

**EMERGING POWERS IN THE GLOBAL SYSTEM:
CHALLENGES FOR CANADA**

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EMERGING POWERS IN THE GLOBAL SYSTEM: CHALLENGES FOR CANADA

INTRODUCTION: THE CHANGING GLOBAL BALANCE OF POWER

The transfer of power from West to East is gathering pace and soon will dramatically change the context for dealing with international challenges – as well as the challenges themselves. Many in the West are already aware of Asia’s growing strength. This awareness, however, has not yet been translated into preparedness.

James Hoge Jr., “A Global Power Shift in the Making,”
Foreign Affairs, July/August 2004

... we recognize that emerging giants, such as China, India and Brazil, are already making their presence felt. Their growing influence – particularly in the economic realm – carries significant implications for Canada. ...If Canada stands idle while the world changes, we can expect our voice in international affairs to diminish. Instead, we will reach out to these emerging powers, both by developing new bilateral ties and by reforming how countries work together across regions to accommodate their needs.

Government of Canada, *Canada’s International Policy Statement:
A Role of Pride and Influence in the World*, “Overview,” April 2005

The “arriviste” powers – China, India, and perhaps others such as Brazil and Indonesia – have the potential to render obsolete the old categories of East and West, North and South, aligned and nonaligned, developed and developing. Traditional geographic groupings will increasingly lose salience in international relations. ... Competition for allegiances will be more open, less fixed than in the past.

National Intelligence Council, *Mapping the Global Future*,
Report of the National Intelligence Council’s 2020 Project,
Washington, D.C., December 2004

Major power shifts between societies, countries, regions or empires are nothing new in world affairs. The only certainty about any given balance of power is that it will change. New powers arise as established ones, even the greatest, decline.⁽¹⁾ While large shifts occur rarely, when that happens the impacts are usually momentous and far-reaching. Moreover, historically such shifts have seldom been peaceful. The collapse of the Soviet Union was an exception late in a century that had seen two devastating world wars. At the same time, the end of the Cold War gave way to new intra- as well as inter-state conflicts rather than a stable “new world order.” International institutions and regimes are still struggling to come to terms with the ramifications of new states and of “failing or fragile” states.

Other factors, notably those associated with globalization, are combining to produce what Canada’s recent *International Policy Statement* refers to as “a new global distribution of power.”⁽²⁾ The dominance of the United States as the sole remaining superpower in the post-Cold War international system has led some to speak of a “unipolar moment.” America’s military prowess remains unrivalled, even if the burdens of that grow heavier. Yet in other respects, notably economic as well as scientific and technological, the United States is becoming less dominant in overall global terms. An expanded European Union of 25 (soon to be 27) member countries has emerged as a distinctive power centre within the West. Elsewhere, major “emerging powers” – China and India are the two most frequently mentioned – are seen increasingly to be challenging Western leadership, and eventually perhaps overtaking most if not all of the existing great powers.

The most evident immediate challenge, and a main focus of this paper, is geo-economic, stemming from the growing power resources of emerging-market countries, the rapid advancement of which will have large implications for the current G7 industrialized countries. Many books and articles have been written in recent years about these apparent trends, many by Americans warning that the United States for all its present power is not ready for what is coming. For example, Jeffrey Garten, a former Under Secretary of Commerce in the Clinton administration, wrote almost a decade ago that: “Dealing with the big emerging markets will be

(1) Historians have analyzed and sometimes projected the consequences of such trends for globally dominant powers, including the United States and Great Britain before it. See notably Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*, Random House, New York, 1987.

(2) Government of Canada, *Canada’s International Policy Statement: A Role of Pride and Influence in the World*, Ottawa, April 2005, “Overview,” p. 1.

key to our economic well-being and to our security in the decades ahead. It will require a new mind-set about our economic and social policies as well as fresh strategies for our involvement overseas. America is totally unprepared for this challenge.”⁽³⁾

Garten identified 10 “big emerging markets” (BEMs) selected according to the criteria of large populations and resource bases, expanding market reach, regional influence, international ambitions, high economic growth and liberalization. The group includes: China, India, and Brazil as the leading three, along with Mexico, Indonesia, South Korea, South Africa, Argentina, Turkey, and Poland. Garten argued that the BEMs would be at the crux of all the major global dynamics in the next decades, and that this would require a “massive shift” in how Western policymakers think about their strategic international interests. In particular, according to Garten: “It is likely that our [the United States’] relationship with China will emerge in the next decade as the most important focus of our entire foreign policy.”⁽⁴⁾

These predictions were made before the attacks of 11 September 2001 and the resulting renewed focus on global terrorism and events in the Middle East. The inclusion of Argentina and Poland in Garten’s BEMs also predated the former’s financial crisis and the latter’s membership in the European Union. Subsequent outlooks of the major international powers have promoted into this front rank of countries several other candidates that are viewed as playing roles of global significance or in which developments are seen to matter in global terms. For example, one survey of foreign policies of 10 “great and emerging powers” includes Iran among the latter.⁽⁵⁾

Common to these contemporary perspectives is an expectation of rapid, even wrenching, change in a world of disorder. At the same time as international policy agendas are growing ever more complex and interconnected, inter-state relations have also become more fluid and unstable. The foregoing analysis of 10 leading foreign-policy powers observes that: “World politics remains in a profound state of flux more than a decade after the Cold War. A coherent balance of power among nation-states has yet to emerge”⁽⁶⁾

(3) Jeffrey E. Garten, *The Big Ten: The Big Emerging Markets and How They Will Change Our Lives*, Basic Books, New York, 1997, p. xi.

(4) *Ibid.*, p. 10.

(5) Steven Hook, ed., *Comparative Foreign Policy: Adaptation Strategies of the Great and Emerging Powers*, Prentice Hall, Upper Saddle River, N.J., 2002.

(6) *Ibid.*, “Introduction,” p. 1.

Nevertheless, what has remained constant in all recent as well as earlier forecasts is the increasingly important role in global affairs of the Asian giants, China and India, superseding that of Japan. That is the one global phenomenon above all that seems not to be in doubt.

The significance of an Asia-driven shift in the global balance of power was underlined in a far-reaching exercise that was undertaken by the National Intelligence Council (NIC) of the U.S. Central Intelligence Agency in 2004. Looking ahead to the world in 2020, the report of the NIC's "2020 Project" summed up its findings as follows:

The likely emergence of China and India, as well as others, as new major global players – similar to the advent of a united Germany in the 19th century and a powerful United States in the early 20th century – will transform the geopolitical landscape, with impacts potentially as dramatic as those in the previous two centuries. In the same way that commentators refer to the 1900s as the "American Century," the 21st century may be seen as the time when Asia, led by China and India, comes into its own. A combination of sustained high economic growth, expanding military capabilities, and large populations will be at the root of the expected rapid rise in economic and political power for both countries.

