Issue: The shifting of the global economic power
Forum: General Assembly 2
Position: President
Name: Dirk Bijleveld

Introduction

Economic power is one of the most important factors in international relations. When the United Nations were first realized, it was the United States of America that held the throne of the most economically advanced country in the world, having a GDP almost three times greater than that of the second largest economy – the Soviet Union (Maddison, 2007; United Nations; World Bank; IMF).

Nowadays, the United States still hold the world's largest GDP (United Nations; World Bank; IMF), but are one spot behind China in their Purchasing Power Parity (World Bank, 2018; IMF). China is expected to overtake the US in GDP within the decade (World Bank, IMF), changing the balance of the global economy for years to come.

Besides a new giant economy forming and dethroning the United States, there are other significant changes in the global economy that may have an effect on international relations. Banking markets in E7 countries are projected to surpass those in G7 countries by 2050 (PricewaterhouseCoopers, 2007), which will signify the end of G7 market supremacy. Some emerging economies that were expected to climb swiftly, such as Russia and Brazil, actually found themselves in decline. This was mainly due to the price drop of oil, which is a major economic factor for these countries (PricewaterhouseCoopers, 2014).

Underdeveloped countries, particularly in Africa, find themselves in a tougher spot than predicted. Whether the cause is political unrest, a lack of competitiveness in global trade, or the globally low prices of commodities, these countries are growing far slower than predicted, if at all.

Definition of Key Terms

GDP (Gross Domestic Product): A standard of measurement for the total production value in a country. Although the GDP can be very useful for determining a country's total economic power, it provides no information on the economic and social state of a country.

PPP (Purchasing Power Parity): PPP is determined by calculating how many dollars would be needed to calculate a (theoretical) basket of common goods in a country, whilst comparing that to another. PPP is useful for comparing a country's economic health while accounting for exchange rates and purchasing power. An important weakness of PPP is that it does not account for the *quality* and *safety* of products and services.

E7 (Emerging 7): China, India, Brazil, Mexico, Russia, Indonesia, and Turkey. Seven of the fastest and most steadily rising economies in the world.
G7 (Group of Seven): Canada, France, Germany, Italy, Japan, United Kingdom, United States. Originated as the most economically powerful allies to the United States.

RIC: Russia-India-China Forum. The name for the trilateral cooperation between Russia, India, and China. As some of the world's most powerful economies, these countries seek to collaborate on difficult issues facing them. Although India and China still have visible economic difficulties, such as their disproportionate trade balance, these recent cooperative efforts may prove a more united front against western economic hegemony.

(Four) Asian Tigers: Singapore, Hong Kong, Taiwan, South Korea. Originally the four most developing economies of the Asian region post-World War II, labelled as such because of their unexpected rise on the global trade platform. These countries - and their policies - have been widely used as example for developing countries seeking to become internationally relevant.

Inward Investment: The investment into a domestic market from a foreign source. When a foreign or multinational corporation invests in a domestic factory or business in order to perform business in this market.

Deindustrialisation: The process of reducing industrial activity. Deindustrialisation is generally the result of the ever-increasing efficiency of machinery and technology, reducing the amount of industry required in a society.

Timeline

1975	The first “G6” meeting takes place, represented by France, West Germany, Italy, Japan, the UK, and the US.
1977	The first official G7 meeting takes place, with Canadian representation.
1994	Soviet representation was allowed separately from the G7, dubbed as the G7+1.
1998	After the cold war, the G8 was officially formed adding the Russian Federation.
2006	The first RIC Forum takes place in St. Petersburg.

General Overview

There is no doubt that the world's economic climate is changing rapidly, and the effects of this change on world politics should not be underestimated. The last few decades have shown just how quickly the power balance can shift, how new players can emerge, and others can fade. What exactly these changes will mean for nations remains unclear, and it is up to these countries to decide how they seek to position themselves in the new world.

With the current pace China's economy is emerging, it will not be long until China has both the best GDP and PPP in the world. As the world's biggest economy, totalitarian China could dominate the world stage, similarly to how the United States has done. But questions remain surrounding China's growing economy. Seeing as how China's citizen welfare has only risen sparingly in recent years (Zhang, 2016), it can be argued that the Chinese economy is under as much stress as its people, which may lead to economic collapse during a crisis.

