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The Role of Emerging Economies in Shaping Global Sustainable Trade Development: Evidence from Latin America

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Abstract

With the rapid development of the economy, emerging economies' vital influence in today's international trade cannot be ignored. However, I find that in past studies, there was little to systematically talk about how those economies sustainably shape global trade. Especially sustainable development has been set as one of the United nation's goals, as researchers, we should consider this to ensure we are on the right development track. In the following parts, I mainly discuss the background of the research, proving emerging economies' significant role in trade and other potential risks emerging economies may face. Finally, I illustrate how emerging economies can enhance the stability and sustainability of global trade.

Keywords: international trade, sustainable development, emerging economies.

1. The Background of Global Trading

1.1. Main topic

Apart from the highly developed economies, which always work as leaders in global trade, the emerging economies seem to have less effect on formulating standards. Because they are totally 'new' to the trading world which has been dominated by developed economies for a long time. Therefore, there is a question: what is the current role of emerging economies in shaping global trade? Are they being followers, participants, or contributors? Based on those questions, I try to figure out the role of emerging economies in shaping global sustainable trade development.

1.2. Reasons for the study

For one thing, geopolitics and the post-pandemic era pose challenges for international trade, which urgently

needs to be put back on track. Due to the Covid-19 pandemic, the global supply chains are weakened and fragile which is harmful to global trade. Not the pandemic itself, but the side-effect it brings become a barrier to segregating countries' economic communication. Meanwhile, the geopolitical tensions in our world also create a hurdle. No one would take risks to make a deal with traders whose country is involved in a war or whose society is in chaos. Considering those two factors, the quantity of international trade is shrinking. From Figure 1, I can see the whole trend of total trade is increasing. However, focusing on a particular time, such as 2016 or 2020, the total trade is unstable. On Oct.10 2023, the United Nations Conference on Trade and Development (UNCTAD) published a report Trade and Development Report 2023, which says the world economy is flying at "stall speed", with projections of a modest growth of 2.4 per cent in 2023, meeting the definition of a global recession. The prospect of global trade is uncertain.

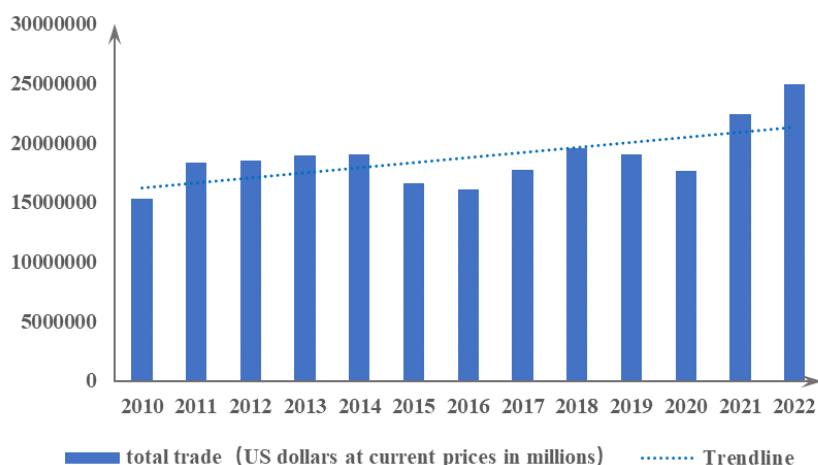


Figure 1. The Total Trade and Share during 2010-2022

Note. From the UNCTAD Data Centre (<https://unctadstat.unctad.org/datacentre/dataviewer/US.TradeMerchTotal>)

For another, as researchers, we need to pay attention not only to the quantity of development but also to the quality of trade and the need for sustainable trade development. Assuring that international trade could recover to the same level as before the pandemic, we still need to do a host of things to make our trade more environmentally friendly. United Nations (UN) published a sustainable development goal to achieve a better and more sustainable future for all, including those related to poverty, inequality, climate change, environmental degradation, peace, and justice. Those



Figure 2. Sustainable Development Goals

Note. From the UN's Website (<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>)

goals are clearly illustrated in Figure 2. The UN also stressed that the 17 Goals are all interconnected, and to leave no one behind, we must achieve them all by 2030. One of the goals is to ensure sustainable consumption and production patterns, which are closely related to the international trade chain.