- Most forecasts indicate that by 2020 China's gross national product (GNP) will exceed that of individual Western economic powers except for the United States. India's GNP will have overtaken or be on the threshold of overtaking European economies.
- Because of the sheer size of China's and India's populations – projected by the US Census Bureau to be 1.4 billion and almost 1.3 billion respectively by 2020 – their standard of living need not approach Western levels for these countries to become important economic powers.

Barring an abrupt reversal of the process of globalization or any major upheavals in these countries, the rise of these new powers is a virtual certainty. Yet how China and India exercise their growing power and whether they relate cooperatively or competitively to other powers in the international system are key uncertainties. The economies of other developing countries, such as Brazil, could surpass all but the largest European countries by 2020; Indonesia's economy could also approach the economies of individual European countries by 2020.⁽⁷⁾

(7) National Intelligence Council, *Mapping the Global Future*, Report of the National Intelligence Council's 2020 Project, Washington, D.C., December 2004, "Executive Summary," p. 9, emphasis in original. (The full report is available on-line at: http://www.cia.gov/nic/NIC_globaltrend2020.html.)

The sheer burgeoning economic size of China and India, both nuclear powers as well, provides the most impressive evidence of their global ascendance, with India's growth rate perhaps eventually exceeding that of China. Looking forward 20 years, the Economist Intelligence Unit forecasts that, measured in terms of Gross Domestic Product (GDP) at purchasing-power parity exchange rates, India's economy will have surged far ahead of Japan's to be the world's third-biggest in 2026 (at 9.9% of global GDP, compared to 4% for Japan). China's economy will have overtaken that of the United States by 2017 and will account for 21.8% of global GDP in 2026. (That compares to 2.5% and 2.4% respectively for the next-largest "emerging powers," Russia and Brazil.) Meanwhile, the European Union 25's share of global output will decline to 16% from 21%.⁽⁸⁾

Under such scenarios, China and to a lesser extent India will rise to the rank of global powers, rivalling the weight of America and Europe at least in economic terms. Their foreign policies will therefore be watched intensely in future international policy calculations.⁽⁹⁾

A. Implications for Canada

What does all this mean for Canada? It is true that Canada's next-door relationship with the United States will always be an enormously important fact of international policy from a Canadian perspective. In fact, one possible response to competitive pressures coming from other regions, especially from rising Asia, could be to pursue closer integration of the North American economy in order to meet this competitive challenge from a position of regional strength. Alternatively, another possible Canadian response could be to seek to rely less on the North American market by developing new partnerships with the rising powers. In either case, as the world becomes more multi-polar – with major emerging powers forcing the pace of changes in the international system – there will be large implications for Canada, given our high exposure to international trade and investment flows. Canada will have to develop international strategies that take this into account or risk being left marginalized, not only in relation to the United States but multilaterally as well.

(8) "The World in 2026," *The Economist: The World in 2006*, p. 62.

(9) China is clearly the most closely watched of all the emerging powers. For a range of Asian perspectives on China's global rise, see the special section on China in *Foreign Affairs*, Vol. 84, No. 5, September/October 2005. See also "Balancing Act: A Survey of China," *The Economist*, 25 March 2006.

Canada can probably not avoid some diminution in its global weight. A recent prognosis by the Conference Board of Canada observes that: “In 15 years, Canada will account for less than 2 per cent of the world’s gross domestic product (GDP), only 1 per cent of the world’s military expenditure and just 0.5 per cent of the world’s population. Our role in global dynamics will be marginal.”⁽¹⁰⁾

It is important to understand that this is a *relative* decline, and that it is *not* due to a more powerful United States. On the contrary, as Charles Doran points out, the United States will be “doing all it can to hang on to its own power share in an increasingly competitive world. ... A genuine reason for the Canadian relative decline in capability is that middle powers with huge capacity for growth, and experiencing rapid growth, are ascending from the bottom of the central system. As they ascend, they take power share away from the rich, middle powers like Canada that are not growing as fast. Three states in particular are in a position to challenge the standing of Canada. They are China, India, and Brazil, perhaps in the order of their size of impact.”⁽¹¹⁾

Doran and others predict that Canada, despite its resource wealth and international reputation, will feel increased pressure from these emerging powers seeking to advance their interests within major international forums. Canada will therefore have to strategically focus its energies and use all of its skills if it is to maintain a significant presence in the international decision-making of the future.

THE RISE OF THE “BRICS” AND THE “BRICSAM” APPROACH

In 2003, the U.S. firm Goldman Sachs published a seminal study that focused on four of the emerging-market economies in particular: Brazil, Russia, India and China (the so-called “BRICs”).⁽¹²⁾ The analysis looked ahead to 2050 and compared probable growth scenarios for these four compared to the “G6” – the six largest industrialized countries with

(10) Conference Board of Canada, “Facing the Risks: Global Security Trends and Canada,” *Executive Action*, Ottawa, February 2006, p. 2.

(11) Charles F. Doran, “Explaining ascendancy and decline: the power cycle perspective,” *International Journal*, Vol. LX, No. 3, Summer 2005, pp. 695-696.

(12) Dominic Wilson and Roopa Purushothaman, *Dreaming with the BRICs: The Path to 2050*, Global Economics Paper No. 99, Goldman Sachs, New York, 1 October 2003. A complete version of the paper is available on-line at: <http://www.gs.com/insight/research/reports/99.pdf>.

GDPs of over US\$1 trillion (in effect, the G7 minus Canada).⁽¹³⁾ Among the trends highlighted by this modelling projection were the following:

- The ranking of the world's largest economies will have shifted dramatically by 2050 (see Table 1). Only the United States and Japan will still be among the six largest.
- By 2039, the combined BRIC economies will outweigh the combined G6 economies in U.S. dollar terms.
- By the same measure (GDP in U.S. dollars), China will overtake all but the United States by 2016, and the United States by 2041.
- In 2050, the world's largest economies will no longer be the richest measured by GDP in U.S. dollars per capita, although one of the BRICs, Russia, may have overtaken both Italy and Germany among the G6 on this scale (see Table 2).
- India's economy will overtake that of Japan by 2032 to move into third place, and India also has the potential to achieve the fastest growth over the next three to five decades (see Table 3).

