Trends and methods of international competition at the beginning of the XXI century: geo-economic, trade and political aspects

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International competition at the beginning of this century was influenced, to a great extent, by the change in balance of forces in the world economy, still further accelerated by global financial and economic crisis. The GDP ratio of developed and developing countries actually reached parity in 2010, and if to exclude from the group of developed countries the Asian newly industrialized economies – the Republic of Korea, Singapore, Taiwan, Hong Kong (the IMF refers them to the developed countries), then it can be stated that even now according to formal criteria the developed countries have lost their leadership in the global economy.

The main factor of these changes has been the rapid strengthening of the economies of developing and newly industrialized Asian countries and territories over the 2000s. According to the latest IMF data, the total parity GDP of this group of countries in 2010 amounted to 28% of the world GDP, as compared to less than 25% in 2000. During the same period, GDP of seven leading industrialized countries (G8 members) fell from 45.4% to 39.3%.[1] The size of China's economy is rapidly approaching that of the United States and has almost equaled the combined GDP of the euro-zone. Total GDP of China and India in 2010 reached that of the United States. In 2008-2010, the economies of China and India demonstrated phenomenally high growth rate - at the level of 9.7% and 7.25%, correspondingly. And in this very time, the economies of developed countries were in a deep recession (average annual growth rates were minus 1%). As a result, China has entrenched its role of the locomotive of the world economy: even in the midst of the crisis, in 2009, China increased import volumes by 3%.

[1] IMF World Economic Outlook, September 2001 – p.187, September 2011 – p. 167.

Still more striking was the change in the world marketplace situation: the ongoing “tectonic shifts”, the appearance of new leaders could not but further aggravate the international competition. Today, a group of developing and newly industrialized Asian countries and territories generates virtually 26% of world exports of goods and services, while in 2000 it was only 19%. At the same time, the group of leading developed countries has lost almost 13 percentage points (their share decreased from 47.7 % to 34.9%). In 2010, China’s exports of goods and services virtually reached the level of the United States, and the country nailed down its first place as the largest merchandise exporter: nearly $1.6 trillion (10.4 of the world total) as compared to $1.3 trillion for the USA being at the second place (8.4%).[2]

Table 1

Comparative position of leading countries in the world economy

(in % of the world total)

Countries and groups	**Parity GDP**		**Exports of goods and services**		**Population**	
	2000	*2010*	*2000*	*2010*	*2000*	*2010*
Developed counties	53,7	48,2	65,8	53,8	14,1	13,8
7 leading countries	45,4	39,3	47,7	34,9	11,5	10,9
USA	22,0	19,5	14,2	9,8	4,6	4,6
Other countries	46,3	51,8	34,2	46,2	85,9	86,2
Asian developing countries	21,6	24,1	9,2	15,9	52	52,2
China	11,6	13,6	3,7	9,3	21,1	19,7
India	4,6	5,5	0,8	1,9	16,6	17,5
Newly industrialized Asian countries (Republic of Korea Singapore, Taiwan, Hong Kong)	3,4	3,9	9,9	9,8	1,3	1,2
BRICS countries	21,5	25,5	7	15	44	43

Source: IMF World Economic Outlook, September 2001 – p. 187, September 2011 – p. 167.

[2] WTO World Trade Report 2011, p.33.

Rapid economic growth in Asia has turned the region into the zone of acute competition for promising markets, where the interests of almost all active participants in international trade meet. The annual growth rate of merchandise imports of China and India in 2005-2010 was more than twice of the global average rates, including that in 2010 Chinese imports increased by almost 40%. Today, 17.3% of world imports of goods fall to the share of China, India and the newly industrialized Asian economies (Republic of Korea, Singapore, Taiwan, Hong Kong): this is exactly the same as falls to the U.S. and Japan, and more than all EU imports from third countries.

With change of global economic and geo-economic configuration, geopolitical configuration changes as well. The efficiently developing economies are quite expectedly lay claim to participate in decision-making on strategic and tactical development of the world economy and international relations. BRICS countries, separately and even more when hand in hand, turn to become an increasingly important factor of global politics. Their total share in the global parity GDP in 2010 came close to 26%, and exceeded 40% as to share of the global population.

