

CENTERS OF WORLD ECONOMY

LESSON IX



**SILESIA
UNIVERSITY**

SCHOOL OF BUSINESS
ADMINISTRATION IN KARVINA

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World Economy
EVS/XXX

Outline of the lecture



1. History of the Centers
 2. United States
 3. Japan
 4. European Union
 5. Potencial Centers of World Economy
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- **World center:** economically developed country, or a higher type of integration, around which are, due to the close economic relations, grouped other countries
 - History:
 - 16th century – Portugal
 - 17th century – Spain
 - 18th a 19th century – England
 - World War II was an important factor that influenced the creation of the world economy in the 20th century:
 - Europe was particularly affected by the First World War - loss of leadership in the global economy
 - all continents were already affected by the Second World War - in terms of material damage and disruption of the economic and political system, however, the conflict hit more Europe and Japan than USA - USA exploited it and began their era of dominance, which persists to the present day
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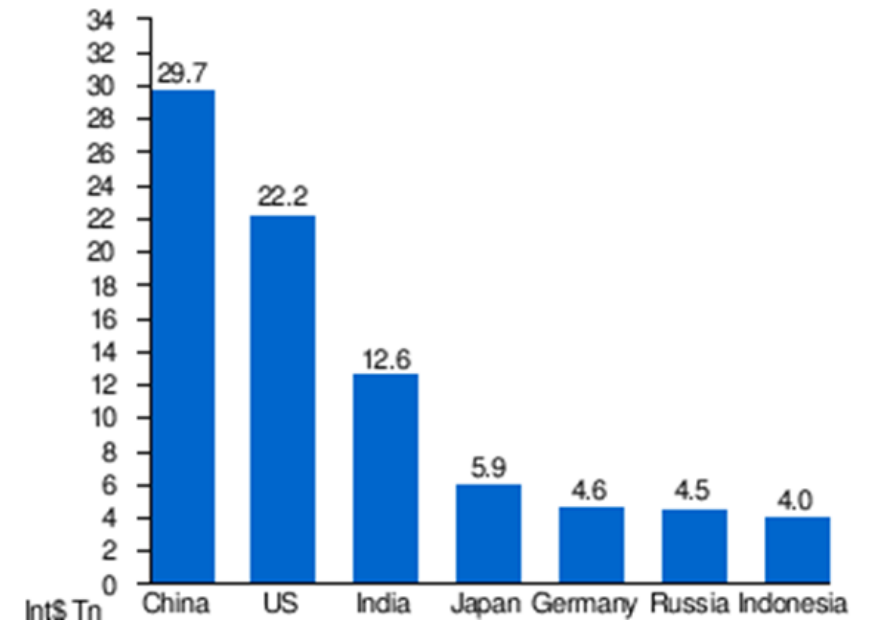
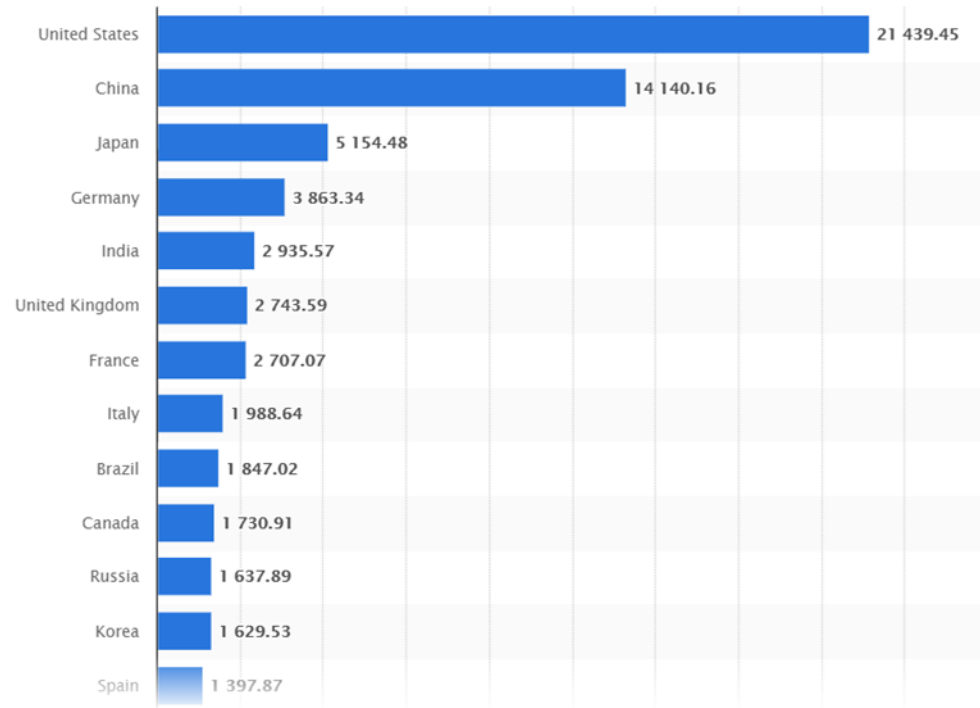


- **World centers**
 - The development of the world economy after World War II led to the gradual formation of three crucial centers, namely the United States, Japan and the European Union (these three centers are sometimes referred to as the Triad)
 - Around the centers are grouped other countries, for which a large internal market of these centers is a significant outlet for produce and vice versa - thus creating a progressively wider macro-world economy
 - other powerful economy are formed today, which affect the formation of macro-world economy in the future - there are especially China, India and Russia
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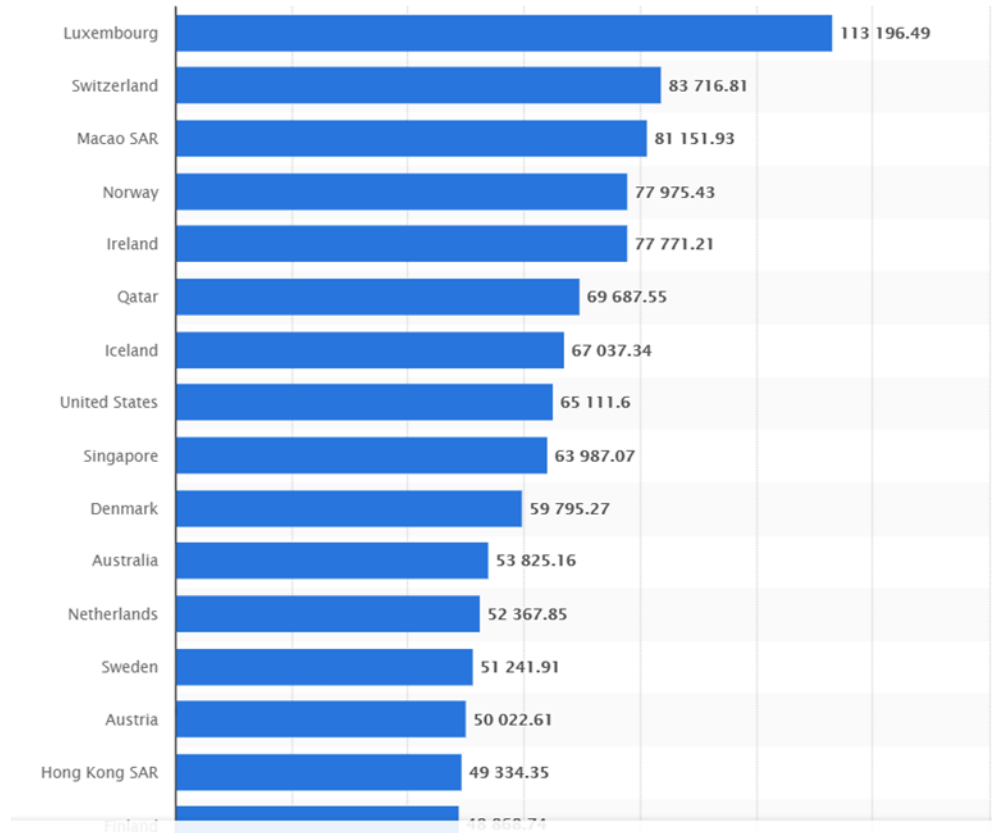


- **United States**
 - 9 million 833 thousand Km² and 328,239,523 inhabitants in 2019
 - Gross domestic product per capita (PPP) reached 65,112 USD in 2019 (11th place)
 - the U.S. produced 15.2% in 2018 of world GDP (22.9% in 2012)
 - considerable degree of self-sufficiency in fuel and raw material
 - in addition, the U.S. technological power (as selling of licenses), and military power
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GDP of UNITED STATES – in billions USD and in PPP



GDP per capita of UNITED STATES



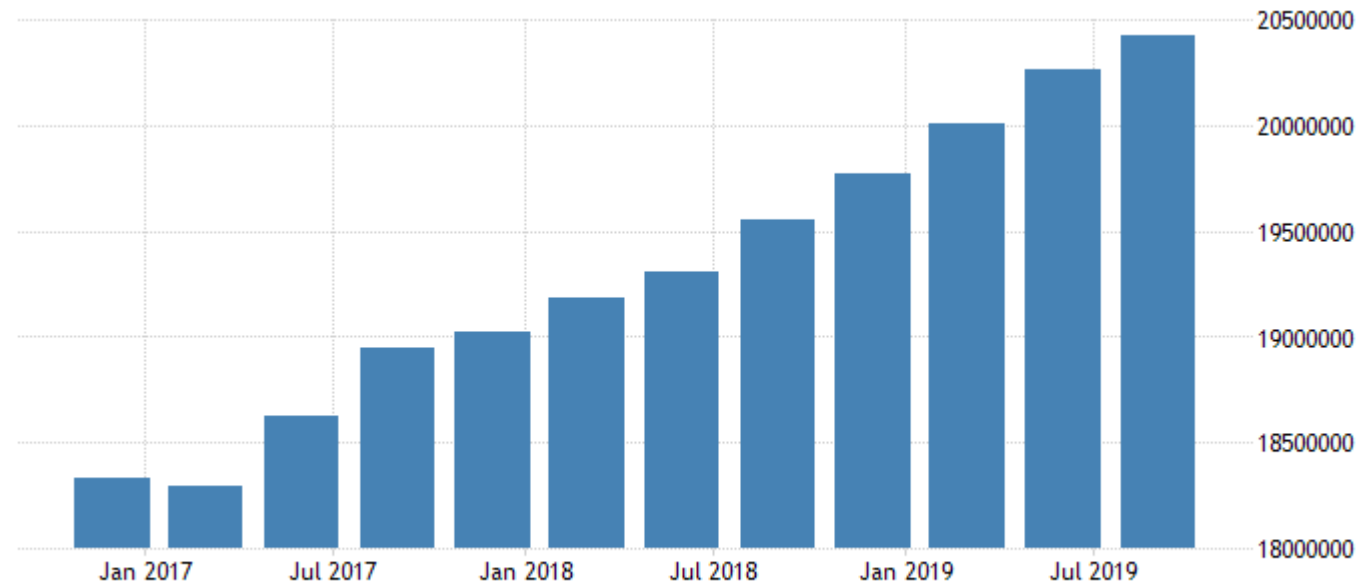


- The most important trading partner of the U.S. is Canada
 - Other important trading partners are China (506 billion USD), Mexico (465 billion USD) and Japan (199 billion USD) and Germany
 - USA has a problem with the deficit of current account
 - In addition to external debt (20,421,273 Million USD in 2019) represents a significant burden on the U.S. economy large internal/public debt (21.85 trillion USD in 2019), which represents more than 100% of produced GDP
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Development of External Dept of UNITED STATES



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SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

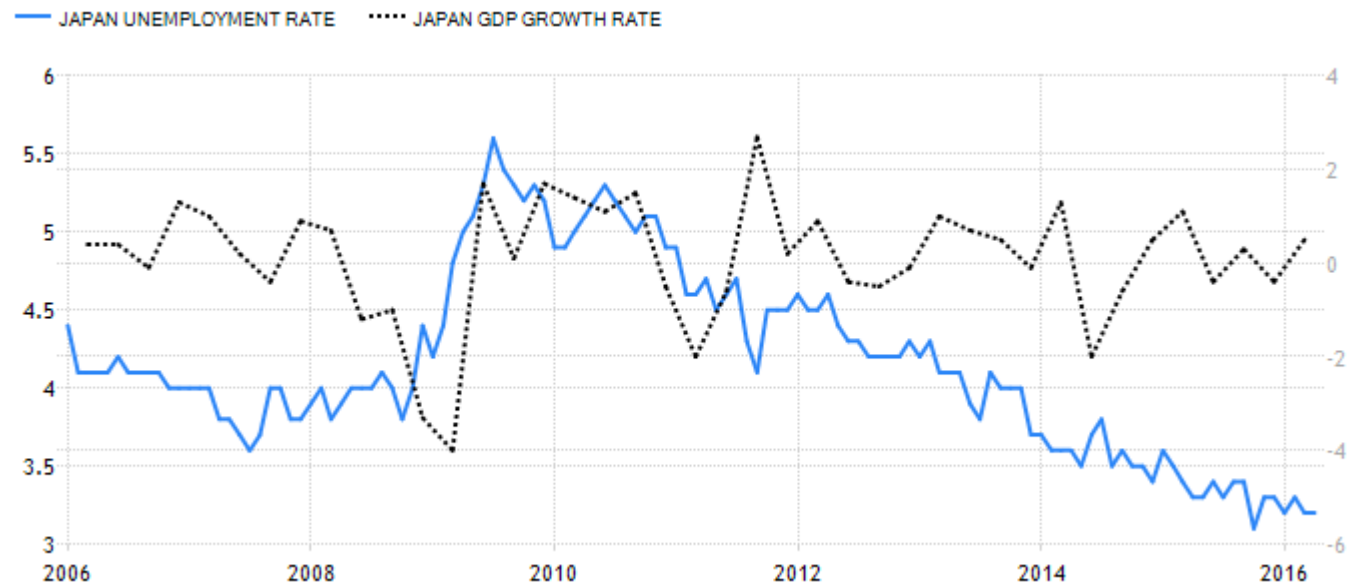
- **Japan**
 - Covers an area of 377.975 thousand km² and has 126.15 million inhabitants (in 2019):
 - Product per capita was 44,227 USD in 2019 (28th place)
 - Japan is extremely dependent on foreign trade and therefore on the international division of labor
 - Japan share of world GDP is 4.13% in 2019 (8.7% in 2012)
 - Japan is characterized by lack of food and raw material base and hence the emergency import dependence and vulnerability of the economy
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CENTERS OF THE WORLD ECONOMY – JAPAN



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- Japan





- **Japan**
 - Japanese export increased by 17% of GDP in 2018, the trade balance is positive (60B USD)
 - In 2017 Japan exported \$694B, making it the 4th largest exporter in the world. During the last five years the exports of Japan have decreased at an annualized rate of -2.9%, from \$801B in 2012 to \$694B in 2017.
 - The top export destinations of Japan are China (20%), the United States (18%), South Korea (7.8), Other Asia (4.7%) and Hong Kong (4.6%).
 - Its main exports are transportation equipment, motor vehicles, iron and steel products, semiconductors and auto parts
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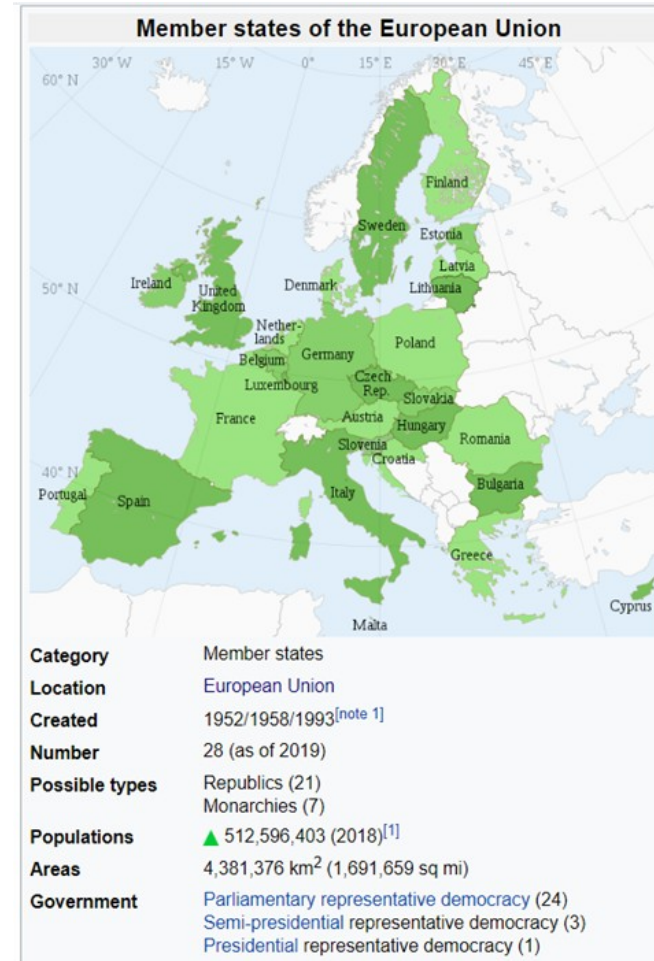
- **Japan**
 - In 2017 Japan imported \$632B, making it the 4th largest importer in the world. During the last five years the imports of Japan have decreased at an annualized rate of -4.6%, from \$796B in 2012 to \$632B in 2017.
 - Japan's main import markets is China (24.8 percent), the United States (10.5 percent), Australia (5.4 percent) and South Korea (4.1 percent)
 - Japan's main imports are machinery and equipment, fossil fuels, foodstuffs (in particular beef), chemicals, textiles and raw materials for its industries.
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- **The European Union**
 - The second largest economic center - after enlargement in 2013 its whole area is 4.476 million km²
 - Population after several enlargements of the European Union (now 28 members) currently exceed the 513.5 million people (in 2019)
 - The EU showed GDP/capita in average of 44.539 USD in 2019, ranking second place among economic centers
 - EU is a large internal market, is not dependent on imports of food and raw materials, however, is dependent mainly on oil and gas imports
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CENTERS OF THE WORLD ECONOMY – EUROPEAN UNION