Table 1
Comparison of the Size of the World's
Ten Largest Economies in 2050 and 2006

Country and rank in 2050	2050 Projections		2006 Forecast	
	GDP in 2003, in US\$ billions*	Percent of top 10 GDP in 2050	GDP in 2006, in US\$ billions**	Ranking plus percent of top 10 GDP in 2006
1. China	44,453	32.1%	2,240	(6) 6.9%
2. United States	35,165	25.4%	13,180	(1) 40.8%
3. India	27,803	20.0%	857	(8) 2.6%
4. Japan	6,673	4.8%	4,960	(2) 15.3%
5. Brazil	6,074	4.4%	819	(10) 2.5%
6. Russia	5,870	4.2%	854	(9) 2.6%
7. United Kingdom	3,782	2.7%	2,340	(4) 7.2%
8. Germany	3,603	2.6%	3,000	(3) 9.3%
9. France	3,148	2.3%	2,280	(5) 7.1%
10. Italy	2,061	1.5%	1,780	(7) 5.6%

* Wilson and Purushothaman (2003), Appendix II, "Projections in Detail," p.19, and author's calculations.

** Economist Intelligence Unit, *The World in 2006*, 2005, "The world in figures: countries."

(13) Canada has since passed the US\$1 trillion mark in economic size, with Canadian GDP reaching US\$1.13 trillion in 2005, in part due to the appreciation of the Canadian dollar. Canada could therefore be included in a future exercise of this sort; but this would not alter the trends revealed by the Goldman Sachs study.

Table 2
Comparison of Per Capita GDP in
the G6 and BRIC Economies in 2050 and 2006

Country and rank from richest to poorest in 2050	Projected GDP per capita in 2050 (in 2003 US\$)*	2006 forecast GDP per capita (in 2006 US\$)** and current ranking
1. United States	83,710	44,180 (1)
2. Japan	66,805	38,890 (2)
3. United Kingdom	59,122	38,860 (3)
4. France	51,594	37,500 (4)
5. Russia	49,646	5,980 (7)
6. Germany	48,952	36,290 (5)
7. Italy	40,901	30,630 (6)
8. China	31,357	1,700 (9)
9. Brazil	26,592	4,460 (8)
10. India	17,366	772 (10)

* Wilson and Purushothaman (2003), Appendix II, p. 20.

** Economist Intelligence Unit (2005).

Table 3
Comparison of Real GDP Growth Rates in
the G6 and BRIC Economies in 2050 and 2006

Country and rank by fastest-growing in 2050	Projected annual real GDP growth rate (%) in 2050*	2006 forecast annual real GDP growth rate (%)** and current ranking
1. India	5.1	6.8 (2)
2. Brazil	3.4	3.6 (4)
3. China	2.7	8.0 (1)
4. United States	2.5	2.9 (5)
5. Russia	2.1	5.5 (3)
6. France	1.7	1.7 (6)
7. United Kingdom	1.5	1.6 (7)
8. Italy	1.5	1.1 (10)
9. Japan	1.3	1.3 (9)
10. Germany	1.2	1.6 (8)

* Wilson and Purushothaman (2003), Appendix II, p. 21.

** Economist Intelligence Unit (2005).

A subsequent research project being undertaken by the Canadian-based Centre for International Governance Innovation identifies a considerably larger group of countries as the ones to watch. Labelled as “BRICSAM,” these are the BRIC countries with the addition of South Africa, Mexico, and the countries of the Association of Southeast Asian Nations (ASEAN).⁽¹⁴⁾ Although the inclusion of smaller countries may be questioned, the general argument is that as a whole the BRICSAM group accounts for about half the world’s population and, with average economic growth rates of 6% in the past five years, these countries are poised for moderate to high growth in the future. As two members of the BRICSAM project put it: “The reason for focusing on these countries is that global economic power appears to be shifting towards them and away from the [current] members of the Organization for Economic Cooperation and Development (OECD) and the G7.”⁽¹⁵⁾

If this overall trend is borne out, notwithstanding the many disparities and uneven rates of growth among the BRICSAM countries, this will indeed mark a major transformation of the world economy, especially given that as of 2003 they still accounted for only 12% of global GDP at market exchange rates.⁽¹⁶⁾ A BRICSAM orientation can be expected to result in a rapid expansion of trade flows in resource-based commodities to feed those countries’ growing demand for energy and other raw materials. Led by the Asian economies, it could also lead to more emphasis on cultivating close contacts with these economic movers and shakers, and perhaps the negotiation of more regional and bilateral deals, at the same time as global economic institutions such as the World Trade Organization (WTO) would come under pressure to accommodate the interests of these new powers.

(14) The ten ASEAN countries are: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. ASEAN has a combined population of about 500 million and combined GDP of US\$737 billion.

(15) John Whalley and Agata Antkiewicz, “A BRICSAM Strategy for Canada?” in Andrew Cooper and Dane Rowlands, eds., *Canada Among Nations 2005: Split Images*, McGill-Queen’s University Press, Montréal and Kingston, 2005, p. 137. It should be pointed out that Mexico is already a member of the OECD and that the OECD has been actively developing outreach relationships with other emerging-market countries such as Brazil.

(16) The figure would be considerably higher measured at purchasing-power parity rates, which adjust for price differences between countries and more accurately reflect the buying power of income in the domestic economy.

A. Implications for Canada

Whalley and Antkiewicz argue that the BRICSAM phenomenon poses a number of challenging adjustments for Canada, given this country's long dependence on U.S. markets (especially for manufactured exports), and that a BRICSAM strategy needs to be the focus of any potential diversification of Canada's commercial relations. At the same time, it might be argued that such a geographic diversification towards emerging markets could reinforce Canada's role as primarily a resource exporter.⁽¹⁷⁾ In that case, diversification would have to be accompanied by a broader strategy – involving education and skills development, scientific and technological innovation, and productivity gains – in order for Canada itself to emerge as a globally competitive trader in higher value-added goods and services.

Among the prospective factors that Whalley and Antkiewicz point to are the following:

- Taking advantage of fast-growing BRICSAM markets will especially spur resource export growth, and with that “the economic centre of gravity may well progressively tilt even more to the West and further away from Central Canada.”
- Canada will face more competition from BRICSAM countries in its traditional export markets, as well as intensified competition for a share of their expanding import markets.
- “Contacts and networking will become more central to market access, and the precise legal text of trade agreements will probably matter less.”
- “[I]mmigration policy may need to take into account the benefits of larger first-generation immigrant communities in Canada with direct network ties to BRICSAM countries.”
- “Policy towards international agencies such as the WTO may also change as the BRICSAM countries either singly or jointly take a different approach to international economic issues.”
- Traditional foreign policy concerns about these countries in terms of development, security, and governance may “become increasingly subordinated to the need to secure access for trade and investment ...” and “the key issue will become how to work jointly with them in pursuit of mutually advantageous global arrangements.”⁽¹⁸⁾

(17) A trend towards more resource-based exports is already occurring. In 2005, the proportion of Canada's exports accounted for by resources jumped to 57% from an average of about 50% over the previous 15 years. Of Canada's exports to China, 78% are resources. See Francine Roy, “Canada's Place in World Trade, 1990-2005,” *Canadian Economic Observer*, March 2006, p. 3.2.