Besides, there is a digitalization and greening trend in the economy. Trading is not confined to agriculture or manufacturing but enlarged to high-tech and some green industries. Organization for Economic Co-operation and Development's (OECD's) database indicates that economic growth is becoming greener with more efficient use of natural capital and to capture aspects of production. But in Figure 3, I can see this trend has slightly declined in the last two years. All in all, the first thing needed to do is reduce the environmental impacts of trade for sustainable trade development. Meanwhile, there is a strong need to develop high-tech trade.

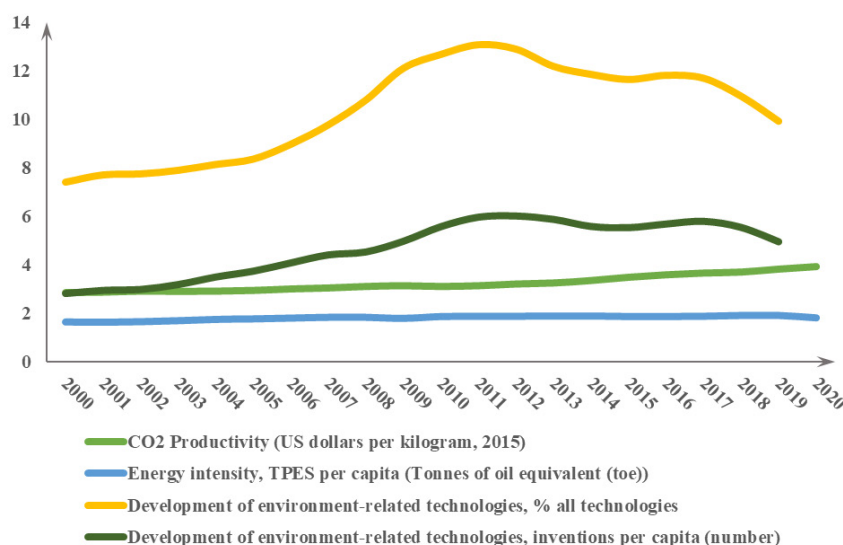


Figure 3. Green growth indicators
 Note. From the OECD's Website (<https://data-explorer.oecd.org/>)

1.3. Economic condition in Latin America

The economy in the Latin American region has risen quickly in recent years. It appears to be a promising place in

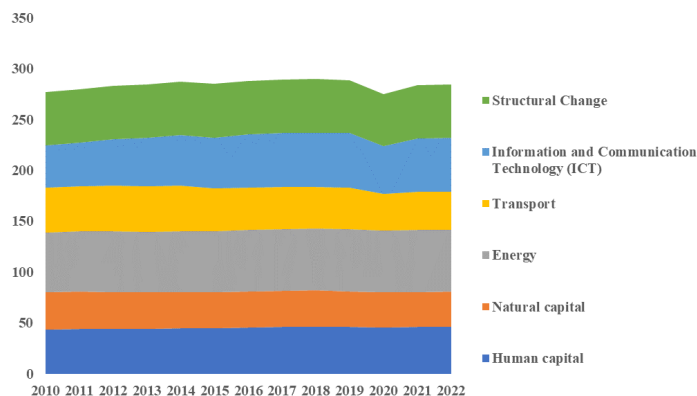


Figure 4. The Productive Capacities Index, annual in Latin American
 Note. From UNCTAD's Website (<https://unctadstat.unctad.org/EN/Pci.html>)

this changeable world. Latin America possesses a vast and dynamic market due to its substantial economy and extensive population. This expansive market beckons international traders with its enormous demand for various goods and services, and Latin America boasts a wealth of products to offer to the global market. Moreover, Latin America holds the promising potential to cultivate a thriving digital economy and eco-friendly practices, thanks to its extraordinary natural resources, progressive policies regarding digital enterprises, and diverse and multilateral trade relationships. Figure 4 depicts the productive capacity of Latin America. Capacities such as energy, human sources, and ICT account for a large proportion. All of them are the main factors of trade as well.

As Latin America assumes a significant position in the contemporary global trade landscape, it stands as a typical subject for in-depth investigation. This region can serve as a compelling model for research, offering valuable insights into the realms of economic stabilization, trade liberalization, and the vital pursuit of sustainability within the sphere of international trade.

2. How Emerging Economies Shape Global Trade

Compared to studying the whole of Latin America, I chose two countries, Mexico and Brazil. It doesn't mean other parts of Latin America are ignored, just because considering the GDP, population, and territory, the two countries are typical. Meanwhile, their potential developing ability is higher than other countries in Latin America. The main industries we talk about are Manufacturing, agriculture and livestock. The rationales lie in three aspects. The first one is all of them are the world's major traded products, so measuring them is easier. Given our paper's topic, those industries are strongly linked to sustainable trade, such as some biological materials.

product	exports	RCA
Oil seeds and oleaginous fruits (excluding flour)	\$47,056,836K	27.5
Sugar, molasses and honey	\$11,168,825K	17.4
Tobacco, unmanufactured; tobacco refuse	\$2,295,544K	16.2
Coffee and coffee substitutes	\$9,243,448K	11.5
Cotton	\$3,703,940K	11.1
Ingots, primary forms, of iron or steel; semi-finis	\$6,428,525K	9.6

Brazil's top six RCA products, 2022

product	exports	RCA
Motor vehicle. For transport of goods, special purpose	\$32,816,905K	8.2
Radio-broadcast receivers, whether or not combined	\$1,806,579K	6.8
Television receivers, whether or not combined	13,815,952K	5.8
Meters&counters, n.e.s	\$2,060,575K	4.9
Vegetables	\$8,960,866K	4.4
Alcoholic beverages	\$9,773,795K	4.2

Mexico's top six RCA products, 2022

Figure 5. Revealed comparative advantage in Brazil and Mexico

Note. From UNCTAD's stat and collected by manual (<https://unctadstat.unctad.org/EN/RcaRadar.html>)

Most importantly, they have a Revealed Comparative Advantage (RCA) over other regions (see Figure 5). When a country has a revealed comparative advantage for a given product ($RCA > 1$), it is inferred to be a competitive producer and exporter of that product relative to a country producing and exporting that good at or below the world average. With those industries, we could better understand the role Latin America played in international trade.

2.1. The development of Environmental Goods and Services (EGS)

As I mentioned above, Latin America has comparative advantages in agriculture, livestock and manufacturing. Those industries are included in the EGS product list published by the World Trade Organization (WTO). From 2009 to 2022, in Mexico, the environment-related objectives involve general environmental protection, energy conservation, sustainable agriculture management, etc. In Brazil, there are chemical, toxic and hazardous substances management goals. In Mexico, they consider more about animal protection, MEAs implementation and compliance, and plant protection. All the notifications and measures show their concern for environmental issues while trading (see Figure 6).

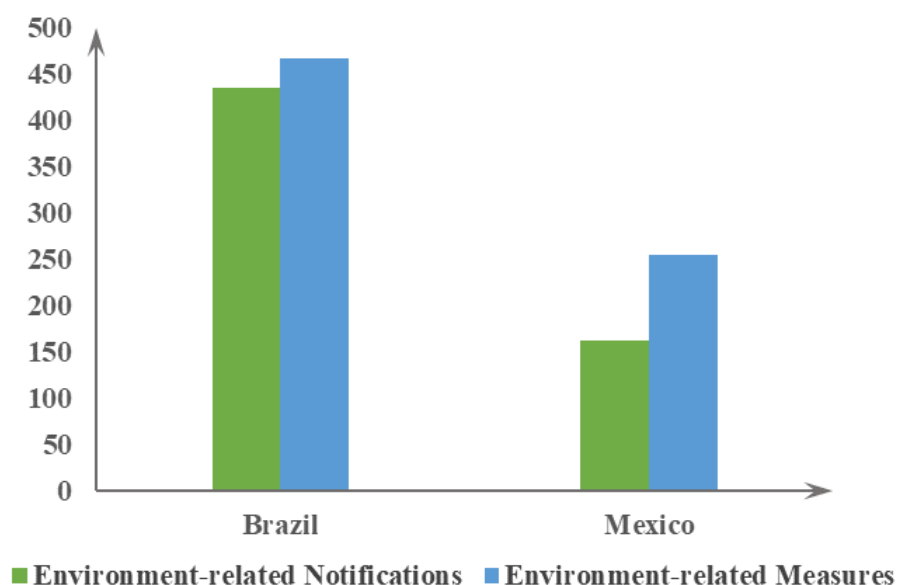


Figure 6. Environment-related Notifications and Measures
Note. From WTO's stat and collected by manual (<https://edb.wto.org/charts>)

Latin America holds the awareness of green trading. Technological progress and innovation positively contribute to sustainable trade in Latin America, where companies make several breakthroughs. With the progress in high-tech products, the deal no longer concerns the classical trading products. The quality of trading improves by consuming fewer natural resources to protect the environment. Another factor worth noticing—the green technology spillovers from developed countries in the process of global trade. The idea creates a virtuous circulation, the green technology contributes to the emerging economies becoming environmental-friendly, and reversely when they export greener products, it requires the developed economies to do better. Then, the whole level of environmental care will be accumulated.

2.2. The BRICS

BRICS is an acronym that stands for Brazil, Russia, India, China, and South Africa. It represents a group of five major emerging economies that have come together to promote mutual cooperation, dialogue, and collaboration in various fields. BRICS serves as a platform for these nations to discuss and address global economic, political, and social issues, as well as to enhance their individual and collective influence on the international stage. This group-

ing is significant for its potential to shape global governance, foster economic development, and facilitate strategic partnerships among its member countries. The formation of BRICS reflects the growing importance of these emerging economies in the global arena.

2.3. Significance

BRICS countries collectively represent a substantial portion of the world’s population and GDP. Their economic significance is further underscored by their increasing trade and investment ties (see Figure 7), making them vital players in the global economy. Brazil, a Latin American country, participated in BRICS to make a difference and seize opportunities.

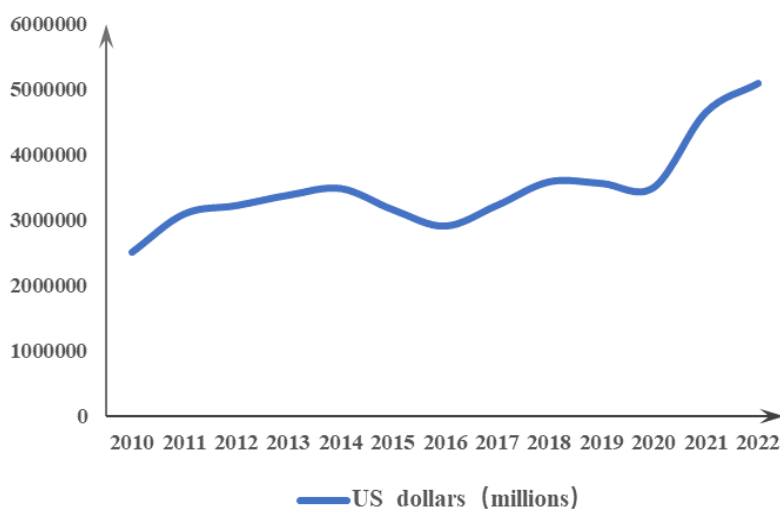


Figure 7. Merchandise: Total trade and share, annual in BRICS
 Note. From UNCTAD’s stat (<https://unctadstat.unctad.org/datacentre/>)

BRICS holds significant importance in the realm of global trade due to the economic heft of its member countries, which collectively account for a substantial portion of the world’s population and GDP.

Market Potential: The BRICS countries collectively represent a massive market with over 40% of the world’s

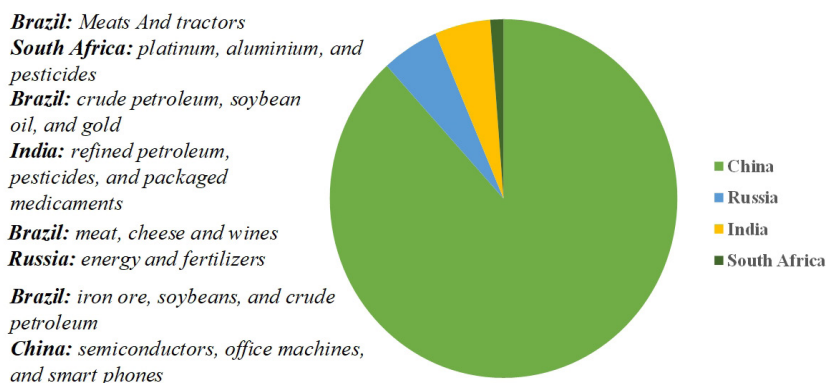


Figure 8. Brazil’s intra-BRICS trade
 Note. From Silk Road Briefing (<https://www.silkroadbriefing.com/news/2023/08/21/intra-brics-trade-and-analysis-2023/>)

population. This demographic advantage offers tremendous opportunities for international businesses looking to expand their market reach. Companies from around the world are keen to tap into the burgeoning middle class and consumer base in BRICS nations. In addition, the intra-BRICS Trade is developing quickly. The member nations of BRICS engage in significant trade with each other. They have actively worked to enhance trade and economic cooperation among themselves. This intra-BRICS trade has been steadily increasing, reflecting the growing economic interdependence among these nations. As for Brazil, it is a major global exporter of agricultural products such as soybeans, coffee, and beef, and it plays a crucial role in global food security. Also, it is actively involved in intra-BRICS trade (see Figure 8), which includes not only exporting its commodities to fellow BRICS members but also importing goods and services from them. This trade contributes to economic interdependence and cooperation among BRICS nations.