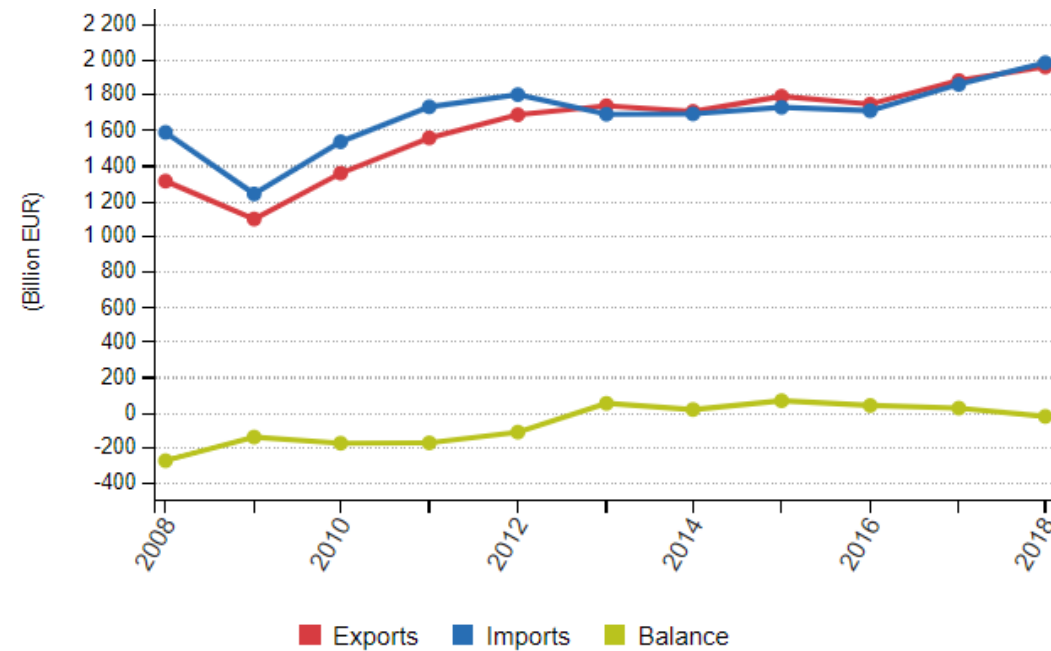
- The European Union Member States





- **The European Union**
 - EU is the world's largest importer and exporter (15% of world s trade), followed by the U.S. and China
 - Largest EU trade partners are USA, a target of 20.5% of exports, then China (10.6%), Switzerland (8%) and Russia with 4.3%
 - Into the EU is imported most from China with 20%, USA (13.4%), Russia (7.7%) and Switzerland (5.5%)
 - The economy of the European Union is much more open than the rest of the centers and participates for more than 41 percentage points on global trade
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- The European Union – EXPORT AND IMPORTS



Note: external trade flows with extra EU-28.

Source: Eurostat (online data code: ext_lt_intertrd)



- **Centers** play a crucial role in world trade, where 57% of goods traded on world markets go through their foreign trade
 - Most of this share has EU with 25.8 percent, followed by the U.S. with 22.9 percent and Japan 8.7% (for comparison, the Chinese share is 9.1%)
 - All three world economic centers have modern economic structure, in which an important role plays the service sector (in the formation of GDP)
 - United States have the highest share of this sector at 85%, followed by the EU with 72 percent and Japan with 70 percent share
 - In contrast, Japan has the highest share of industrial production (28%), in the European Union is this share 26% and in the USA only 13%
 - The share of the primary sector is the same in all centers, ranging about 2 percent
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CENTERS OF THE WORLD ECONOMY – COMPARISON



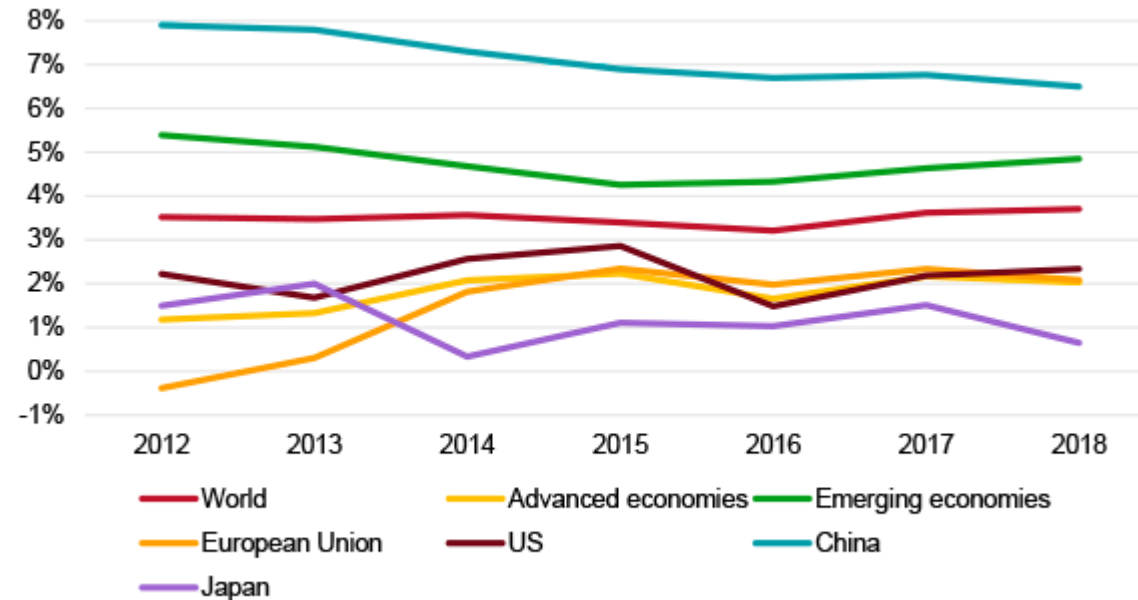
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- **Centers**
- there continues to consolidate the position of the United States of America in the years before the global financial crisis (2007-2009)
- Macroeconomic conditions have changed in the post-crisis years
 - The global financial and economic crisis caused in EU, Japan and the United States serious recession in 2009, followed by a slight recovery in the 2010 and 2011



- Centers GROWTH RATE S DEVELOPMENT

Figure 1. Growth rate of the world economy, 2012-18



Source: International Monetary Fund, *World Economic Outlook*, October 2017.

CENTERS OF THE WORLD ECONOMY – COMPARISON

	Exporter	Value	Share		Importer	Value	Share
1	EU-28*	891	25.2	1	EU-28*	668	19.7
2	US	662	18.7	2	US	432	12.7
3	China	205	5.8	3	China	329	9.7
4	India	151	4.3	4	Japan	162	4.8
5	Japan	145	4.1	5	Singapore	128	3.8

*Source: WTO, * excluding intra-EU trade*



- **CHINA**
 - has 9.597 thousand km² and mostly 1.5 billion people
 - Total GDP is the largest in the world - 27.309 trillion USD in 2019
 - Per capita GDP is Gross domestic product of China is growing in long-term average rate of 7-8%, which is significantly higher value than what triad shows
 - at the beginning of the new millennium, the GDP growth rate was above 10 percent in the last three years, growth slowed down
 - despite high economic growth China belongs still among the developing economies - in terms of its economic levels measured by the GDP / capita (PPP), the value is 19,504 USD (73rd in the world) with comparison with 2012, when GDP/capita was 6190 USD (118th place in the world)
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- **China**
 - China's economy overtook British economy in 2005, the German economy in 2007 (third place in the world) and Japan in 2010
 - China is also the world's largest exporter and second-largest importer of goods
 - China has been the world's #1 manufacturer since 2010, after overtaking the US, which had been #1 for the previous hundred years, China has also been #2 in high-tech manufacturing since 2012
 - In 2019, China overtook the US as the home to the highest number of rich people in the world, according to the global wealth report by Credit Suisse
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POTENTIAL CENTERS OF THE WORLD ECONOMY – CHINA



- **China**
- Is a major owner of US public debt, holding trillions of dollars worth of U.S. Treasury bonds.
- Main export partners are US (20%), HongKong (11%), Japan (6.5%), Germany (4.5%), South Korea (4.1%)
- Main import partners are countries of Asia (9.8%), South Korea (9.7%), Japan (8.8%), United States (8.7%) and Germany (6.2%)
- The trade growth is 2.31% compared to a world growth of 3.50%
- The share of world GDP is growing very fast

Year	Share
1980	2.32%
1990	4.11%
2000	7.40%
2010	13.89%
2018	18.72%

POTENTIAL CENTERS OF THE WORLD ECONOMY – CHINA



- Development of GDP growth since 1961



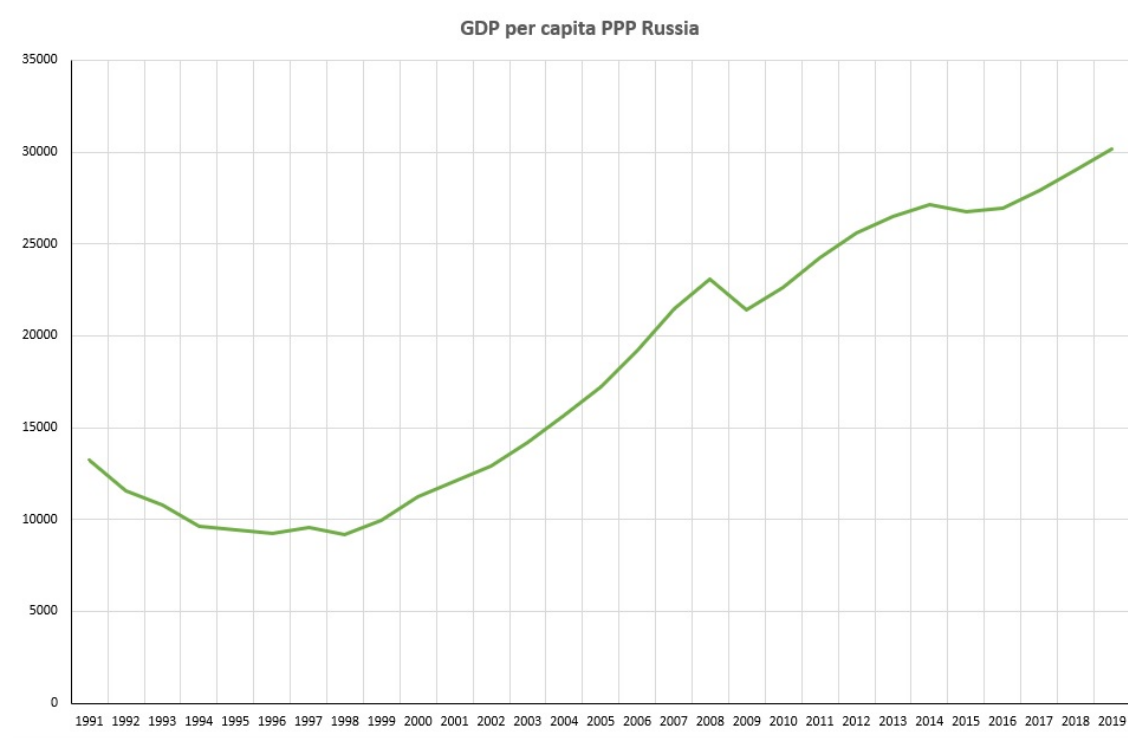


- **Russia**
 - Officially the Russian Federation, is the largest country in the world, with its area of 17,098,400 square kilometers occupies almost 12% of the world's land area
 - Currently 146.8 million people live here (ninth most populous country in the world, 2% of the world population)
 - GDP per capita reached value of 30,819 USD (in PPP) in the 2019 (49th place) in comparison of total GDP 4,5 trillion (6th place)
 - The current economic level of Russia is thus higher than economic level of China, but only one third in relation to the EU and a quarter in relation to the USA
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POTENTIAL CENTERS OF THE WORLD ECONOMY – RUSSIA



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POTENTIAL CENTERS OF THE WORLD ECONOMY – RUSSIA



Russia GDP change y/y %

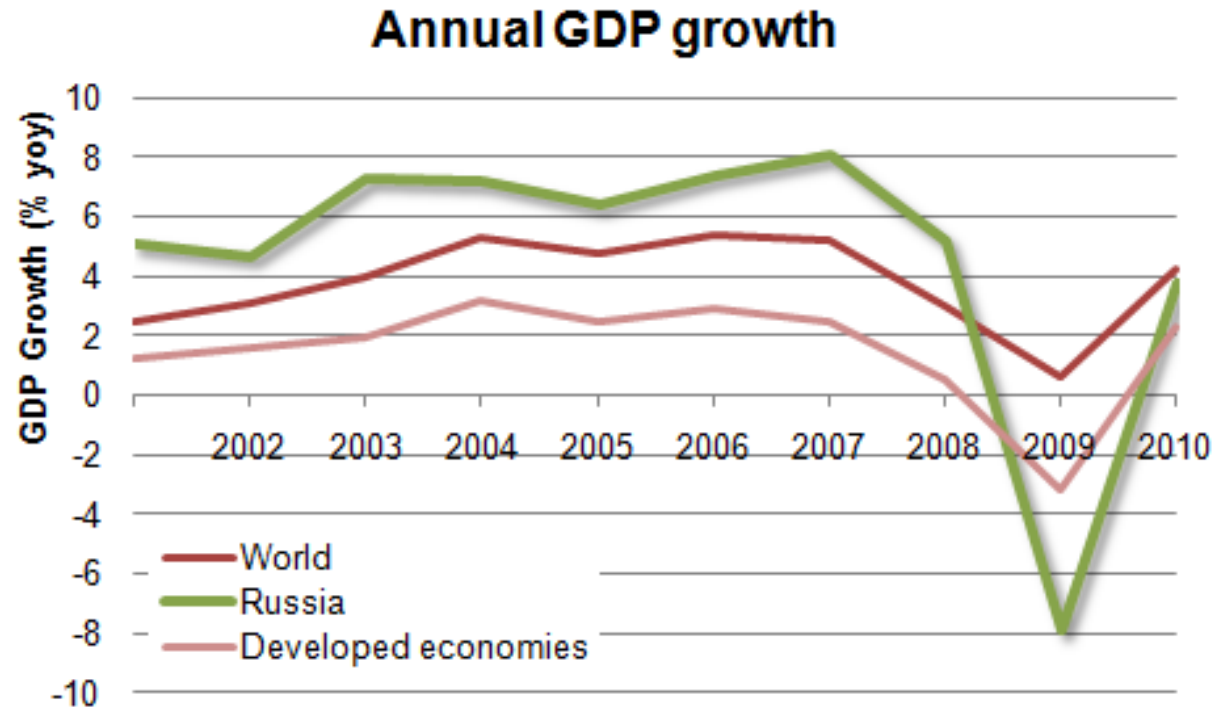


source: Rosstat, Ministry of Economy

POTENTIAL CENTERS OF THE WORLD ECONOMY – RUSSIA



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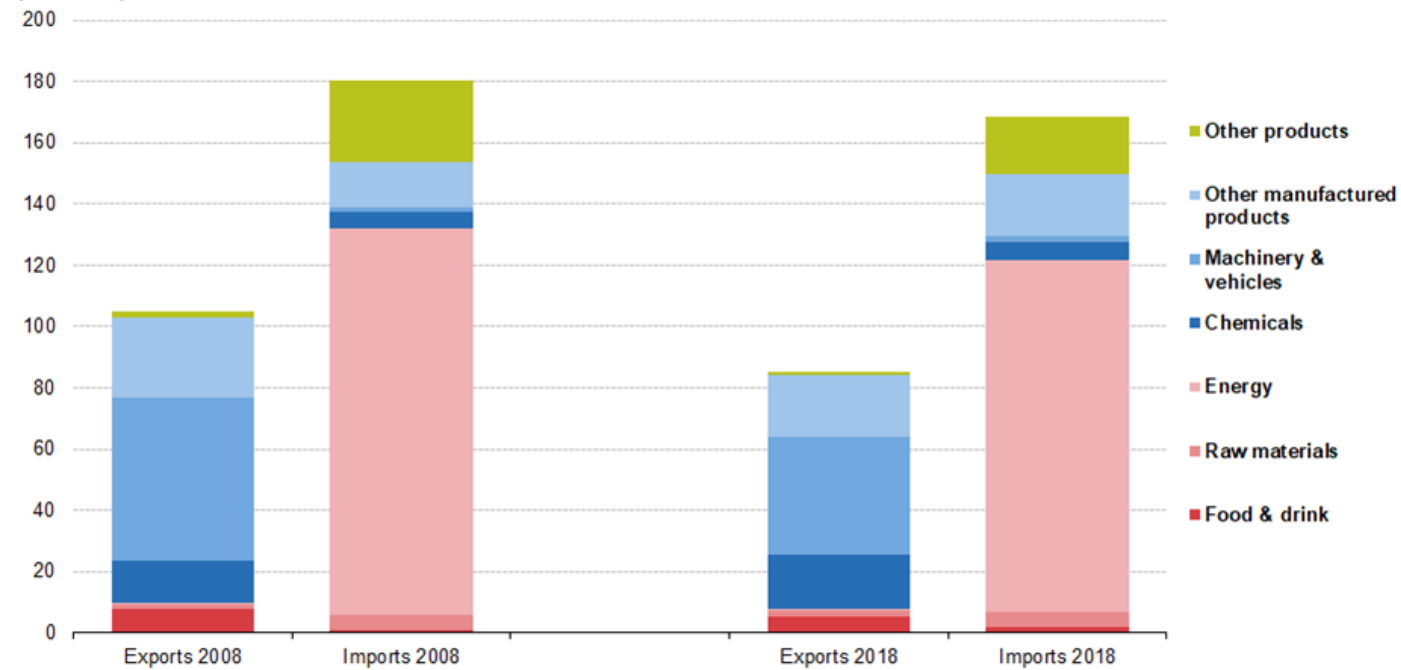
- **Russia**
 - The 14th largest export economy in the world
 - The top exports of Russia are Crude Petroleum (28%), Refined Petroleum (17%), Petroleum Gas (5.8%), Coal Briquettes (4.7%) and Wheat (2.1%)
 - Top imports are Packaged Medicaments (3.7%), Cars (3.5%), Vehicle Parts (3.4%), Broadcasting Equipment (3.2%) and Planes, Helicopters, and/or Spacecraft (2.9%)
 - The top export destinations of Russia are China (11%), the Netherlands (8.1%), Germany (5.8%), Belarus (5.4%) and the United States (4.5%).
 - The top import origins of Russia are China (20%), Germany (12%), Belarus (5.7%), the United States (4.9%) and Italy (4.1%).
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POTENTIAL CENTERS OF THE WORLD ECONOMY – RUSSIA



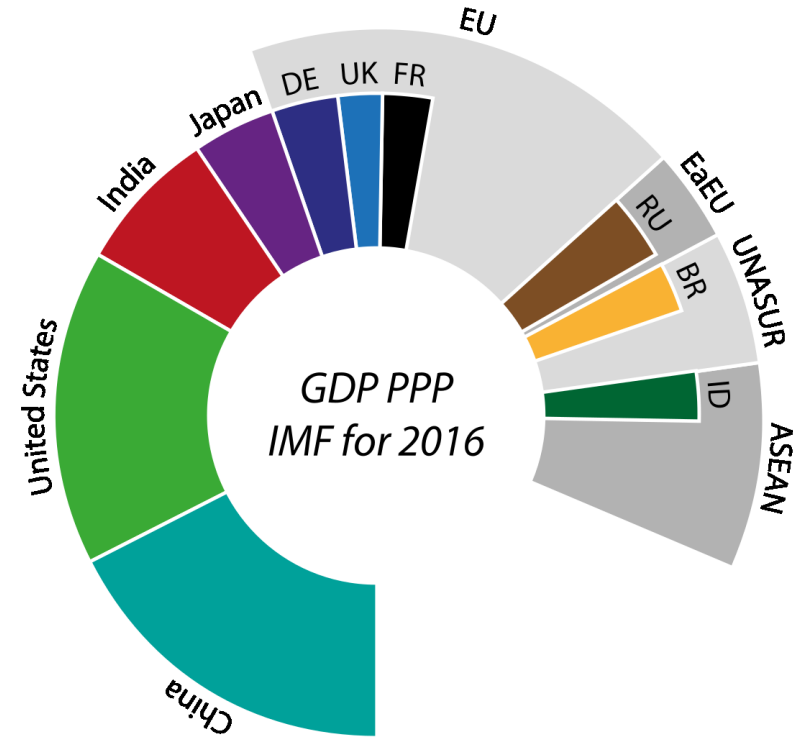
EU-28 exports to and imports from Russia by product group, 2008 and 2018