(18) Whalley and Antkiewicz (2005), pp. 138-139 and 142-143.

With regard to the last point, however, the suggestion of “subordination” could be misleading. The trend that other analysts have observed is not for diplomatic, development, and defence concerns to recede in importance, but rather for them to become more tightly integrated with trade and economic objectives. For example, Louis Bélanger argues that “there is an unmistakable trend on the part of the emerging economic powers to treat trade policy as high politics. This trend reinforces the already strong movement of politicization of the global trade agenda.” These new powers “join the game with the clear objective of using their trade policies to legitimize years of liberal reforms and to advance geopolitical objectives.”⁽¹⁹⁾ According to Bélanger, if Canada is to be a significant player in the context of economic trade liberalization at this level, it will have to bring forward strong positions of its own in important debates on “not only economic issues, but also on ethical, social and environmental ones.” That will require clear foreign and trade policy linkages in terms of “how the government sees the articulation between trade and development, democracy, security and good governance”⁽²⁰⁾

The House of Commons Subcommittee on International Trade, Trade Disputes and Investment put forward an integrated approach in a 2005 report based on its consideration of an emerging markets strategy for Canada. In making 44 recommendations to the government, the Subcommittee advocated that government policies and programs take into account social, environmental and human rights concerns and that Canadian business activities in promising emerging markets be pursued within a framework of corporate social responsibility.⁽²¹⁾

These elements of a BRIC or BRICSAM strategy may be the most likely to arouse political controversy over their design and implementation. At the same time, it is clear that Canada still has a long way to go just in terms of building significant ties with most of these countries, at least in trade terms. While Canada’s two-way trade with BRICSAM has been growing slightly in recent years, it still accounts for only about 18% of Canada’s global total. Of that total, approximately 3.7% is made up of exports, compared to 14.5% which consists of

(19) Louis Bélanger, “Trade, Commerce, or Diplomacy? Canada and the New Politics of International Trade,” in Cooper and Rowlands (2005), pp. 237-238.

(20) *Ibid.*, p. 240.

(21) Standing Committee on Foreign Affairs and International Trade, Subcommittee on International Trade, Trade Disputes and Investment, *Elements of an Emerging Markets Strategy for Canada*, June 2005. The full report is available on-line at: <http://www.parl.gc.ca/committee/CommitteePublication.aspx?COM=8979&Lang=1&SourceId=123381>, and the Government Response at: <http://www.parl.gc.ca/committee/CommitteePublication.aspx?COM=8979 &Lang=1&SourceId=132263>.

imports from these countries. As a result, Canada is running trade deficits with all of the BRICSAM countries, in some cases equivalent to as much as 60% of total bilateral trade.⁽²²⁾

Moreover, as Whalley and Antkiewicz observe, “these flows are dominated by China in terms of the level and rate of growth.” In fact, trade with China alone makes up nearly 60% of Canada’s total trade with BRICSAM.⁽²³⁾ (Mexico, which is also in this grouping, is a distant second as trade partner, and is a special case since it already has closer linkages to Canada as part of the North American Free Trade Agreement.)

Not surprisingly, Whalley and Antkiewicz argue that a BRICSAM strategy for Canada should consider bilateral negotiations with China and also India, which is the other economy with the most long-term potential. The Subcommittee report referred to above recommended that the four BRIC countries be the “primary focus” of an emerging markets strategy. But here as well, China was highlighted as the major actor. As the report stated: “In terms of the focus of a Canadian emerging markets strategy, it was clear from the outset of our hearings that China should be Canada’s top priority. ... there was widespread agreement across businesses and associations that, while opportunities may exist around the world, China was in a class of its own.”⁽²⁴⁾

ASIAN POWER GOES GLOBAL: CHINA AND INDIA

A shifting global power balance from West to East has become a much remarked-upon phenomenon of recent years, but it has antecedents in earlier decades. The first country to present a modern “Asian challenge” was Japan, one of the defeated powers of World War II. In 1960, Japan was still considered to be a struggling developing country, poorer than Argentina. By the 1970s it had emerged as the leading Asian economy, welcomed as a founding member of the elite club of the Group of Seven industrialized nations (G7) and en route to global great-power status. On a lesser scale, South Korea was also being recognized as a low-income nation that was lifting itself up mightily and moving to the head of the class of the newly industrializing countries.

(22) Whalley and Antkiewicz (2005), pp. 143-144. See especially Table 8.2 for details of Canada’s trade with BRICSAM countries.

(23) *Ibid.*, p. 143.

(24) Subcommittee on International Trade, Trade Disputes and Investment (2005), p. 3 and Recommendation 1, p. 5.

What is different about the current attention to rising Asia is the sheer magnitude of the transformational processes occurring simultaneously in the world's two most populous countries. Much of the globalization with which we are familiar has been led by the G7 and OECD countries. In the future, globalization could have more of an Asian face. In the words of the U.S. National Intelligence Council study, "Asia will alter the rules of the globalizing process. By having the fastest-growing consumer markets, more firms becoming world-class multinationals, and greater S&T [science and technology] stature, Asia looks set to displace Western countries as the focus for international economic dynamism – provided Asia's rapid economic growth continues."⁽²⁵⁾ Asian powers are also expected to dominate global politics later in this century. The ability of Western countries, notably the United States, to accommodate that fact could therefore be crucial to the future of world order.⁽²⁶⁾

Within Asia, the most attention is clearly focused on its pre-eminent emerging global players China and India, both of which are adding enormous numbers of new workers and consumers to the global economy while developing huge middle classes larger than the entire populations of most G7 countries. As a recent business article surveyed the prospect:

The postwar era witnessed economic miracles in Japan and South Korea. But neither was populous enough to power worldwide growth or change the game in a complete spectrum of industries. China and India, by contrast, possess the weight and dynamism to transform the 21st-century global economy. ... even America's rise falls short in comparison to what's happening now. Never has the world seen the simultaneous, sustained takeoffs of two nations that together account for one-third of the planet's population. For the past two decades, China has been growing at an astounding 9.5% a year, and India by 6%. Given their young populations, high savings, and the sheer amount of catching up they still have to do, most economists figure China and India possess the fundamentals to keep growing in the 7%-to-8% range for decades. (...) In the coming decades, China and India will disrupt workforces, industries, companies, and markets in ways that we can barely begin to imagine.⁽²⁷⁾

(25) National Intelligence Council (2004), p. 28.