Transformation of extensive economic growth into the predominantly intensive growth with increasing innovation component turns to become an increasingly important factor in strengthening positions and competitive success of dynamic developing economies, particularly Asian economies. Moreover, there increases the role of their own innovation component, not just of that introduced by foreign TNCs (although TNCs' innovative contributions are very notable.) Total expenditure on R&D in China (121.4 billion dollars in 2008) and in the Republic of Korea (43.9 billion dollars) has already surpassed the similar total figure of three leading European countries - Germany, France and the UK.[3] The share of R&D expenditure in China's GDP increased from 0.76% in 1999 to 1.7% in 2009 (21st place in the world ranking), and in the Republic of Korea's GDP - from 2.17% to 3.36%, respectively (4th place in the world ranking). It should be noted that both in China and in the Republic of Korea, business is the main source of investment in R&D (about s of such investments in 2008), which is interested in improving its global competitiveness. In comparison, in Russia business investments provide only a bit more than a quarter of all investments in R&D.[4]

The rapid growth of Asian and other developing economies resulted at the beginning of XXI century in a sharp intensification of struggle for access to raw materials required for sustainable development of the economy, and for achievement of an acceptable level of expenditures for national companies. According to statistical review of world energy resources, regularly produced by British Petroleum, the power consumption in China has grown by 2010 as compared to 2000 by 2.34 times, in India - by 1.8 times, while the global average increase was only 28%[5]. At that, own energy resources of these countries, especially oil and gas, are very limited (except coal).

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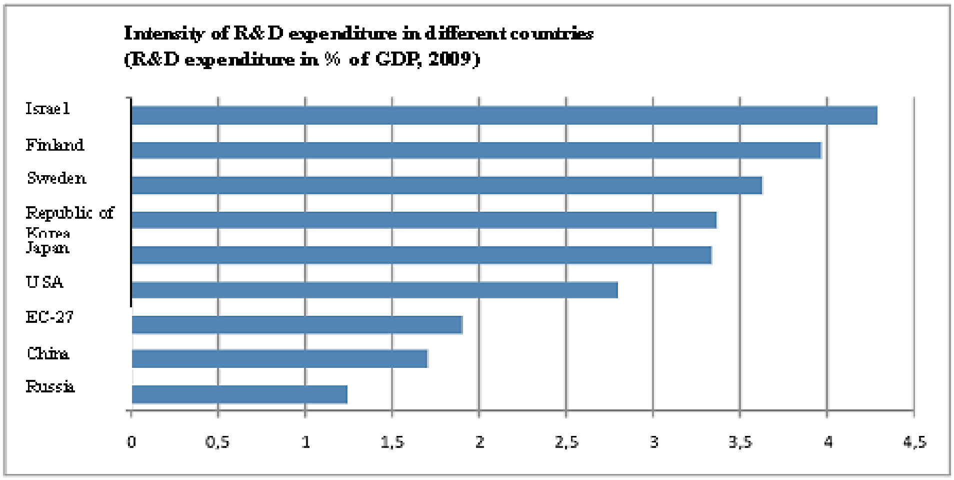
[3] UNESCO Institute for Statistics, July 2011, p.3.

[4] OECD Science, Technology and Industry Scoreboard 2011, Chapter 2, Figure 2.5.1.

[5] BP Statistical Review of World Energy, June 2011, p.40.

The observed data have led to yet another redistribution of the global hydrocarbons market which continue till the present day. Major players and at the same time competitors are China (20.3% of global energy consumption in 2010), the USA (19%), the European Union (14.4%) and to a lesser extent, India (4.4%), Japan (4.2 %), the Republic of Korea (2.1%). But particularly intense competition for resources, often backed by force methods, currently takes place in Africa, the Middle East and Central Asia countries.

Drawing 1



Source: OECD Science, Technology and Industry Scoreboard 2011, Chapter 2, Figure 2.5.1.

