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**FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION**  
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**> SUMMARY <**

**DOCTORAL THESIS**

**THE RECONFIGURATION OF THE GLOBAL ECONOMIC POWER**  
**CENTRES IN THE WORLD ECONOMY**  
**AT THE BEGINNING OF THE XXI CENTURY**

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economic power centers, global economy, reconfiguration, multipolarity, the balance of economic power, the G7 group, the BRICS group, the G20 group, dynamics of economic performances, determinants of economic growth and development, the modeling of economic growth, composite index, dimensions of economic performance, hierarchy, emerging economies, developed economies, the challenges of economic growth and development, the middle income trap

## **Background of the Problem**

The analysis of economic power, its distribution in the international system and the factors that determining it, is a topic of great interest in the context of the realities at the beginning of the twenty-first century, especially considering that the balance of economic power has suffered significant changes that have led to mutations in the hierarchy of the largest and performing economies worldwide. Global economy is currently characterized by multipolarity, a state that have been seen in the past, but which is special nowadays, by the fact that never in the history, there have not been so many developing countries at the forefront of the economic hierarchy of a multipolar system.

The beginning of the XXI century was marked by a series of changes that have targeted several dimensions of the global economy. The traditional economic powers, represented exclusively by the developed countries are no longer the only ones global growth poles, since the rise of a new group developing countries led to rebalance the balance of power. After an incontestable domination over an entire century of of developed countries G7, one decade of remarkable rates of economic growth for the new emerging powers BRICS, caused a major shift in the balance of economic power. This group, represented mainly by China, Russia, Brazil and India (South Africa not being a real global economic power), is a global pole of growth due to the size, dynamism and global linkages and spillovers of these countries. The increasing importance of the BRICS countries can be observed at the level of economic indicators, especially on GDP as share of world GDP at PPP, which has almost doubled since the beginning of the XXI century. The rise of these emerging economies has been driven largely by global economic integration, technological upgrading, creating a more stable macroeconomic environment, investment in infrastructure and human capital, high savings rates, abundance of natural resources (Russia, Brazil), export promotion, exploiting the opportunities created by global increasing demand, development of the institutional environment and political stability. Therefore, BRICS economies proposed different growth patterns from those of developed countries, which have proven to be profitable for a long period of time, being materialized in spectacular growth rates, but which, during the crisis of 2008, showed their weaknesses and revealed, even more, the need for a change, through which dependence on external demand being replaced by higher domestic

In economic literature, the problem regarding the reconfiguration of global economic power and the changes in the distribution of power, focusing on the factors that triggered these changes and future trends of the contemporary international system transformation, is in a continuing debate, resulting from the confrontation of ideas and the global developments dynamics. The phenomenon of power shifts from the beginning of the XXI century, has become one of the most debated topics after the completion of the Cold War. The process concerning the shifting the

balance of global economic power has generated contradictions and the debates are centered of the evolution, but also of the possible finality of this transition, so that, throughout time have been outlined several hypotheses, by passing from consecrated bipolarity to unipolarity and multipolarity under various forms. One of the heated debates on these systemic changes at the beginning of the XXI century, refers to the extent to which United States will continue to hold the global leadership or will share the international stage with other emergent powers, forming a "post-American world" defined as "the rise of the rest", where there is a diffusion of power.

Some authors have even discussed about the relative decline of US power, while most of them addresses the issue concerning the ascension of the biggest and fastest-growing emerging markets countries grouped under the acronym BRICS - led by China, which is followed by the return of Russia and the significant economic growth rates of India, Brazil and South Africa, to which is joined more recently, another group of emerging countries MIST - Mexico, Indonesia, South Korea and Turkey, which together with G7 - the group of the seven major industrial economies, form the group G20 - the forum of the world's largest economies.

### **Scope of research**

Identification and analysing the changes that have taken place in the hierarchy of the main economic powers of the world during the period 2000-2013, not only from the viewpoint of economic dimension represented by the size of GDP, but from a multi-dimensional perspective that cover the most important issues that underlie or potentiate the economic power of a nation-state. Thus, we can shape a overall and comprehensive image of the main economic power centers beyond the quantitative aspects, related to the size of GDP, so frequently used in international comparisons and focusing on qualitative resources, leading to economic growth and sustainable development.