New Development Bank (NDB): The NDB, established by BRICS, plays a role in funding infrastructure projects and sustainable development initiatives in member countries and other emerging economies. It aims to support projects that promote economic and social development, reduce poverty, and foster sustainable development. Therefore, the New Development Bank plays a significant role in the global financial architecture, offering an alternative source of financing for infrastructure and development projects in emerging and developing economies. This facilitates trade by improving the infrastructure necessary for the movement of goods. Brazil benefits from NDB financing for its own infrastructure needs, and it plays a role in the decision-making and governance of the bank (see Figure 9).

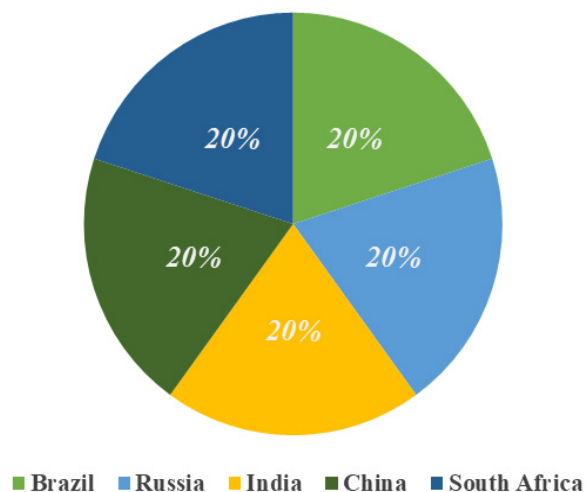


Figure 9. Equal distribution of shares between the shareholders of the NDB
Note. From NDB's Website (<https://www.ndb.int/>)

Global Trade Relations: The collective influence of BRICS nations gives them a stronger voice in international trade negotiations. They can advocate for policies that align with their interests, such as fairer trade practices and market access for their exports. BRICS has, at times, taken positions on global trade issues, such as advocating for reform of international financial institutions like the IMF and World Bank. BRICS has taken steps to promote trade and investment among its member countries. For instance, they have discussed reducing trade barriers, increasing investment cooperation, and promoting trade in local currencies to reduce dependence on the U.S. dollar. As BRICS countries seek to reduce their reliance on Western markets, they are exploring new trade partnerships with each other and with other emerging economies. This diversification of trade relationships contributes to a more balanced global trade landscape. Normally, it is called South-South Cooperation. Brazil, as a leader in Latin America, participates in initiatives aimed at fostering economic and political ties between BRICS and other nations in the Global South.

In summary, BRICS holds significant significance in global trade due to the economic size and growth of its member countries, their potential as both markets and sources of demand, and their efforts to enhance trade cooper-

ation and reduce trade barriers. These nations collectively contribute to shaping the landscape of international trade, providing opportunities and challenges for businesses and governments around the world. Brazil's role in BRICS is characterized by its economic influence, resource richness, active participation in intra-BRICS trade and sustainable practices. Brazil's involvement in BRICS helps shape the collective actions and policies of the BRICS group.

2.4. Influence

BRICS nations, due to their collective economic clout, have a stronger voice in international trade negotiations. They advocate for policies that align with their interests, including reforms of international financial institutions and a more equitable global trade system. For example, they have called for a more significant role for emerging economies in organizations like the International Monetary Fund (IMF) and the WTO. For BRICS, it holds annual summits, where leaders from the member countries meet to discuss and coordinate their policies on a wide range of issues, from trade and investment to security and climate change.