The most sensitive for Russia is strengthening of control by leading world powers for energy and other resources of the Central Asian republics (for them, in particular, fall more than 6% of the world ‘s natural gas reserves, and this figure may rise significantly due to exploration of new fields) The highest activity is displayed by China, which extended multi-billion dollar loans to countries in the region, but also by the USA and the European Union, which main interest is the geographical diversification of fuel supply from Central Asia (sidestepping Russia).

Changing global economic configuration could not but have an impact on world trade policy, which, on the one hand, has become more used as a means of competition, and on the other hand, has undergone a number of qualitative changes that reflect the new situation.

Let us refer to statistics of how protective measures are used published by the WTO. With an overall reduction of intensity of anti-dumping investigations and anti-dumping measures in recent years, most of them were conducted in 8 dynamic developing countries and territories - 51% of all initiated anti-dumping investigations and 53% of all anti-dumping measures adopted by WTO members for the period from 1995 to 2010.[6] Only China became the target of 21% investigations and 24% anti-dumping measures (along with Taiwan and Hong Kong these were 27% and 30%, correspondingly). Among the initiators of anti-dumping measures there is, for obvious reasons, a group of developed countries that hold the "defense" - the USA, EU, Canada, Australia, New Zealand (about 1/3 of all investigations and measures taken from 1995 to 2010), but BRICS countries-members of the WTO are very active as well (the same 1/3 of investigations and measures), especially India (16.5 % of investigations and 18% of measures). Besides these groups, Argentina, Turkey, Mexico, the Republic of Korea also resort to this form of protection of their markets and their producers.

All of the above shows not only and not so just a widespread use of commercial dumping by the group of most successful developing countries in order to penetrate to the markets, but that they keep for a long time a relatively low cost at increased quality and improved technical standards of products, which creates a real competitive advantage. At that, the developing countries become not only the objects of investigations and measures, but they also increase their role as initiators of anti-dumping measures, including those against each other (for example, of 804 anti-dumping investigations initiated by WTO members against China from 1995 to 2010, 142 cases were initiated by India, 44 – by Brazil, and from 373 investigations against exports of the Republic of Korea 79 cases were initiated by India and China, etc.).

If in the world anti-dumping practices, reflecting the emergence of new powerful commercial players in their struggle for markets, the application of measures in terms of geography is rather diversified according to countries and major groups of states, than in case of using compensation measures the situation is very concentrated and unbalanced according to groups of countries.

Compensatory measures are taken to avoid unnecessary competitive advantages obtained by suppliers of a country by virtue of their state subsidies. State support for emergence of new sectors and industries is the most important tool of industrial policy led by dynamically developing countries and aimed at improving their competitiveness under conditions of fierce international competition.

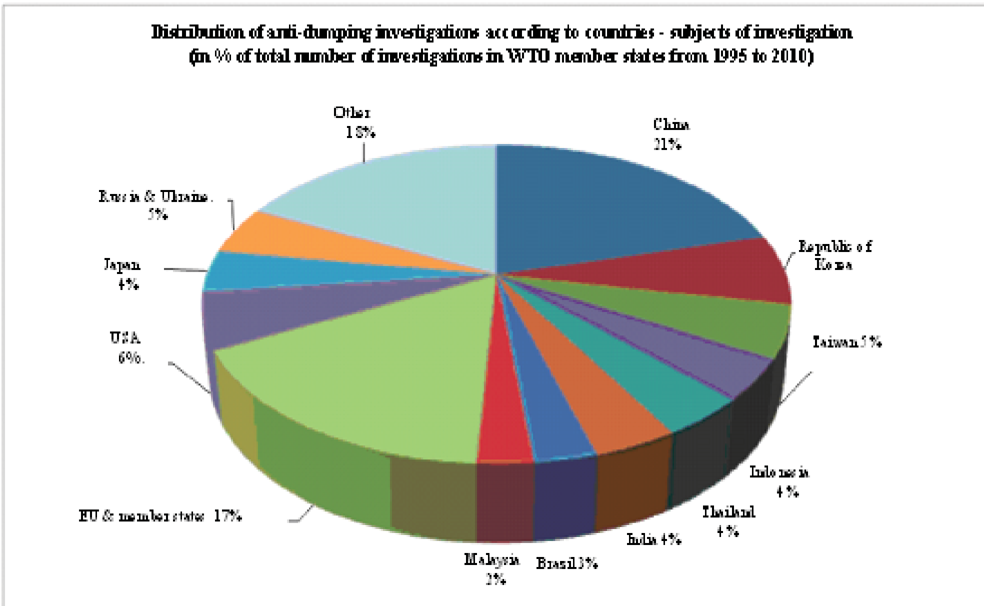
Therefore, as a natural result, the main objects of investigation and compensation measures became export supply from India and China - they accounted for 36 % of all initiated investigations as there were revealed by WTO members the facts of subsidies made from 1995 to 2010.[7] Along with the Republic of Korea, Indonesia, Thailand, Taiwan, Malaysia, Brazil and Argentina, the corresponding figure exceeds 61%. At the

