

Introduction

Emerging powers

We are at the cusp of major changes of global significance. A new phase of globalization has begun, in which the United States, Europe and Japan are being overtaken by low cost producers and service providers in East Asia, China, India and Latin America. Their rise is made possible by a combination of low wages, technological advances, demographic advantages, economies of scale and good education. Long cherished aspirations such as greater South–South cooperation are now gradually taking shape in trade, energy and finance. The influence of American hegemony and the Washington-based international financial institutions is declining precipitously.

When the business press began to speak of ‘emerging markets’ in the late 1980s, particularly in Asia, it referred to economic allure and investment opportunities [1]. In the early 2000s South Korea and Taiwan were upgraded in financial rankings on a par with advanced economies [2]. The investment bank Morgan Stanley coined the term BRIC to refer to Brazil, Russia, India and China as a special category of high-powered emerging economies [3]. These countries include permanent members of the UN Security Council, a member of the G8, and nuclear and regional powers. Clearly, the new patterns include economic as well as political shifts and the emerging economies are emerging powers as well [4].

The new trends pose major challenges. The first is to understand the *new patterns of interaction*, or how economics, politics, culture and ideology intersect transnationally and generate new combinations and permutations—such as Indian companies buying steel companies in Europe, China emerging as a major investor and lender in Africa, African countries looking to East Asian development models, Saudi Arabia establishing energy and financial links with China, and so forth. The components in this configuration are all in flux and the shape of the emerging configuration is up in the air. This is a large problematic; several papers in this section seek to map these new intersections.

The second major challenge is social inequality [5]. The simple question is do these changes mean better lives and emancipation for the world’s poor majority, or something more mundane—middle classes seeking western life styles and consumption patterns, while offering vast new markets for western products and services and a gargantuan expansion of contemporary capitalism? Are the emerging countries being annexed into the orbit of international capitalism, thus further extending the existing global inequality? Is rising Asia being annexed to the world of interlinked golf courses with manicured lawns, country clubs, luxury estates, air-conditioned airports and a low profile, invisible proletariat? In China this is the ‘Shanghai model’. In India ‘golf cities’ are emerging in Delhi, Jaipur, Lucknow, Calcutta, Hyderabad and Goa, combining golf courses with residential complexes [6].

No doubt the emerging economies are part of the ‘crazy vitality of capitalism’. But business boosterism is a deceptive guide. In the United States corporate profits and productivity are up and stock markets have been climbing to near record highs until 2008, yet manufacturing jobs have been lost in massive numbers, the median wage has barely risen since the 1970s, trade, current account and federal deficits are at unprecedented levels, the US dollar is fragile, and household debt is rising. Thus business enthusiasm can go together with profound economic weakness and growing inequality. The same applies to the emerging economies.

Business media celebrate the expansion of markets for consumer products, advertising, financial services and lucrative investment opportunities. Governments, business circles and middle classes in emerging economies take part in boosterism to attract further foreign investment and lift their country’s international

standing. UN agencies applaud rapid development, credit rating agencies and international finance welcome new stock markets and authors such as Tom Friedman argue that thanks to new technologies and liberalization *The World is Flat* [7]. Business risk assessment signals the downsides of these developments as well, such as ecological problems, weak infrastructure, corruption and authoritarian political institutions. These concerns are often enlisted to push back the remaining constraints on business and further reduce government intervention.

The changes are real and significant. In manufacturing the lead shifts to emerging industrial powers. In services, estimates are up to 11% may be outsourced from the west [8]. In commodities, non-western countries have clear advantages, but this is a fragile foundation. In education and demographics emerging economies have clear advantages too. In technology intellectual property rights remain a major basis of western corporate power, ensconced in the stipulations of the WTO. Finance, infrastructure, political institutions and ecology remain weak in the emerging powers [9].

Development and the representation of development are often indistinguishable. The overall aura of optimism is as much a smokescreen for new patterns of power. This volume enquires more deeply into new (emerging) patterns of power as well as into forms and aspects of rising inequality. There cannot be any doubt at this point that the past 100 years of globalization have been accompanied by a sharp increase in global income and wealth.¹ Far less evident is the relation of this inequality to livelihoods and human development on the one hand and to new structures of global power relations on the other hand. This volume focuses on these relations. A précis of the papers in this section is as follows.

Jan Nederveen Pieterse argues that twenty-first century globalization is different because the two dominant tendencies of the past decades, American hegemony and neoliberal globalization, are losing their prevalence. They meet with serious problems (military quagmires, indebtedness, rising inequality, legitimacy crises) and new competition. Today's multicentric world involves growing East-South links and gravitates towards Asia. The current scenario is characterized by Asian economic power, financial imbalances (weakness of the dollar corresponding to huge dollar reserves in Asia and huge borrowing in the US), counter-balancing of US hegemony, crises of rural and urban poverty in emerging economies, and rising global inequality. Only countries that convert commodity surpluses into productive investments and human capital will outlast the current cycle. This applies mainly to mixed models and economies. To understand the new emerging configuration, Nederveen Pieterse suggests modernities and capitalisms as alternative conceptualizations.

Ravi Palat looks at the new configuration of North–South relations. Palat argues that, despite their increased economic and institutional strength, leaders of emerging powers in the global South do not challenge the North's domination of world affairs because they represent elites who benefited hugely from economic deregulation. This produces rising inequalities in the global South. With China becoming the 'world's workshop' and India the 'world's back office', both countries will not be able to employ their entire workforce as their economies are not based exclusively on low skills and low cost. Inequality in emerging powers and between North and South will increase. Inadequate domestic demand leads India and China to rely on the US as a market of last resort, which is matched by the US strategy to enroll emerging powers.