(26) Jacek Kugler, "The Asian Ascent: Opportunity for Peace or Precondition for War?" *International Studies Perspectives*, Vol. 7, Issue 1, February 2006, pp. 36-42.

(27) Pete Engardio, "A New World Economy: The balance of power will shift to the East as China and India evolve," *Business Week*, 22 August 2005. There has been a spate of books making similar arguments. See, for example, Clyde Prestowitz, *Three Billion New Capitalists: The Great Shift of Wealth and Power to the East*, Basic Books, New York, 2005. Some of these books focus on China as the next great challenge to the United States and the global economy, for example, Ted C. Fishman, *China Inc.: How the Rise of the Next Superpower Challenges America and the World*, Scribner, New York, 2005.

Other projections have come to similarly dramatic conclusions about the impacts of these two emerging powers on both the geo-economic and geo-political global landscape. The NIC study suggests that a combination of sustained high economic growth, active promotion of high technologies, population size, expanding military capabilities and international policy ambitions will fuel their rising power on the world stage. Among the expected manifestations are the following:⁽²⁸⁾

- The demographic weight of China and India will be such that they will not need to approach Western standards of living to achieve great-power standing.
- China will become the leading centre of world manufacturing and exports. (“Competition from ‘the China price’ already powerfully restrains manufactures prices worldwide.”)
- “China’s and India’s perceived need to secure access to energy supplies will propel these countries to become more global rather than just regional powers”
- “China’s desire to gain ‘great power’ status on the world stage will be reflected in its greater economic leverage over countries in the region and elsewhere as well as its steps to strengthen its military. East Asian states are adapting to the advent of a more powerful China by forging closer economic and political ties with Beijing, potentially accommodating themselves to its preferences, particularly on sensitive issues like Taiwan.”
- “China will overtake Russia and others as the second largest defense spender after the United States over the next two decades and will be, by any measure, a first-rate military power.”
- “The rise of India also will present strategic complications for the region. Like China, India will be an economic magnet for the region, and its rise will have an impact not only in Asia but also to the north – Central Asia, Iran, and other countries of the Middle East.”
- The China-India relationship will be one to watch. Some may see India as a potential “counterweight” to China’s influence. But their trade with each other will rise rapidly and they could form a potent strategic alliance.
- “The United States and China have strong incentives to avoid confrontation, but rising nationalism in China and fears in the US of China as an emerging strategic competitor could fuel an increasingly antagonistic relationship.”
- Since “China’s ability to sustain its current pace is probably more at risk than is India’s ... India could emerge as the world’s fastest-growing economy as we head towards 2020.” (Refer back also to Table 3.)

(28) National Intelligence Council (2004), pp. 47-55.

So far there is little sign that China's torrid economic pace is slowing, with the latest figures showing an expansion of 9.9% in 2005, recently overtaking the United Kingdom and France in economic size, and likely Germany in 2008. However, there are a number of downside risks and disruptions that accompany this extraordinary rise: massive internal migration from the countryside to the cities, fragile financial systems and state-owned enterprises, pervasive corruption, rising socio-economic inequalities, inadequate social safety nets and health-care systems in the face of an ageing population and epidemic diseases, growing levels of unemployment and civil unrest, demands for political as well as economic liberalization, for democracy and rights as well as market freedoms, and the spectre of conflicts involving Taiwan or North Korea.⁽²⁹⁾

Indeed, some argue that China's combination of a neo-Leninist state and rampant crony capitalism is not sustainable and is more likely to lead to decay than democratic transition. As one sceptic puts it: "For the moment, China's strong economic fundamentals and the boundless energy of its people have concealed and offset its poor governance, but they will carry China only so far. Someday soon, we will know whether such a flawed system can pass a stress test: a severe economic shock, political upheaval, a public health crisis, or an ecological catastrophe. China may be rising, but no one really knows whether it can fly."⁽³⁰⁾ About 800 million people, 70% of the population, still live in the countryside, and the gap between the rural poor and urban elites is larger than at any time since the 1949 revolution. As a recent *Economist* article put it: "A spectre is haunting China – the spectre of rural unrest."⁽³¹⁾ How well, or badly, China is able to manage multiple transitions and surmount potential internal challenges will be critical to its role in shaping world politics in the coming years.

(29) However, at least one analyst foresees that China's integration within a highly globalized world economy makes remote the prospect of China becoming involved in any great-power conflict. See Richard Rosecrance, "Power and International Relations: The Rise of China and Its Effects," *International Studies Perspectives*, Vol. 7, Issue 1, February 2006, pp. 31-35.

(30) Mixin Pei, "The Dark Side of China's Rise," *Foreign Policy*, March/April 2006. A version of this article was published as "Don't Believe the China Hype" in the *National Post* [Toronto], 14 March 2006, p. A14. See also Mixin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy*, Harvard University Press, Cambridge, Mass., 2006.

(31) "How the other 800 million live," *The Economist*, 11 March 2006, p. 12. See also in the same issue "Planning the new socialist countryside," pp. 37-38. According to scholar Christine Wong: "What China has now is the worst of a planned economy and the worst of capitalism. The farmers are the ones who are losing out the most" (cited in Hannah Beech, "Inside the Pitchfork Rebellion," *Time*, 13 March 2006, p. 22).

At the same time, it is undeniable that China's growing weight in political and military as well as economic terms is already reshaping the strategic balance in Asia and globally. Much of the attention has focused on China's aggressive diplomacy, an uneasy United States-China relationship and closer United States-India relations. A report prepared for members of the U.S. Congress prior to the first East Asia Summit in mid-December 2005⁽³²⁾ – a new formation that excludes the United States, unlike broader forums such as APEC (Asia-Pacific Economic Cooperation) – suggests that: “Fundamental shifts underway in Asia could constrain the U.S. role in the multilateral affairs of Asia. The centrality of the United States is now being challenged by renewed regionalism in Asia and by China's rising influence.”⁽³³⁾

According to James Hoge: “Suspicious Americans have interpreted larger Chinese military budgets as signs of Beijing's intention to roll back America's presence in East Asia. Washington is thus eager to use India, which appears set to grow in economic and military strength, as a counterbalance to China as well as a strong proponent of democracy in its own right.” That in turn feeds Chinese suspicions of current United States-India military cooperation (which also raises sensitive nuclear nonproliferation issues)⁽³⁴⁾ as part of a policy of “soft containment of China.”⁽³⁵⁾ An article on the eve of President Bush's March 2006 visit to India refers to “China's fear that America's grand strategic design is to encircle it and block its rise as a great power.”⁽³⁶⁾ Military historian and journalist Gwynne Dyer goes so far as to suggest that “Washington and New Delhi are laying the foundations for a new Cold War in Asia.”⁽³⁷⁾ But

(32) The East Asian Summit brings together the 10 ASEAN countries along with China, India, South Korea, Japan, Australia and New Zealand. The inaugural meeting was on 14 December 2005 in Kuala Lumpur, Malaysia.