[6] WTO Statistics on anti-dumping (http://www.wto.org).

[7] WTO Statistics on countervailing measures (http://www.wto.org).

same time, among the initiators of compensation investigations there clearly dominate the developed countries protecting their markets from subsidized imports. The USA, EU, Canada, Australia and New Zealand commenced more than 80% of all such investigations from 1995 to 2010.

Drawing 2



Source: WTO Statistics on anti-dumping (http://www.wto.org).

When speaking on state support for industry in the dynamic developing countries, one needs to specifically mention the massive efforts undertaken by them in the field of export support.

The state guarantee-insurance and credit support of exports, in principle, are actively used presently by all leading countries, and their volumes are increasing even in the crisis (it's no coincidence, that in 2009 there was a burst of compensation investigations - 28 cases against the average of less than 10 from 2004 to 2008).[8] However, in this area the more important factor here becomes the growing activity of the BRICS countries, especially China, which, from 2006 to 2009, spent for the purposes of state financial

[8] In year of crisis 2009, when making up for the shortage of private funding, "big seven" states increased the amount of medium and long-term public finance support for exports by 1.5 times as compared to 2008, and by 1.7.times as compared to average level from 2006 to 2008.

support for exports as much as seven leading industrialized countries (G8 members) altogether and brought volumes of such a support to more than $50 billion from 2008 to 2009).[9] State financial support for exports plays a key role in promoting to the foreign markets of many kinds of complex, capital-intensive products, including airplanes, technological complete equipment, power equipment.

Table 2

***The volume of medium and long-term government guarantee-insurance support for exports in various countries** (USD billion)*

Counties	2006	2007	2008	2009	2010
Canada	0.2	0.5	1.5	2.0	2.5
France	7.3	10.1	8.6	17.8	17.4
Germany	13.3	8.9	10.8	12.9	22.5
Italy	4.0	3.5	7.6	8.2	5.3
Japan	2.4	1.8	1.5	2.7	2.9
Great Britain	0.6	0.4	0.8	1.4	1.9
USA	8.6	8.2	11.0	17.0	13.0
Total for “big seven”	36.3	33.4	41.8	62.0	65.4
Brazil	7.5	7.0	7.6	10.5	18.2
China	22.0	33.0	52.0	51.1	45.0
India	5.6	8.5	8.7	7.3	9.5
Total for Brazil, China, India	35.1	48.5	68.3	68.9	72.7
Brazil, China, India in % to “G-8”	97%	145%	163%	111 %	111 %

Source: Report to the U.S. Congress on Export Credit Competition and Export-Import Bank of U.S., June 2011, p.11.

According to data of International Union of Credit and Investment Insurers (Berne Union), which brings together public, semi-public and private financial institutions, the sum of medium and long-term export credits insured and issued by members of the

[9] Report to the U.S. Congress on Export Credit Competition and Export-Import Bank of U.S., June 2011, p.11.

union in 2009 amounted to over 190 billion US dollars, which is almost twice as many as for the same period of 2005.[10]

In 2010, this figure decreased only slightly - to 173 billion dollars. Under the influence of intensification of struggle for markets, many of which are characterized by increased investment risks, the amount of government insurance of foreign investments, especially against political risks, increased from year to year. In 2010, the total amount of such transactions was $66 billion against $32 billion in 2005.