Joanildo A. Burity takes a detailed look at the relation between globalization, emerging powers and inequality using Brazil as a case study. He distinguishes between the symbolic and the factual levels, which intermingle in various ways. Globalization and inequality are not merely facts but are also interpretations depending on cultural and social histories. The cultural formations of emerging powers account for diversity and for persisting inequality. Emerging powers may offer a privileged view of globalization as their historical experience corresponds to tendencies currently experienced by the global North but they may be unable to become dominant players because their experience is too particularistic. Brazil is a case of divergence of economic growth, cultural diversity and rising inequality. Burity roots contemporary inequalities in Brazil in its history of slavery, which enabled capitalism to naturalize economic

¹An endless amount of figures could be listed to illustrate this. Just consider that the relation the richest 20% of the world's countries' wealth to that of the poorest 20% was 3:1 in 1820, it has risen to 60:1 by 1990 and to 74:1 by 1998; or that the 200 richest individuals owned US\$1 trillion in 1998 compared to US\$500 billion in 1994; or that the three richest individuals owned more than the yearly GDP of all LDCs [10].

and social inequalities. The socio-cultural background of naturalized inequality continued into the twentieth century and shapes recent political developments in Brazil.

Sanusha Naidu and *Daisy Mbazima* trace China's relations with Africa from the 1970s to the present. During the Cold War, China's approach was informed by ideology, whereas current relations are defined by strategic economic interests, especially the extraction of raw materials and opening new markets and investment opportunities. Seeking to become more competitive in the international economy China applies an integrated soft-power approach in Africa that had already characterized its foreign relations during the time of the Silk Routes. Political influence and economic interests are coupled with symbolic diplomacy, development aid and military assistance even to oppressive regimes. That China has become Africa's third largest trading partner after the US and France implies a shift of power towards Beijing. For African pessimists China represents a threat and for optimists, an opportunity. The key question for the authors is whether China's engagement in Africa is purely extractive or has a developmental impact. At any rate, it gives Africa more leverage in its relations with the North, integrates it into the demand and supply chains of the global economy and will certainly reconfigure economy and inequality in Africa.

Anand Kumar summarizes the ramifications of globalization in India. He distinguishes three phases of recent globalization in India: the crisis of foreign currency reserves (1990–1996), flirting with liberalization (1996–2003) and liberalization with a 'human face' (since 2004). He diagnoses four structural challenges for the further growth of globalization in India: energy, employment, education and environment. Then he goes on to discuss two criticisms of India's globalization: unsustainable development and uneven development. So far, the 40 million winners of globalization confront 400 million losers, especially among the uneducated and/or unemployed rural population. The paper seeks to assess these problems in the framework of continuing liberalization and privatization in India and to draw conclusions for the immediate future.

Hermann Schwengel argues that after flexible global capitalism and the rise of city-states, emerging powers constitute the third stage of contemporary globalization. While the rise of emerging powers is a fact, its conceptualization remains contested. Emerging powers include nation states as large as regions, business networks, various scapes and global cities. The inner contradictions of emerging powers (poverty, environmental destruction, lack of education and experience, weak infrastructure, limited political capacity) are increasing. According to Schwengel, Europe's cultural memory could contribute to a mediation of inner and outer contradictions leading to a reconfiguration of societies and social sciences. Societies have to locate themselves within the global division of labor, to relate their own social structure to changes in the global social structure and to communicate this change. Social sciences can play a vital role in this process.

The papers collected in this volume do not aim at an exhaustive study of the relation of global inequality to development and power, but seek to stimulate a discussion that in our opinion is urgently needed. They also deliver important insights into aspects of the emerging reconfiguration of the world, which transcends the order we have grown up with, and maybe more importantly, also transcend the Eurocentric theory we have been educated with.

References

- [1] It is interesting to re-read Wade, Robert 1990 *Governing the Market, Economic Theory and the Role of Government in East Asian Industrialization*, Princeton University Press, Princeton, at this point. The book investigates Taiwan's emergence until the 1980s with references to South Korea but without any prospective look at the BRIC countries.
- [2] *Ibid.*
- [3] The term emerging powers was first applied to the present configuration by Jerry Harris (2005): *Emerging Third World powers: China, India and Brazil*, in *Race & Class*, 46 p 7–27.
- [4] Cf. Dicken, Peter, *Global Shift*, Paul Chapman, London, 1998.
- [5] A. Hurrelland, N. Woods, (Eds.), *Inequality, Globalization and World Politics*, Oxford University Press, Oxford, 1999 Cf. discussions; Y.W. Bradshaw, M. Wallace, *Global Inequalities*, Sage, London, 1996.
- [6] The phenomenon is studied in a very stimulating way in the edited volume by Richard Robison, /David S.G. Goodman 1996, *The New Rich in Asia, Mobile Phones, McDonalds and Middle-Class Revolution*, London/New York.
- [7] L. Thomas Friedman, *The World is Flat. A Brief History of the Twenty-First Century*, Farrar, Straus and Giroux, New York, 2005.
- [8] Cf. Harris, Jerry 2005 [3]: 19.

- [9] L. Alan Winters, Shahid Yusuf (Eds.), *Dancing with Giants. China, India, and the Global Economy*, The World Bank, Washington/Singapore, 2007.
- [10] UNDP, *Human Development Report*, Oxford University Press, Oxford, 1999.

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