(33) Bruce Vaughn, *East Asian Summit: Issues for Congress*, Congressional Research Service Report for Congress, 9 December 2005, p. 1. American concerns have also been expressed about China's activist diplomacy with countries in Africa and Latin America.

(34) For a critical analysis of the March 2006 United States-India agreement on nuclear cooperation, see “Nuclear proliferation: Dr Strangedeal,” *The Economist*, 11 March 2006, pp. 9-10. And on the potential implications for Canada, see Joseph Cirincione, “Let's not help India build more nuclear weapons,” *The Globe and Mail* [Toronto], 11 March 2006, p. A21; Leonard Spector, “How Bush's nuclear deal burned Canada,” *The Ottawa Citizen*, 23 March 2006, p. A15.

(35) James Hoge, “A Global Power Shift in the Making,” *Foreign Affairs*, July/August 2004. On American diplomacy towards India, see also Ashley Tellis, “India as a New Global Power: An Action Agenda for the United States,” Carnegie Endowment for International Peace, 18 July 2005.

(36) “A passage to India,” *The Economist*, 25 February 2006, p. 11.

(37) Gwynne Dyer, “America's Indian Sidekick,” syndicated article, 27 February 2006.

other analysts point out that “India is far too canny, and cares too much about its own China relationship, to be drawn into such a game.”⁽³⁸⁾ (Interestingly, India has also been improving relations with Taiwan, with the launching of a Taiwan-India Cooperation Council in February 2006.)⁽³⁹⁾

A. Implications for Canada

Canada is not a major player in any of the above strategic manoeuvres and calculations, but it will be affected by their result. And like all countries, including the United States, Canada will have to adjust its policies to accommodate the “Asian face” of globalization and the growing global power and influence of China. That includes coming to terms with China’s inroads into Canada’s principal market, the United States. In July 2005, for the first time, China overtook Canada to become the largest exporter of goods to the United States. While China does not yet tend to compete in the same products as Canada, its continued rapid rise does raise concerns about whether Canada will remain up to the competition in future. Even Canada’s established markets cannot be taken for granted. Moreover, China has now replaced Japan as Canada’s second-largest trading partner. According to a March 2006 Statistics Canada study, China’s growing role in global trade is a main factor in the U.S. share of Canada’s imports dropping to its lowest level since the 1930s.⁽⁴⁰⁾

An awareness of the rising role of Asia goes back some decades. For example, a 1975 study sponsored by the Ottawa Defence Research Board and the Canadian Institute of International Affairs described both Japan and China as having “entered officially a new age of global influence and responsibility.” As well, it was foreseen that “the Chinese seem certain to widen their lead over the Japanese in terms of regional power and global political-diplomatic influence.”⁽⁴¹⁾ Recognition of the importance of Asia was advanced by the creation of the Vancouver-based Asia Pacific Foundation of Canada (APFC) by Act of Parliament in 1984 and by Canada’s multilateral participation in APEC.⁽⁴²⁾

(38) “A passage to India,” p. 11. For a detailed comparative survey of China and India as both rivals and partners, see *The Economist*, special section, 5 March 2005.

(39) “Getting acquainted,” *The Economist*, 16 February 2006, pp. 42-43.

(40) Roy (2006), pp. 3.5-3.8.

(41) Peter G. Mueller and Douglas A. Ross, *China and Japan – Emerging Global Powers*, Praeger Publishers, New York, 1975, “Postscript,” pp. 193 and 199.

(42) A wealth of information sources can be found on the Foundation’s Web site: <http://www.asiapacific.ca>.

However, as several recent APFC publications warn, Canada could be sidelined politically by the advent of new Asia-only forums; and given that Canada's share of the Chinese market is actually declining, a broader, more strategic approach is needed to the region than just occasional "Team Canada" trade missions.⁽⁴³⁾ Canadian experts on the region have argued that, notwithstanding official recognition of the importance of emerging powers in the 2005 *International Policy Statement*, Canada still lacks a significant presence. As a recent roundtable report put it:

A point that came out more than once during the discussion of our relations with China and India is that people in those countries, and elsewhere in Asia, have no very clear impressions of Canada. In economic terms we are still seen as a vast repository of natural resources. We have to do a much better job of 'branding' ourselves, or portraying ourselves as more than that, as a country with many strengths and much to offer.⁽⁴⁴⁾

Promotion of new technologies, including for environmentally sustainable development, of globally competitive education and skills development, and of a western Canadian "Gateway" to the Asia Pacific are some of the initiatives being advanced to respond to this challenge.

China is clearly the most important Asian country in terms of building a beneficial long-term relationship, and it represents a challenge that engages every facet of international policy: not only diplomacy, development, and trade and commerce (including controversial investments in Canada by Chinese state-owned firms), but also security, human rights, democratization and governance issues, the environment and climate change, public health concerns, and so on.

In terms of the bilateral economic relationship, as previously noted, China is by far Canada's dominant partner among the BRICSAM countries.⁽⁴⁵⁾ But even so, China still accounts for only about 4% (2004 figures) of Canada's total two-way global trade flows (in a

(43) Paul Evans, *Asia's New Regionalism: Implications for Canada*, Asia Pacific Foundation, Canada in Asia Series, September 2003; Paul Evans and Yuen Pau Woo, *Canada and a Global China: From Special Relationship to Policy Partnership*, Asia Pacific Foundation, October 2004.

(44) Canadian Institute of International Affairs (CIIA), Report of the Vancouver Round Table "The Shifting Global Balance," 7 November 2005, CIIA Series of Policy Round Tables on the International Policy Statement "A Role of Pride and Influence in the World," <http://www.ciia.org>.

(45) For details of Canada's recent trade (measured in U.S. dollars) with all of the BRICSAM countries, see Whalley and Antkiewicz (2005), Table 8.2, p. 143.

substantial deficit position, given a trade imbalance of just 1.6% of Canadian exports compared to 6.8% of imports). And looked at from China's perspective, Canada has only a 1.5% share of Chinese trade with the world. The investment relationship is even less, with Canada receiving under 0.1 % of China's overseas foreign direct investment (FDI) and Canadian FDI in China still small at US\$500 million in 2004.