Table 3

The volume of medium and long-term financing of exports and investment by Berne Union members

(USD billion)

Types of financing	*New financing in 2005.*	*New financing in 2008.*	*New financing in 2009.*	*New financing in 2010.*	*Financing arrangements for the end of 2010.*
Medium and long-term insurance of exports loans and direct crediting of exports	104,2	153,3	190,6	173,1	581,3
Foreign investments insurance	32,0	58,5	49,3	65,8	186,6

Source: Berne Union Statistics (http://www.berneunion.org.uk).

Recent years were characterized by increased competition of exporters in the financial services market. In principle, the basic rules and restrictions of export credit agencies - ECA (the terminology adopted by the official institutions for financial support of exports) are provided in the agreement concluded under the OECD Agreement on conditions for granting export credits with state support and followed by its participants. However, many issues, including the extent and intensity of state support, scope and some other conditions of risk coverage, inclusion or exclusion of some countries and types of risks in insurance and guarantee scheme, the maximum amount of foreign contribution (foreign

[10] Berne Union Statistics (http://berneunion.org.uk).

content) into the value of a supported export contract and its related conditions, the level of acceptance of foreign currency risk, the requirements for carriers under contracts with the state support and others, are not regulated by the said Agreement and leave ample room for competition between ECA.

Particularly tough is the competition of European ECA (United Kingdom, Germany and France) and Eximbank of the USA in civil aviation trade (peculiarities of this market made the OECD countries sign a special sectoral agreement on terms of state support). In 2010, Eximbank promoted the domestic large commercial Boeing aircraft to foreign markets and took part in financing of more than 50% of foreign sales. At the same time, the European ECA had supported only 23% of all Airbus deliveries abroad. In its struggle for Boeing sales markets Eximbank offers favorable financing terms, including a discount on its own premiums to buyers from countries which have ratified the Cape Town Convention (at the beginning of 2011 - to 15 countries, including Angola, Indonesia, Malaysia, New Zealand, Nigeria, Pakistan, Singapore, South Africa).

To participate successfully in international tenders, the ECA levels and terms of risk coverage by foreign export contracts and local distribution costs for their implementation are of great importance. A higher level of support of export contract costs created in third countries can attract to sales the most effective, trans-nationalized domestic companies, and the involvement of local contractors increases the chances of winning the tenders. One of the most conservative ECA - Export Credit Guarantee Department of Great Britain has significantly increased the allowable level of foreign constituent before the crisis - up to 80 % of value of the export contract in response to increased international competition under the influence of globalization.

During the last decade, new conditions and imperatives of international competition have led to a significant change in world trade and political architecture. A significant increase of the WTO participants in number has generated insurmountable difficulties in coordination of positions and the WTO extended agenda, and Doha round of multilateral trade negotiations is still stuck. In this situation, in order to provide a favorable business environment and gain an advantage in the global market, all developed and most dynamically developing economies made it a priority of their trade policy to conclude preferential trade agreements with partners different in content but similar in their competitive effect. This phenomenon is known as “competitive liberalization”, which became the most characteristic phenomenon of global trade policies at the beginning of XXI century.

Over the entire period of the GATT existence (1948-1994), this organization has received from member- states applications on 123 regional trade agreements - RTA (relating to trade in goods), while still about 370 notifications on RTA conclusion (in many cases, they go far beyond the regulation of trade in goods) were received after the launch of the WTO in 1995.[11] At that, during the crisis of 2008-2009, about 75 new RTAs were announced to the WTO. The total number of RTAs notified to the WTO by September 2011 approached 500, 310 of which were valid RTAs (as of December 31, 2008 the number of acting RTAs amounted to 230). Still more 40 RTAs early notificated to the WTO are under negotiation or signed, but not yet effective.