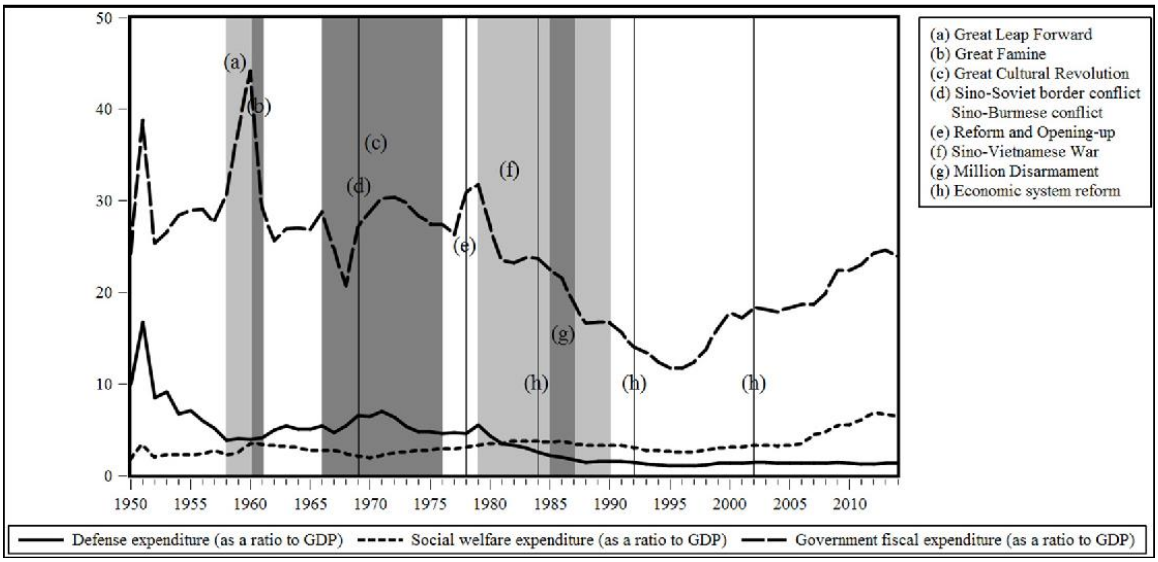

Fig 1. Fiscal, Welfare, and Military spending in China (Zhang, 2016).

Western economic hegemony has fueled the world's economic imbalance for several centuries. Emerging economies may end this imbalance, with massive effects to both sides. Countries that currently function as the "workshops and factories of the west" are exploited because of cheap labour and favourable legislation. If economic progress results in more welfare and more social legislation, products in western markets will become massively more expensive. How emerging economies handle their newly found wealth affects much more than just themselves.

On the flip side of that, the manner in which western countries handle these changes will be just as important in deciding their future. There are several potential ways to handle the issue, ranging from reinstating domestic industry to further labour automation.

The Four Asian Tigers showed us that rapid growth, even whilst recovering from war, is more than possible. Many countries are attempting to follow in their footsteps, although the true origin of their success is still disputed. Some - including the World Bank - have argued that it was their liberal, open to trade, stance in the international markets that fueled their gains. Many economists however believe it was their social welfare spending, and governmental influence of businesses and markets that truly impacted their growth. Following their example is therefore not as easy as previously thought.

Inward investment can lead to massive foreign capital being moved into domestic markets, providing sudden and powerful economic growth for the receiving country. This growth does seem to often come paired with worker exploitation. If the argument that social welfare benefits emerging economies is true, inward investment may not be good for the receiving country after all. An example of inward investment being effective is China, where multinationals - often in the form of joint ventures - built factories and industrial terrain for the production of goods.

Possible Solutions

It is important to note that there is no cure-all solution for this issue, as the issue itself is different for various member states. There are however some solutions that may help relieve the dangers of economic shifts.

Emerging market influencing
Developed countries may find the growing influence of China over African and Asian countries worrying. China has cultivated its control over several nations during the past years, by investing in infrastructure, paying off debts, and much more. One example can be found in Sri Lanka, where they signed off control over one of their ports to pay off debts to China (BBC, 2017).

Western countries have been providing development aid to developing countries for much longer than China has, but generally limited amounts and with strict rules. Because of China's much lower demands over their aid, China has grown ever more important in many countries. Especially China's disregard for totalitarianism, human rights violations, and dictatorships gives them a far stronger stance as opposed to western humanitarian stances.

Some could argue that by abandoning these demands and investing more in trade relations and inward investments western countries can secure long term relations with markets of the future. There are many ethical criticisms of this approach, not to be taken lightly.

Industrial automation
By automating the industrial sector, countries all over the globe may find themselves not *needing* the current production markets. If China's rising power truly relies on its cheap labour, then automation could cripple their rising economy.

Bibliography

IMF. (n.d.). Report for Selected Countries and Subjects. Retrieved from long link shortened.

International Monetary Fund. (n.d.). Download entire World Economic Outlook database, April 2011. Retrieved February 1, 2019, from https://www.imf.org/external/pubs/ft/weo/2011/01/weodata/download.aspx

Maddison, A. (2007). *The world economy volume 1: A millennial perspective volume 2: Historical statistics*. Academic Foundation.

PricewaterhouseCoopers (2007, June 26) E7 banking markets to overtake G7 by 2050. Retrieved from https://pwc.blogs.com/press_room/2007/06/e7-banking-markets-to-overtake-g7-by-2050.html

PricewaterhouseCoopers. (2014). Shift in global economic power. Retrieved from https://www.pwc.co.uk/issues/megatrends/shift-in-global-economic-power.html

United Nations. (n.d.). National Accounts - Analysis of Main Aggregates (AMA). Retrieved February 1, 2019, from https://unstats.un.org/unsd/snaama/Index

World Bank. (2018, September 21). Gross Domestic Product 2017, by GDP PPP. Retrieved from https://databank.worldbank.org/data/download/GDP_PPP.pdf

World Bank. (n.d.). GDP (current US$). Retrieved February 1, 2019, from https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?page=5

Sri Lanka signs deal on Hambantota port with China. (2017, July 29). Retrieved from https://www.bbc.com/news/world-asia-40761732

Zhang, Y., Liu, X., Wang, R., & Tang, R. (2016). Revisiting the “Guns versus Butter” Argument in China (1950–2014): New Evidence from the Continuous Wavelet Analysis. Sustainability, 8(7), 655.