### **Research objectives**

In order to fulfill the intended purpose of the research, the objectives are:

- O1. The analysis of the concept of power on the the literature: forms categories, determinant factors, measurement methods.
- O2. Determining the main power centers in the world economy by reference to trends recorded in the production and of the economic growth rates between 2000-2013
- O3. Identifying the mix of determinant factors that led to the economic growth and development in the main power centers of the world economy.
- O4. Determining the progress and the gap to the leaders economies by comparing the performances registered, particularly at the macroeconomic level, institutional level, level of human capital and in science and technology.

### **Research motivation**

- ◆ Recent literature (*Stiglitz, Sen and Fitoussi, 2009*) points out the insufficiency of taking into account only the GDP as an indicator of economic performance and social progress of a country.
- ◆ A better understanding of the link between a simple growth and a more widely and deeper concept - economic performance - a combination of the potential of a country and the conditions at any given time.
- ◆ In the specialized literature there is a lack of empirical studies that make the comparison between the group of most developed economies in the world, G7 and the new emerging economies characterized by strong rise in the last decade, grouped under the acronym BRICS, from the viewpoint of principal determining factors that influenced the mix of the economic growth since the beginning of the XXI century.

### **General hypothesis of the research**

By reporting the economic power of a nation-state to a range of performances achieved on different levels of its, the global economic power centers, characterized by the highest performance, both at the macro level (expressed by the size of total GDP) and from the viewpoint of qualitative aspects (that connect from a simple economic growth towards development and achieving a higher degree of welfare), have been and remain the developed economies components of the group G7, followed by China, Russia, Brazil and India as emerging power centers and components of the group BRICS, South Africa being important only in terms of the geopolitical influence at group level.

### **Personal contributions resulting from the research**

- ◆ At the theoretical level - expanding the approach of the economic power of a nation-states by including qualitative aspects.
- ◆ At the empirical level - building an econometric model through which have been determined the main factors that contributed to economic growth and development both in the main developed economies G7 as well as in the major emerging economies BRICS, but also on all of them.
- ◆ At the empirical and practical level - building a composite indicator to evaluate the overall economic performance through the most important sources that contribute to the economic growth and development in the long term, sustainable. It has a high degree of reliability, as it can be applied over a long period of time.

### **Research utility**

R1. It can be an instrument of knowledge, decryption and understanding of the trends at global level regarding a current issue, controversial and with global implications, for professionals in business, politics, international relations, diplomacy, media or even the general public.

R2. In the business sector, because investment decisions in a particular economy may be much more robust and justified, and reduce the potential risk.

R3. For policy makers in order to establish strategies for long-term growth and development. Finding particular similarities between certain economies may lead to the adoption of a model of growth and development that was successful in another country, in order to progress.

### **Thesis structure**

**The first chapter** presents a theoretical and methodological approaches to the concept of power, starting with its definition and continuing with the determination of different forms of power and power elements and dimensions, and then is presented the evolution of the international system by reference to the power centers, focusing on the issues relating to the new design of these poles in the opinion of the most famous analysts. Then it was made the connection between the sources of economic power and the determinants of economic growth and performance, by presenting the main ideas of economic growth theory in dynamics and are analyzed the most important sources of economic growth and development, from those that provide the foundation of this process and are essential for developing countries, up to specific determinants for advanced economies, ranked as being in the highest stage of development.

**In the second chapter** are analyzed the evolutions in the global economic balance of power during the transition towards multipolarity. First, are identified the major tendencies in the global economy during the period 2000-2013, by analysing the trends of GDP evolution (calculated at the exchange rate of the U.S. dollar and at PPP terms), of growth rates and of share in gross world product of the main groups taken into consideration - the G7 and BRICS, according to the degree of development and the level of income. Then follows a comparative analysis regarding the development of new economic powers emerging BRICS and traditional power pole represented by the G7, based on key socio-economic indicators in order to determine both the progress and gap between the two groups of economies. The economic performance dynamics are examined from the perspective of physical size of economic power, macroeconomic performance, quality in terms of human capital and performance in science and technology. Also, a section is dedicated to studying the BRICS, from the position of new economic growth pole, whose members have the status of the largest emerging economies worldwide. Not in the least, research leans on finding the challenges of growth and development in emerging economies, according to which these countries need to focus to reforms, in order to make in the future the transition from middle income economies to the status of economic powerhouses with high incomes.

**The third chapter** contains an empirical analysis of the main determinants of economic growth for the two groups of countries selected - the G7 and BRICS, taken both separately and as a whole. Through this analysis, was found the type and the degree of influence of the dependent variable, represented by the annual growth rate of GDP per capita and independent variables: gross



domestic investment, trade openness, inflation, net inflows of foreign direct investments, secondary education, labor force participation, modern infrastructure measured by access of information and communication technologies, research and development, innovation and technical progress, to which are added an index of institutional quality built using the factorial analysis, by reduction the components, in order to demonstrate which are the most important factors of economic growth for the major groups of world economic powers, the G7 and BRICS. The empirical study was based on a panel data regression analysis that combines cross-country analysis, with time series for each of them. In the analysis were tested 3 multiple linear regression models with panel data, namely: simple panel, panel with fixed effects and panel with random effects, in order to make the best decision in the estimation of the proposed model.

**In the fourth chapter** is performed a qualitative analysis of the BRICS economic performances by comparison with the the G7 countries, based on the information linked to the competitiveness of these economies, for the period 2006-2014. It is taken into account the Global Competitiveness Index, an instrument built by World Bank economists and considered to be the most comprehensive evaluation of this kind in the literature. Analysis is based on the observation of the global competitiveness trends evolution both for the G7 and BRICS groups, and then there are made comparisons between the states considered. They take into account the different categories of factors that contribute to the increased competitiveness of an economy, so the emphasis is on the institutional environment, human capital, technology, innovation and business sophistication. It has been found that there are discrepancies in development both between the emerging and the developed countries, but also between the BRICS members, which apart from aspects related to the economic dimension, population and territory (except South Africa which do not align with the other 4 states after these criteria, but by geopolitical influence in the African continent) are in different stages of development, resulting in a number of different risks in the medium and long term.

**The fifth chapter** is dedicated to the construction of an indicator that assesses the economic performance of the states which belong to the group G20, which includes both the developed economies G7 and emerging economies BRICS, that were the subject of the analysis in the previous chapters. The Indicator of Overall Economic Performance is meant to be an instrument that encompasses the main factors involved in the growth and development of an economy. The construction is based on research of the literature in the field of economic growth and development, namely the factors that lead to economic growth and development, detailed in the first chapter. The variables were chosen as a result of empirical analysis from the third chapter, in which were tested different growth models, with specific variables for developed and emerging economies. They took into consideration the explanatory variables that have an impact on economic growth across countries and for which there are complete databases, we can make comparisons between 2000 and

2013, as we proposed. The selection of indicators aimed to highlight both the quantitative and qualitative elements, to ensure a complex assessment to the level of economic performance of a country, the possibility to monitoring the changes in time and to make internationally enlightening comparisons. The variables taken into consideration are expressed through a series of 42 independent indicators that are grouped into 5 categories of factors playing a role in growth and development. The new indicator is intended to be a multidimensional concept that measures overall economic performance by aggregation of partial performance in relation to several dimensions: 1). Aspects of the macroeconomic dimension, 2). The institutional framework, 3). The human capital 4). The modern infrastructure - access and absorption of technology, 5). Science, technology and innovation - the creation and diffusion of knowledge. To make distinctions based on the economic performance of various countries in time and space, we build a grading scale on 4 levels of performance, namely high performance, average to high performance, medium to low performance and low performance, according to some indicators of central tendency such as the median, quartile 1 (Q1) and quartile 3 (Q3), to which are added the minimum and maximum.

### **Results and conclusions**

Global economy goes through a process of changes and transformations on the route from the unipolarity characteristic for the beginning of the XXI century, to the crystallization an asymmetrical and multipolar configuration, in which, besides the major economic powers of the developed states components of the G7, has appeared a new group of emerging economies under the BRICS acronym. This can be seen as an alternative to the traditional economic growth pole, but a closer analysis of the disparities in development, as compared to the developed economies, as well as within the group, pull a warning on the future potential for supporting the impressive developments during the past 10-20 years, unless these countries will make changes to the model of growth and development.