About 40% of all RTAs notified to the WTO and effective were concluded with participation of leading developed countries and their associations - the EU, EFTA countries, the USA and Japan (the USA and Japan only recently became significant players of regionalism). Among other countries the absolute leaders in the field of regionalism are Singapore and Chile which consistently pursue a policy of open economy. High activity in RTS conclusion is shown by Mexico, Turkey, India, China, Thailand, Malaysia, the Philippines, the Republic of Korea, Israel and many other countries.

In the context of this article it is important to note three characteristic features of modern RTAs .

First, it is not so much a regional, but inter-regional and trans-continental RTAs, designed to match the era of global competition.

Second, a growing part of the new RTAs falls to the agreements with regional associations as a party, there appeared already a number of multilateral RTAs. A typical example of them is the Trans-Pacific Partnership being actively formed and bringing together the United States and eight other countries of APR. They strongly insist on Japan to be invited and Canada, Thailand and several other countries are also very interested to be the partners. The Trans-Pacific Partnership in its current form becomes an example of the increasingly fierce competition for leadership in regional and global trade policy, it reflects the desire of the USA to take the trade and political revenge, to get a decisive advantage in access to promising markets for domestic trans-national corporations in order to compensate for deterioration of general economic position of the country. It is easy to note, that the formation of the Trans-Pacific Partnership shatters other integration and post-integration structures in the Asian-Pacific region.

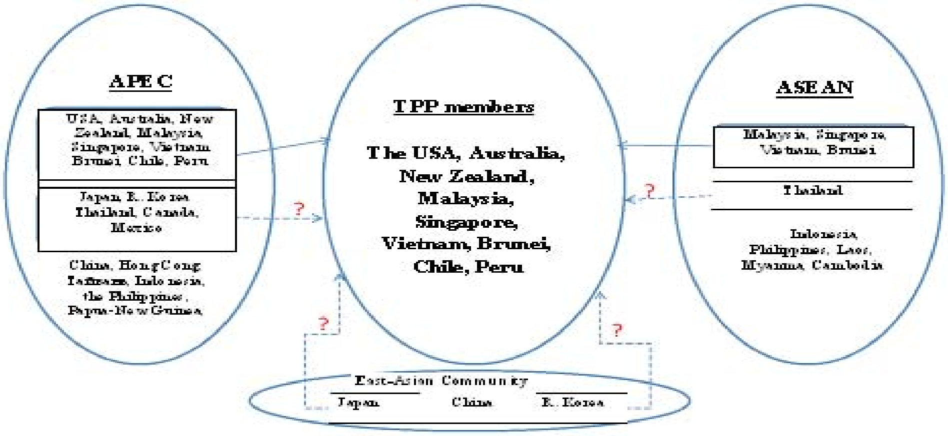
Third, the RTAs of the last three or four years are the agreements of an integration type not limited to creation of a free trade area in goods, but covering the issues of trade in services, investment and labor exchange, intellectual property protection, customs, technical, sanitary and phyto-sanitary regulation, competition policy, government procurement market access, cooperation, settlement of disputes, etc. Over the period from the beginning of 2008 to September 2011, more than 60 % of all effective RTAs were related to the above category. In general, as of September 2011 the share of such pro-integrated RTAs in the total number of “physically” existing RTAs amounted to 42 %.[12]

[11] Regional Trade Agreements: Facts and Figures (http://www.wto.org).

[12] WTO Regional Trade Agreements Information System (http://www.rtais.wto.org).

Drawing 3

The Trans-Pacific Partnership: is it "the Trojan horse" of the USA in APR?