During 2005, which marked 35 years of official diplomatic relations with the People's Republic under the "One China" policy, the Canadian government made a commitment to double economic ties by 2010 and to upgrade relations to the level of a "strategic partnership." Strategic working groups were launched in January 2005 in the areas of trade and investment, energy and resources, science and technology, and multilateral cooperation. According to Paul Evans of the Asia Pacific Foundation, China's rise as a world economic power and global diplomatic player carries a number of implications for Canada:

- Increasing prices for commodities, natural resources and energy based in large part on growing Chinese demand.
- Increasing trade and investment volumes with China accompanied by a growing trade and, at least in the short term, investment deficit. In addition to formulating rules to protect Canadian investment in China, a major new development is the prospect of increasing substantially larger Chinese investment and acquisitions in Canada. The increased volume of trade poses major issues for air and port infrastructure and has the potential to affect the course of deeper North American integration.
- Increased pressure for Chinese professional and business people to emigrate to Canada and to press for more flexible visa, taxation and citizenship rules.
- Increased opportunities in areas of non-tradable service including education, health care and tourism. The level of human interactions is destined to grow, perhaps dramatically, with significant implications for new opportunities in connecting immigration, education and tourism. There will be new pressures for alterations in visa, citizenship and taxation rules.
- Increased opportunity, and need, for working with Chinese officials on virtually the full spectrum of Canadian diplomatic and developmental priorities.⁽⁴⁶⁾

Canada's engagement with India is at a considerably lower level despite the fact that India is the world's largest democratic emerging power. The relationship has never been very deep and was vexed for decades following 1974 when India exploded a nuclear device

(46) Paul Evans, "Canada and Global China: Engagement Recalibrated," in Cooper and Rowlands (2005), pp. 157-158.

using Canadian technology. Canada has had to come to terms with India as a nuclear power. While bilateral sanctions were lifted several years ago, diplomatic strains remain in a number of areas notwithstanding recent prime ministerial and ministerial visits and trade missions. Moreover, India, unlike China, is no longer a direct recipient of Canadian official development assistance.⁽⁴⁷⁾

Canada's trade and investment relationship with India is growing but remains very small. India is only Canada's 18th-largest export market, and India accounted for just 0.3% of Canada's two-way trade flows in 2004 (0.2% of exports and 0.4% of imports). Canada in turn represents about 1.0% of India's global trade. The investment relationship is even smaller, with about \$250 million of Canadian FDI in India in 2004, versus only \$62 million of Indian investment in Canada, mostly in the information technology sector. At the same time, a significant trade developing in commercial services is probably under-reported in the official statistics. In contrast to China's reliance on low-cost manufacturing, much of India's dynamism is due to the burgeoning services and high technology sectors.

Another potentially important factor in reinvigorating the bilateral relationship is a rapidly growing Indo-Canadian community that is approaching one million strong. In recent years India has been the second-largest source country for immigrants to Canada, accounting for approximately 10% of the annual total.

In addition to those ties, India, as the leading democratic economic power in Asia after Japan, would seem to be a particularly attractive country with which to pursue partnership arrangements in trade and other areas.⁽⁴⁸⁾ Yet Canada-India relations have a lot of ground to make up. As pictured by several analysts, "Canada's India policy, ranging in the past from indifference to neglect, presents an image that is best described as a 'bazaar relationship': shopping around for one-off trading opportunities but lacking a sustained and diversified relationship."⁽⁴⁹⁾ The increasing prominence of India in the world economy and in multilateral forums may finally provide the spur for Canada to move its diplomacy with India to a higher level.

(47) India has decided no longer to accept foreign aid from governments. China still receives a significant amount of Canadian official development assistance (ODA) but it is not among the 25 "development partners" according to the CIDA policy announced in April 2005.

(48) The Conservative Party of Canada's 2006 federal election platform states that a Conservative government will: "Explore the possibility of free-trade negotiations with Canada's democratic and economic partners in the Asia-Pacific, Japan, and India" (*Stand Up for Canada*, p. 46). Trade with China is not mentioned.

(49) Ramesh C. Kumar and Nigmendra Narain, "Re-engaging India: Upgrading the Canada-India Bazaar Relationship," in Cooper and Rowlands (2005), p. 169.

OTHER EMERGING POWERS: BRAZIL AND SOUTH AFRICA

Although China and India are the only countries likely to become global powers in the next decades, several other rising states are poised to exert markedly increased regional and multilateral influence. Russia, a member of the BRIC group of countries, is sometimes considered in that light. It is also, like China, both a nuclear power and one of the “permanent five” with veto power on the United Nations Security Council. Russia, however, is not yet a member of the World Trade Organization, which China joined in 2001. Moreover, Russia is a special case: it is less an emerging power than a re-emerging one – a successor state to a former superpower (the Soviet Union) attempting to regain a leading role in international affairs despite its reduced circumstances.

The two other non-Asian emerging powers that bear closest attention are both the leading diplomatic actors on the other continents of the developing world. Brazil, the most populous country in the Americas after the United States, has clearly become the dominant country in South America and a leading voice for developing-country interests internationally. In Africa, that leadership role seems to have been taken up by South Africa over a decade after emerging from the dark period of apartheid. While not the continent’s most populous country (that distinction belongs to Nigeria), South Africa has its largest and most dynamic economy. South Africa has also achieved an enviable degree of democratic stability and it has become increasingly engaged in multilateral diplomacy both regionally and globally.

Brazil and South Africa are the most likely candidates from their respective continents for membership in an enlarged UN Security Council. Both Brazil and South Africa have, along with India and China, become key members of the majority developing-country bloc within the WTO that has challenged traditional G7 leadership in the conduct of multilateral trade negotiations. Brazil and South Africa have joined the inner circle of countries (which does not include Canada) with real influence on whether the current WTO Doha development round can succeed.

Brazil and South Africa have also been in the forefront of promoting “South-South cooperation.” A significant development in that regard was the creation in 2003 of the Trilateral Commission of India-Brazil-South Africa (IBSA) Dialogue Forum with the explicit

mission to develop a common agenda of multilateral action as leading democracies from three continents and to foster South-South partnerships. The Forum meets annually and set out a plan of action for trilateral cooperation at its inaugural meeting in New Delhi in March 2004.

