

Chapter 90

Rising Economic Powers among Economies in Transition: Is There Enough Space on the Global Market?

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ABSTRACT

The chapter covers contemporary global developments, particularly international trade and economic integration, with involvement of the economies in transition, BRICS countries, and new rising powers of Latin America and Asia. The issues, addressed in the chapter, are related to the concept of globalization in general; specific challenges of globalization for the economies in transition, and application of those general challenges in selected countries (China, Russia, Brazil, etc.). Chapter is concluded with investigations of regional trade integration as a response to threats of globalization and expectations of a new global order with growing involvement of economies in transition (particularly, BRICS, the CIS, the EAEU, and other countries of Latin America and Asia).

INTRODUCTION

Economies in transition have their own way of development. Most of them are highly dependent on global market, particularly global demand on natural resources and primary products. In addition, most of the economies in transition are not very much diversified; they are not able to spread risks of lower global demand in particular industries on the entire domestic economy. The common challenge for the economies in transition is to broaden and diversify their growth base. In their efforts to do this, these countries need to improve market access through trade policies and accession to the World Trade Organization (WTO), to introduce active industrial and other production sector policies, to develop infrastructure and attract investment and new technologies.

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“Economy in transition” is a rather general definition. It is commonly accepted, that it is associated with the countries of the Former Soviet Union (FSU) (currently consolidated into the Commonwealth of Independent States (CIS)) and some countries of the Central and Eastern Europe, which experienced the Soviet-type model of development and underwent large economic and political transitions in the early 1990s, from centrally-planned communist regimes to democratic market economies (Khandelwal & Roitman, 2013). According to the Department of Economic and Social Affairs of the United Nations Secretariat (UN/DESA) (2015), economies in transition are twelve countries of the FSU (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan) and five countries of the South-Eastern Europe (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Republic of Serbia). In the beginning of the 2000s, the International Monetary Fund (2000) also considered four Asian (Cambodia, China, Laos, and Vietnam) and seven Central European economies (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovak Republic, and Slovenia) as transition ones.

Another definition (“emerging economies”) has been widely used in relation to such economies in transition, as China and Russia. Goldman Sachs report (Wilson & Purushothaman, 2003) forecast that the economies of China and Russia along with another two giants, India and Brazil (the so-called “BRIC” in the 2000s, and “BRICS” after 2010, when South Africa joined the group), could grow to be collectively larger than the top world economies (the EU, the USA, and Japan) before 2050.

All those economies in transition (or “emerging economies”) have followed various pathways to economic growth, and have both common features and differences. Countries of the Central and Eastern Europe progressed into well-functioning market economies and have become members of the EU. Asian economies adopted gradual transition mode and even emerged into the key market players (China). For most of the CIS countries, including Russia, process of market reforms is still incomplete.

The chapter consists of three parts. First part is related to the investigation of globalization and contemporary challenges for economies in transition. Various approaches to understanding of globalization as economic and social phenomena are discussed. Combining various existing classifications of the economies in transition, it is decided to consider such to be the countries of the former Soviet Union, Central and Eastern Europe, and Asia, which experienced the Soviet-type model of development and underwent large economic and political transitions from centrally-planned regimes to democratic market economies. Second part includes overview and comparison analysis of the major alliances of the economies in transition: the CIS, BRICS, and the Eurasian Economic Union (EAEU). Third part concludes the chapter with the detailed investigation of the existing strengths and weaknesses of each economy in transition in view of international competition.

BACKGROUND

Opening of the economies in transition to the international market over the past two decades has fundamentally changed their economic and business environments (Khanna & Palepu, 2010). The term globalization has been used since the 1980s and especially increasingly since the 1990s, when transition processes started in many developing countries (post-Soviet area, Eastern Europe, and South-East Asia).

McGrew (1990) recognizes globalization as a multiplicity of linkages and interconnections that transcend the nation states (and by implication the societies) which make up the modern world system. Dawson (2003) defines globalization as the flow across national boundaries of goods and services,

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