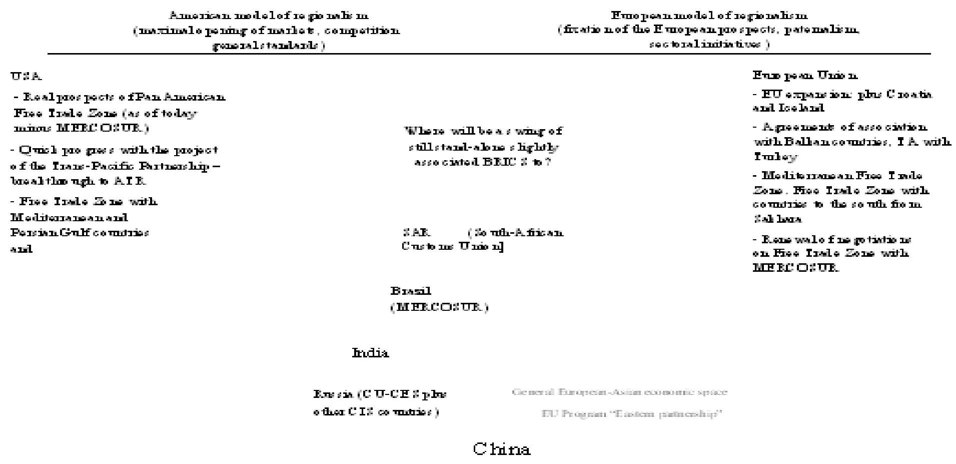
While the RTAs become more complicated and filled with elements of the common market, which meets the interests of transnational corporations and provides economy of scale and other benefits, there occurs one more receptive manifestation in world trade policy - the emergence of competing "families" of RTAs (as it is declared in the WTO world trade report 2011). Today, we can clearly identify the two "families" of RTAs, headed by the USA and the European Union.

As of today, these "families" overlap slightly on the map of world trade policy, but in future they will inevitably intersect in a number of regions in their struggle for markets and can only increase the degree of international competition.

In addition to the USA and the EU-headed "families" of RTAs, other "families" have not yet been implemented or very closely related to the above two "families". Out of all BRICS countries, Russia, Brazil and the Republic of South Africa build their preferential zones and integration associations more or less successfully, but till now they hardly may be called a "family", as creation of legal framework has not been completed yet and face very strong pressure from the expanding "families" of the United States and the European Union (we'll name as an example, the EU activity in the "Eastern Partnership" aimed at drawing into the orbit of its economic interests six former Soviet republics - Ukraine, Belarus, Moldova, Azerbaijan, Armenia and Georgia as associate members).

Drawing 4

Competitive regionalism: the USA trade and political revenge, a chance for Europe, a difficult choice for BRICS



When speaking about inter-state competition during globalization era, it is impossible not to mention the competition which uses tools of monetary and financial sphere.

One of acute conflicts in contemporary international relations is the currency protectionism using the exchange rate policy as a tool to improve the competitiveness of the country's exports and discourage its imports. The effectiveness of monetary protectionism in terms of the tasks set can be a sequence of higher than the classical trade and political instruments. Recently, China as a target of criticism is accused by the developed countries in maintaining an undervalued yuan. However, developed countries use actively the stimulating potential of the exchange rate policy.

Another example of the competition existing in the financial sector is the use of state regulatory impact on functioning of commodity and stock exchanges, allowing to restrain the growth of commodity prices and, therefore, increase the competitiveness of domestic producers. Thus, after adoption of the Dodd-Frank Act in the USA in late 2010 aimed at streamlining, transparency of exchange operations and reducing opportunities for speculation, the difference between the price of oil grade West Texas average traded in the USA and price of crude oil Brent traded in Europe reached significant values , which was not seen before. As a result, oil prices in the USA market are much lower than in the European market (at end of September 2011 the price difference of mentioned varieties accounted for more than $26 or 26 %).

The above new trends and directions in the field of international competition generated by structural shifts in the world economy, the acceleration of scientific and technical progress and the global crisis, allow us to make three main conclusions. First, the interstate competition has increased noteworthily at the beginning of the XXI century and become more aggressive and diverse in its manifestations. Second, the state role in providing adequate position of the country in international competition has increased significantly as well. This is actively used by all leading countries, but the most important is the state as a factor of effective positioning and promoting the interests of the BRICS countries in the global market. Third, Russia will have to undertake systematic efforts to enhance national competitiveness in order to ensure its interests in more and more complicated and rapidly changing global economic and trade policy configuration.

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