidi, 2012.
- 107 BRICS VI, 2014; VII, 2015.
- 108 BRICS IV, 2012: 20–22.
- 109 BRICS V, 2013: 26–28.
- 110 BRICS VI, 2014: 38, 41; VII, 2015: 39, 41.
- 111 Juutinen, 2013: 96–7.
- 112 Burton 2015.
- 113 BRICS VII, 2015: 6.
- 114 Stuenkel 2014; Destradi & Jakobeit 2015.
- 115 Puri 2012.
- 116 USRT, 2015; 2013.
- 117 World Bank, 2015.
- 118 USTR, 2011, 2013.
- 119 Ibid.
- 120 EC, 2014.
- 121 USTR, 2011, 2013.
- 122 Bartsch, 2014.
- 123 USTR, 2011; 2013.
- 124 EC 10.2.2015.
- 125 USTR, 2011, 2013.
- 126 Capling and Ravenhill, 2011: 560–561.
- 127 De Micco 2013: 26.
- 128 Anti-Counterfeiting Trade Agreement.

- 
- <sup>129</sup> Bhagwati *et al.* 2015: 25.
- <sup>130</sup> Various interviews Indian think tanks and industry organizations, Juutinen 2015. On the other hand, India is also an emerging economy with highly competitive sectors in textile and rice production. For this reason the developing country argument for safeguards and import restrictions does not hold as much water as it used to.
- <sup>131</sup> E.g., Hoekman and Kostecki, 2001: 303–4; Bhagwati *et al.*, 2015: 23–4.
- <sup>132</sup> Adlung and Garzaniga, 2001.
- <sup>133</sup> USTR, 2013.
- <sup>134</sup> USTR, 2011; 2013; Lamy, 2015: 67–8.
- <sup>135</sup> Woolcock 2005; Sharma 2004; Bouzas & Zelicovich 2014; Bhagwati *et al.* 2015.
- <sup>136</sup> Hopewell 2015; Bouzas & Zelicovich 2014.
- <sup>137</sup> Bhagwati *et al.* 2015, 18; Sharma 2004, 24.
- <sup>138</sup> E.g., Schneider, 2014; Robinson, 2015.
- <sup>139</sup> USTR, 2011, 2013; EC, 2015.
- <sup>140</sup> Bela Balassa 1962.
- <sup>141</sup> Elazar 1998.
- <sup>142</sup> Streit 1939.
- <sup>143</sup> Meyer and Luenen, 2008.
- <sup>144</sup> Kennedy 4.7.1962.
- <sup>145</sup> USTR, 2011, 2013; Francois *et al.*, 2013.
- <sup>146</sup> Francois *et al.*, 2013: 82.
- <sup>147</sup> Bi *et al.*, 2013: 207–208.
- <sup>148</sup> Subramanian 2015: 54.
- <sup>149</sup> Singh 2014:1.
- <sup>150</sup> WTO, 2014.
- <sup>151</sup> BRICS VI, 2014: 21.
- <sup>152</sup> Smith 2005 [1776]: book III, ch. iv, pp. 340.
- <sup>153</sup> See Bradford 2012.
- <sup>154</sup> Interviews, Juutinen 2015.