Until 2000 the global economy was dominated by a few industrialized economies that form the G7 group, their importance based on both their shares in global economic output, international trade, flows of foreign direct investment, technological level, educational and cultural level of development social and also of their contribution to economic growth. During the XXth century, the G7 economies have maintained an important and fairly stable weight in the gross world domestic product, beginning and ending century, at a level of about 45% of the world total. G7 countries still dominate the global economy in terms of size, contributing to economic growth and standard of living, but dominance began to fall in this first decade of the XXI century, mainly due to rapid growth of large emerging and dynamic economies BRICS. These are the leaders for a number of developing countries that have experienced a reinvigoration of economic growth since 2000. As a result, the the G7 share of global GDP fell rapidly from 45% to 33% in only 13 years. In the literature, it is considered that this is an unprecedented and historical shift, because after a

century of domination by a group of developed economies a decade of impressive economic growth has caused a shift in the balance of global economic power. The world economy has entered into an period of multipolar growth, where alongside traditional power pole represented by G7 - the developed and high income economies, makes appearance a new and dynamic pole called BRICS, represented by several economies in developing headed by China.

Strictly under the aspect of the size of GDP, economic power is held by several actors, which could lead us perhaps too quickly (without taking into account the determinants of sustained economic growth in the long term, human capital, technological capabilities, innovation, investment in various fields to generate wealth, social level) to the conclusion that we are spectators of a systemic transition of power. But spectacular economic gains of the developing economies must be sustained for a long period because these countries to reach a standard of living similar to that of the developed countries. The question is whether these growth rates can be sustained in the future in order to make the transition to the upper stage of development or will install the so-called "middle income trap". To move forward, the growth potential of emerging markets should start to based more on improving productivity through the transition to activities that require skills at a higher level and production of innovative goods and services. Structural reforms and public investments in certain sectors may facilitate the transformation necessary to sustain strong growth and avoid stagnation of the average income level. Although the progress made by the new poles of growth in the last decade is spectacular, it would be a mistake to believe that future development will be without challenges.

The results of empirical research explained the the influence of the specific characteristics of the two groups of economies on the economic growth during the period 2000-2012. Thus, are highlighted the differences between economic growth key drivers for the developed countries G7 (the emphasis placed on higher education, research, development and innovation) and those specific for the emerging countries BRICS (investment in physical capital, secondary education, modern infrastructure, net inflows of foreign direct investments). A common aspect is represented by gross domestic investment and the index of governance, which is important for all economies, whatever their stage of development, because without the existence of a state of law, measures to eradicate corruption, efficiency and quality governamentale, political stability and democracy a society can not evolve qualitatively, to achieve a higher level of development.

The results obtained by calculating the overall economic performance of the 19 nation-states taken into account, changed the hierarchy of the major economic powers measured by the size of the GDP, ranking the developed economies, especially the US, far from the emerging economies, mainly China. Analyzing the evolution from 2000 to the ranking achieved in 2013, there are two main trends: the developed economies remained on the leading position in terms of overall economic performance, even though some have experienced slowly decline, while between the

emerging economies, only China and Russia have had some visible progress. These results highlight the role of China's spectacular rise from the early 2000s to the present, as well as the maintaining the economic performances by the United States and its relative decline for some major developed economies, due to the effects of the financial and economic crisis of 2007-2008 and the high economic growth rates in emerging economies. The developed countries can maintain its economic performances over the time because their growth is one of intensive type, resulting from higher capitalization of all resources, which means that the emphasis is on quality. In contrast, China is on a unquestionable rise, but the distance to the US economic performance remains very high. In addition, China will have many domestically problems to solved, because although the fact that the chinese economy has amazed the world by the pace of development had, it still remains a country of the disparities, where most of the population has a modest standard of living, what can lead to social tensions. China has reached the point where the pattern of growth and development has become unsustainable and will have to make the transition to an economy based on domestic consumption and technological progress, by increasing internally innovation, as a result of improvements in the research and development field, which involves intensive political and social reforms. Engine of economic growth accounted by exports and foreign direct investment, needs to be replaced by the social engine, through increased the purchasing power.

In conclusion, the US remains the only superpower proving its performance in all spheres of economic power, followed by the other great economic powerhouses members of the G7, of which Germany, France and Britain are the European regional leaders, Japan is a regional power in South Asia and BRICS economies aspires to establish a new group of powers, as an alternative to that of developed economies, but there are quite a lot of differences in economic progress and their vision to form truly a group coherent, to which are added the future each specific challenges, which could lead to the development of in different ways. This constellation of rising powers are regional economic leaders, but do not have yet an optimum level of human development in order to compete with the developed economies performances registered by each level of the economic power. Even if for these economies, and particularly for China, the catching-up process at the level of GDP dimension is impressive, a significant gap remains in terms of improving living standards and its level depends on the trajectory and effectiveness of future reforms, to make the transition towards a sustainable model of growth and development, characterized by shift from quantity to quality.