Global economic shifts

The balance of economic power is shifting. After almost a century of dominance the US economy has slipped down the growth rankings, and its influence over the global economy is decreasing. Economic growth in Europe is also sluggish and fragile. Yet many non-OECD countries – particularly China and India – are enjoying sustained economic growth.

Trade liberalisation, economic reforms, freer movement of capital and technology transfer are driving this growth, which is making emerging market economies increasingly important players in international finance. In time they might well come to dominate the global economy, just as OECD countries do today. New export markets, trade relations, business models and cultural ties that better suit this redrawn economic map will no doubt emerge.

As the flow of migrants, investments and ideas from the global South increases, their influence over international politics and culture will also be transformative. However, while it is clear that global economic power is shifting, there are no guarantees that it will be a smooth transition.

Implications

- Global economic shifts will have a significant influence over international politics and governance. They will also have a cascading impact on the other trends shaping our world, such as the growth of the middle class, increasing inequality, and the role and influence of global governance and business in society.

- As the influence and economic activity of developing nations increases, new markets, competitors and demands will alter patterns of trade, changing which goods are transported where. This growth in influence will also bring sweeping cultural changes to the global business and economic landscape.

Current trajectory

- As of 2014 South-South trade exceeded North-South trade, according to the World Economic Forum. [1]

- In 2014, the Chinese economy overtook the United States economy to become the largest in the world, according to one measure. China now accounts for 16.5% of the global economy when measured in real purchasing-power terms, compared with 16.3% for the US. [2]

- Growth in the Asia-Pacific Economic Cooperation (APEC) region has traditionally been driven by exports. However, the economies of China, Malaysia, the Philippines, Peru and Chile grew by more than 5% in 2012 despite experiencing steep declines in exports relative to their GDPs. [3]
• US$102 billion was spent on high-end goods by Chinese shoppers in 2013, making the country the biggest consumer of luxury items in the world. [4]

• The last decade saw a quadrupling of US exports to India, as well as significant growth in US investment in India. [5]

• By 2015 India is expected to overtake Japan as the world’s third largest economy, and by 2030 it will surpass China as the most populous nation. [6]

• China is vying to lead the world in environmental sustainability. In 2009 it outpaced the US in terms of clean energy investments and finance for the first time; its total investment reached $34.6 billion, almost double that of the US’s $18.6 billion. While in March 2014 China led the US on clean energy investment for the fourth time in five years. [7]

Footnotes: