

## 2.2: Global Competition's Changing Center of Gravity

The rapid emergence of a number of emerging economies—notably the so-called BRIC countries (Brazil, Russia, India, China, and South Africa)—is the latest development shaping the global competitive environment. These economies are experiencing rates of growth in gross domestic product (GDP), trade, and disposable income that are unprecedented in the developed world. The sheer size of the consumer markets now opening up in emerging economies, especially in India and China, and their rapid growth rates will shift the balance of business activity far more than did the earlier rise of less populous economies such as Japan and South Korea and their handful of “new champions” that seemed to threaten the old order at the time. China is predicted to overtake the U.S. economy by the end of the 2020s, potentially followed by India in the mid-21st century (Statista (2021) <https://www.statista.com/statistics/...ric-countries/>).

"Since the beginning of the 21<sup>st</sup> century, the BRICS countries have been considered the five foremost developing economies in the world. Originally, the term BRIC was used by economists when talking about the emerging economies of Brazil, Russia, India, and China, however these countries have held annual summits since 2009, and the group has expanded to include South Africa since 2010. China has the largest GDP of the [BRICS](#) country, at 16.86 trillion U.S. dollars in 2021, while the others are all below three trillion. Combined, the BRICS bloc has a GDP over 23.5 trillion U.S. dollars in 2021, which is slightly more than the United States."

-Statista (2021): <https://www.statista.com/statistics/...ric-countries/>

This shift in the balance of business activity has redefined global opportunity. For the last 50 years, the globalization of business has primarily been interpreted as the expansion of trade from developed to emerging economies. Today's rapid rise of emerging economies means this view is no longer tenable—business now flows in both directions and increasingly from one developing economy to another. Or, as the authors of “Globality,” consultants at the Boston Consulting Group (BCG), put it, business these days is all about “competing with everyone from everywhere for everything.” Sirkin, Hemerling, and Bhattacharya (2008).

The evidence that this latest shift in the global competitive landscape will have seismic proportions is already formidable. Consider, for example, the growing number of companies from emerging markets that appear in the *Fortune* 500 rankings of the world's biggest firms. In 2011 there were 62, mostly from the BRIC economies, up from 31 in 2003, and in 2017 rose to 164, 137 of which are from BRIC countries (A general theory of springboard MNEs - Scientific Figure on ResearchGate. Available from: [https://www.researchgate.net/figure/...fig1\\_320339877](https://www.researchgate.net/figure/...fig1_320339877) [December 2021]).

Look also at the recent sharp increase in the number of emerging-market companies acquiring established rich-world businesses and brands, proof that “globalization” is no longer just another word for “Americanization.” For instance, Budweiser, the maker of America's favorite beer, was bought by a Belgian-Brazilian conglomerate. And several of America's leading financial institutions avoided bankruptcy in 2008 only by being bailed out by the sovereign-wealth funds (state-owned investment funds) of various Arab kingdoms and the Chinese government.

Another prominent example of this seismic shift in global business is provided by Lenovo, the Chinese computer maker. It became a global brand in 2005, when it paid around \$1.75 billion for the personal-computer business of one of America's best-known companies, IBM, including the ThinkPad laptop range. Lenovo had the right to use the IBM brand for 5 years, but dropped it 2 years ahead of schedule, such was its confidence in its own brand. It squeezed into 499th place in the *Fortune* 500 in 2011, and in 2021 sits at 159 with worldwide revenues of \$60.7 billion in 2021 and growth prospects many Western companies envy.

The conclusion is that this new phase of “globality” is creating huge opportunities—as well as threats—for developed-world multinationals and new champions from developing countries alike.

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