(EUR billion)



Source: Eurostat (online data code: DS-018995)

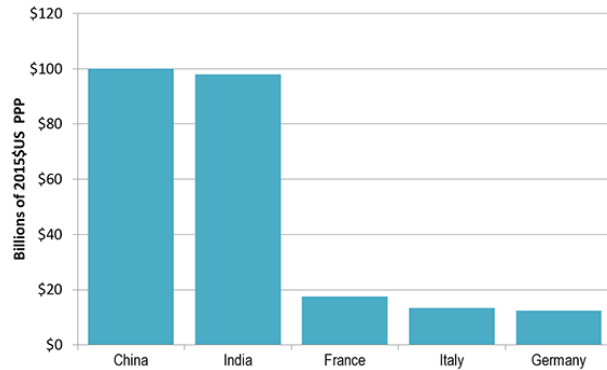
(POTENTIAL) CENTERS OF THE WORLD ECONOMY – COMPARISON



(POTENTIAL) CENTERS OF THE WORLD ECONOMY – COMPARISON



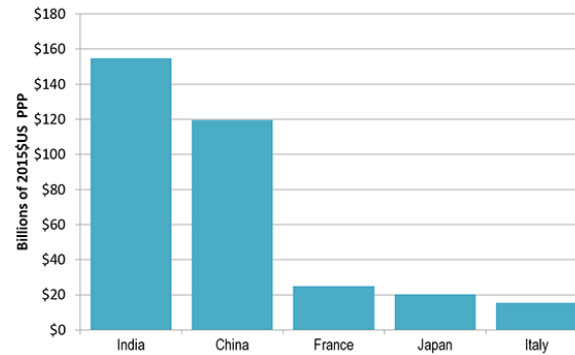
Gross Domestic Product: 1500
ESTIMATED: 5 LARGEST IN THE WORLD



Estimated from Maddison and IMF data

Figure 1

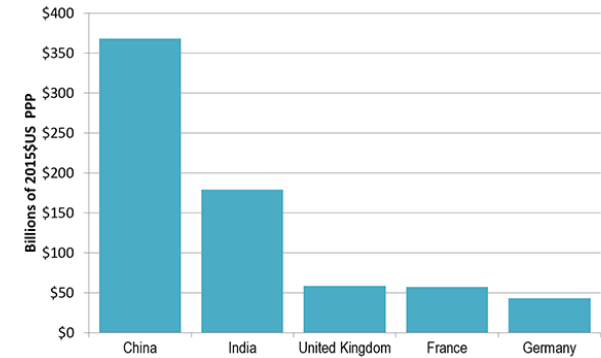
Gross Domestic Product: 1700
ESTIMATED: 5 LARGEST IN THE WORLD



Estimated from Maddison and IMF data

Figure 2

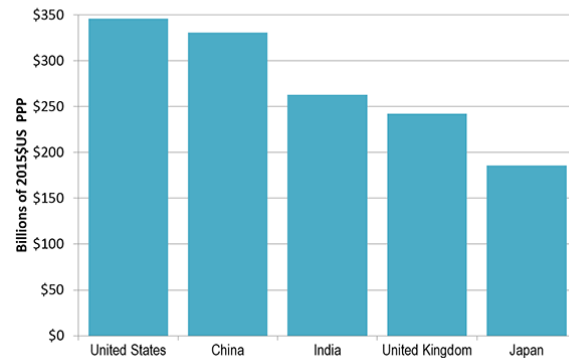
Gross Domestic Product: 1820
ESTIMATED: 5 LARGEST IN THE WORLD



Estimated from Maddison and IMF data

Figure 3

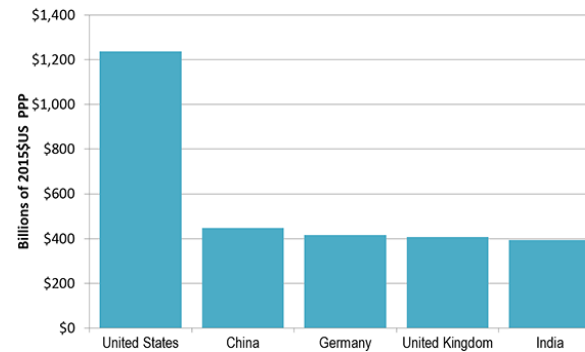
Gross Domestic Product: 1890
ESTIMATED: 5 LARGEST IN THE WORLD



Estimated from Maddison and IMF data

Figure 4

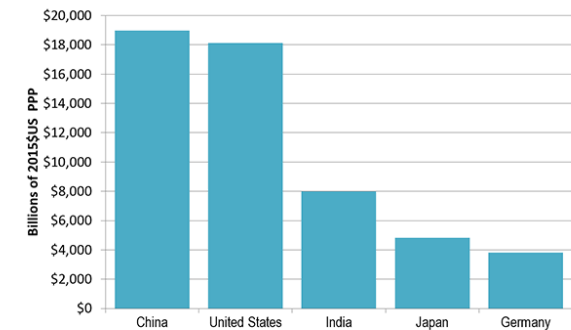
Gross Domestic Product: 1930
ESTIMATED: 5 LARGEST IN THE WORLD



Estimated from Maddison and IMF data

Figure 5

Gross Domestic Product: 2015 (Projected)
ESTIMATED: 5 LARGEST IN THE WORLD



Estimated from Maddison and IMF data

Figure 8



Thank you for your Attention!