2.5. A transition from NAFTA to the USMCA

The transition from NAFTA (North American Free Trade Agreement) to the USMCA (United States-Mexico-Canada Agreement) represents a significant evolution in the trade relationships among the United States, Mexico, and Canada. NAFTA was initially signed in 1992 and came into effect in 1994, creating a free trade zone between the United States, Canada, and Mexico. It sets as an example for the cooperation between developed economies and emerging economies. However, over the years, there were concerns and criticisms about NAFTA's impact on jobs, labor standards, and environmental regulations. The transition from NAFTA to the USMCA aimed to address some of the criticisms and concerns related to NAFTA while maintaining the overall framework of a trilateral trade agreement between the three North American countries. The USMCA has continued to support the integration of supply chains and economic ties between the United States, Canada, and Mexico.



Figure 10. The process of the transition

Note. From Wikipedia (https://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement)

2.6. The transformation has brought to the Mexico economy

The transition changes several aspects. As intellectual property, includes provisions on intellectual property rights, digital trade, and copyright protection, reflecting developments in the digital economy, which may encourage innovation and the growth of the digital economy in Mexico. Another part is Labor and Environmental Standards. The USMCA includes stricter labor and environmental standards, addressing concerns about low-wage labor and lax regulations. Actually, it is beneficial to Mexico's labors' welfare. This could potentially lead to better working conditions for Mexican laborers and address concerns about low-wage competition. There are also some agreements about Dairy and Agriculture. The agreement offers more favorable access to Mexican agricultural products in the U.S. and Canadian markets. This could benefit Mexican agricultural producers, particularly in the dairy and poultry sectors. The USMCA includes environmental standards and commitments that can impact Mexico's environmental policies and practices. It makes the economy greener. Especially for the Automotive Industry, New rules of origin for the

automotive industry, including higher regional content requirements, are designed to support domestic manufacturing. Considering that the automotive industry is the most competitive one in Mexico, those rules probably cause potential disadvantages to Mexico's development. Although there are some bad effects in the automotive industry, we still find its advantages weigh more.

Overall, USMCA has preserved Mexico's access to its two largest trading partners, the United States and Canada, which are crucial export destinations for Mexican goods. This trade continuity is vital for Mexico's economy. The USMCA provides a level of economic stability by maintaining a predictable trade environment and dispute resolution mechanisms, which can be attractive to foreign investors looking to invest in Mexico.

2.7. Mexico's role in this transition

Mexico played a pivotal role in the transition from NAFTA to the USMCA (United States-Mexico-Canada Agreement) and continues to be a central actor in the new trade agreement. Mexico actively participated in the renegotiation of the trade agreement. The Mexican government engaged in extensive negotiations with the United States and Canada to reach a consensus on various aspects of the USMCA. Mexico's willingness to engage in dialogue and compromise was essential to finalizing the deal. Besides, Mexico continues to engage with its USMCA partners to address issues that may arise during the implementation of the agreement. This ongoing engagement is essential to ensuring the smooth operation of the trade agreement while Mexico is adapting its trade and economic policies to align with the provisions of the USMCA, ensuring compliance with the new rules and regulations. By endeavors, it is obvious that emerging economies also could play a significant role in global trade with developed economies.

3. Emerging Economies are Facing Risks

Inevitably, emerging economies are facing challenges in the fast-changing world. Like inner inflation, which increases the interest rate, and then costs. Therefore, the price of cheap products will lose their advantages. The challenge also possibly comes abroad, other countries' protectionism and even the Fed's tightening monetary policy will alter international trading plans. Additionally, there are Black Swan and Grey Rhino risks, though they are few and far between. However, if take recent global political and economic events into account, there is a need to pay more attention to this.

To settle risks, Latin American countries seek loads of ways to respond. Some choose the "Nearshoring"-a concept of a new economy in Latin America. More have access to join international organizations or sign regional agreements to embrace international trading trends. links among the different parts of the world become tight which enormously benefits not only bilateral but multilateral trading.

4. Conclusion

Through the analyses above, I summarize two conclusions:

Emerging economies can enhance the stability of global trade. By graph and statistical analysis, it is obvious that emerging economies play a significant role in shaping global trade. For other types of economies, learning about their numerous experience and achievements is the best choice. Especially, for high-developed economies, emerging economies are helpers and partners, so it is unnecessary to be too arrogant and domineering. Only by equal cooperation, can we share a better future.

Emerging economies can enhance the sustainability of global trade. There is a good sign that emerging economies possess an awareness of green trading and invest a large amount of funds to research high-value-added products. Considering emerging economies are the majority in the world, the trend promotes the quality of trading. Compared with high-developed economies, they are youths who have more brilliant possibilities to explore. In a nutshell, it shapes our global trading into a sustainable and continuous mode.

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