How Brazil performs could set the pace for Latin America as a whole. The National Intelligence Council projection foresees that:

Brazil's success or failure in balancing pro-growth economic measures with an ambitious social agenda that reduces poverty and income inequality will have a profound impact on region-wide economic performance and governance during the next 15 years. Luring foreign direct investment and advancing regional stability and equitable integration – including trade and economic infrastructure – probably will remain axioms of Brazilian foreign policy. Brazil is a natural partner both for the United States and Europe and for rising powers China and India and has the potential to enhance its leverage as a net exporter of oil.⁽⁵⁰⁾

At the same time, the Goldman Sachs study on the BRICs noted that, although Brazil had posted an average annual real GDP growth rate above 5% over the past 50 years, growth had faltered as a result of financial and currency woes in the 1990s. Compared to China and other large Asian economies, Brazil remains less open to trade, its levels of investment and savings are lower, and its public and external debt are much higher. Hence Brazil's advance into the front rank of world economies will be slower and less certain.⁽⁵¹⁾

In the case of South Africa, there are additional public health and demographic risk factors in addition to the factors of poverty and crime. Principally these are related to the HIV/AIDS epidemic, its impact on the labour force and the strains on public services. According to Goldman Sachs projections, South Africa could become a high-growth economy, though their long-range (50 years) forecast predicts a more moderate GDP growth rate per annum of about 3.5%. South Africa will still have an economy much smaller than any of the BRICs in a few decades' time. However, as a result of declining population growth rates, it could have a higher per capita income level.⁽⁵²⁾

(50) National Intelligence Council (2004), p. 54.

(51) Wilson and Purushothaman (2003), p. 15.

(52) *Ibid.*, p. 11.

As well, on the diplomatic front, South Africa is reaching beyond its leading role in southern African regional forums and the African Union. Its role in the WTO has already been noted. But it has also been actively pursuing regional and bilateral free-trade and investment partnerships with the European Union, the European Free Trade Association, the United States, and the MERCOSUR bloc (Brazil, Argentina, Uruguay, and Paraguay), as well as growing links with China and India.⁽⁵³⁾

A. Implications for Canada

Canada will be unlikely to exert much influence in South America or in Africa without strong ties with Brazil and South Africa. Canada must also take into account these countries' increasing role in multilateral forums, notably the WTO and the UN.

Brazil has traditionally been Canada's largest trading partner outside of NAFTA in the Americas. There has also been a long-standing, if rather narrowly based, investment relationship. Progress has been made in recent years, with Canadian FDI in Brazil reaching about \$7 billion in 2003, and Brazilian investments in Canada exceeding that amount. This is considerably greater than Canada's investment relationship with China and India combined. At the same time, Canadian exports to Brazil are well down from their peak level of 1997, and two-way trade flows account for only about 0.4% of Canada's global total (just 0.2% of exports and 0.7% of imports in 2004).

Moreover, bilateral relations remain in question overall. A November 2004 visit to Brazil by the Canadian prime minister and trade minister, which gave a push to the negotiation of a limited free-trade arrangement with MERCOSUR, was a positive sign coming after a series of frictions. These include a 2001 Canadian ban on Brazilian beef imports over BSE fears and the ongoing dispute over export subsidies for regional jets built by Bombardier and its Brazilian competitor Embraer.⁽⁵⁴⁾ More broadly, Canada and Brazil have not been in sync over the now stalled negotiations over a Free Trade Area of the Americas (FTAA), and that appears to have also bogged down the bilateral negotiation with MERCOSUR. One analyst argues that, while

(53) "Assessing South Africa's Economic Role in Africa: South Africa's Economic Re-integration into the World Post-1994," Speech by Mrs. Lindiwe Hendricks, Deputy Minister of Trade and Industry, Republic of South Africa, to the Joint Conference of the Royal Institute of International Affairs and the South African Institute, London, 10 June 2004.

(54) For detailed discussion of these and other irritants, see Annette Hester, "Canada and Brazil: Confrontation or Cooperation?" in Cooper and Rowlands (2005), pp. 207-213.

Brazil is interested in a deal with Canada, it is intent on pursuing its own hemispheric strategy, not one driven by North American interests. Furthermore: “Canada does not control the agenda [of the FTAA] – the US and Brazil do. Canada will have an increasingly difficult time influencing the agenda, and creative thinking will be needed if there is to be a renewal of productive Canadian-Brazilian relations.”⁽⁵⁵⁾

In regard to South Africa, Canada has provided considerable bilateral assistance in support of the country’s post-apartheid democratic transition (some \$150 million in the decade after the new constitution of 1994). South Africa is also Canada’s largest trading partner in sub-Saharan Africa. That total is still very small, however, accounting for only about 0.1% of Canada’s global two-way trade (0.1% of exports and less than 0.2% of imports in 2004). Investment is also small and has been concentrated in the mining and resource sectors.

Diplomatically, Canada has sought to engage South Africa through the Commonwealth and through pan-African initiatives such as the New Partnership for Africa’s Development (NEPAD) that was a centrepiece of the agenda for the G8 summit hosted by Canada in Kananaskis, Alberta, in June 2002. Bilateral relations have been mostly positive. However, Canada does not as yet appear to figure significantly in South Africa’s ambitious approach to forging strategic free-trade and investment links outside of Africa.

CONCLUSION

Forecasts of global power shifts and long-term economic projections must be treated with caution, given the number of variables in play. They can, however, point to key trends that need to be taken seriously by prudent policymakers. Better preparation for probable international scenarios may also result in more effective responses to such anticipated events.

In the next several decades, it seems virtually certain that at least two Asian “emerging-market” countries, China and India, will move into the front rank of the world’s economies and will increasingly exercise influence as global powers. A change of such magnitude in the global power balance is likely to challenge the positions of even the most powerful Western countries. At the very least, the current G7 countries will have to adjust their policies to accommodate the interests of these rising powers.

(55) *Ibid.*, p. 214.

Outside of Asia, several other countries – notably Brazil and South Africa – are also likely to exert growing leadership within their regions, within the developing world as a whole, and within important multilateral forums including the United Nations and the World Trade Organization. In addition, these countries are forging links among themselves and with Asian powers. They are building networks and alliances that promote common agendas of “South-South” cooperation.

As a smaller player in a world of contending giants, Canada is likely to experience a continuing decline in its relative power on the world stage. As a trade-dependent nation, Canada will also remain highly exposed to international economic trends. And in an environment of intensified multi-polar competition, Canada may not be able to rely as much as it has on proximity to the United States, which will be preoccupied dealing with its own power-shift challenges. Canada’s choice of competitive options within and beyond North America, whether that includes deeper economic integration, or more diversified relationships with other regions, perhaps a combination of both, will be greatly affected by the changes that China, India and other leading emerging-market countries bring to the international system.

If Canada is to avoid being marginalized, it will have to be innovative both at home and abroad, equipping Canadians for this new era of globalized competition with an increasingly “Asian face,” and developing stronger Canadian ties to the emerging powers of the international system. It is certainly not too soon to be devising strategies to meet that challenge.