Global & Asian Balance of Power: Building Institutions for Peace

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(views are personal)
Introduction

- World/Asian Balance of Power: Transformed in 21st century
  - Globalization and Reform
- Projections
  - Index of Power (VIP^2)
  - New Developments, Global Crisis
  - Old and New estimates
- Asia Peace or Conflict?
  - Build Inclusive Institutions
Indices of Power: VIP², VIP

- Size of Economy (GdpPpp)
  - GDP = Population * Per capita Gdp
  - Quantity Comparison: PPP

- Projections
  - Population/Demographics
  - Catch-Up growth

- Economic Power: Index (VIPP/VIP²)

- Overall Power: Index (VIP)
  - Strategic Technology and Assets
Fig 1: Catch-up Growth Potential - World Shares of Pop-Gdp

19th March 2012

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Uni- Polar to Bi Polar

• US NIC (Dec 2004)
  – Based on Goldman Sachs October 2003
  – China’s GDP(US$) *could* be 2nd largest by 2020
  – India’s GDP(US$) *could* be 3rd largest by 2035

• Virmani(2004)
  – China, India rise will be faster than NIC(2004)
    • Demographic decline (Russia, Japan, Ger, Itly, Fra)
    • Kissinger(94): US, EU, Russia, Japan, China, India(?)

  – Bi Polar Transition
    • China: GDP at PPP equals USA by 2015
    • Power potential 70% of USA by 2035
Bi Polar to Tri Polar

• Virmani (2005)
  - "the (current) uni-polar world will be transformed into a bipolar world during the first quarter of this century and into a tri-polar one (China, USA, India) during the second quarter of the century."
  - Rise of India:
    • Third largest economy 2015,
    • Real GDP=USA by 2040
    • Power potential 80% of US by 2050.
  - China’s Power potential = US 2030-35

• Virmani (2006) (Academic Foundation)
  - Weakness and threats to China, India’s growth
    • China: Export-Investment led growth [Gross->net; Ag->Fdi->Inf->Real Estate]
    • India: Governance/Public Goods e.g. Rule of Law (Police, legal system), Urban (planning land use, parking, public transport)
“The eight largest economies in 2025 will be, in descending order: the US, China, India, Japan.”

“By 2025 China will have the world’s second largest economy and will be a leading military power.”

- A global multi-polar system is emerging with the rise of China, India, and others.
- The development of a globalized economy in which China and India play major roles.
New Developments: 2008-10

- Oil, Energy Price Boom
  - Russia’s comeback, Brazil
- New PPP estimates from ADB-WB
  - India, China: -36%/40%
- US-EU Financial Crisis
  - Differential Impact on economies
    - Domestic vs. Export oriented
    - Fiscally constrained vs. non-FC
- Forecasts (Ch, Ind) = Outcomes
3b Economic Size (GdpPpp)
Fig 4a: Long Term Evolution Power Potential VIP²
Global System: Long Term

- **Global Power:** VIP^2 ≥ 25%
  - China 2010, India 2027 (Japan -09)

- **Super Power:** VIP^2 = 50%
  - China 2016-17
  - India 2036-37

- **Uni-polar:** US Sole super-power
  - Peak 1999 (1990-2010)

- **Bi-Polar:** 2025, Tri polar: ~2040

- **ASEAN:** Not a virtual state
Figure 4b: Emerging Tripolar Clarity (VIPP/VIP²)
Figure 5: Sustainability of Growth - Per Capita GDP
Figure 6: Indian Economy Relative to China

Economic Size
Economic Power
Per Capita Gdp
Changing Power Balance: Risks and Opportunities

• History
  – Heightened Risk of conflict, Attitude(s) of rising and declining power(s), corresponding institutional response

• Europe lessons
  – Pre-WW, Cold War: Attitude of Rising power(s) ‘Might is Right,’ => Balancing of Power => Exclusive institutions (Seato, Cento)
  – Post-War: Global Rules for Conflict Minimization / Resolution => Inclusive Institutions (EEC, EU, IMF, WTO)
Institutional Change

• Exclusive Institutions
  – ‘Tributary System’ (Frieberg)
  – Balancing Coalitions

• Inclusive Reform: New Reality
  – Security Council
  – Asian Security Forum
Inclusive Institutions

- Equal Partnership (China, Japan, India, Asean, Others)
  - Asian Economic Community
    - Asian Energy community
  - Asian Monetary Arrangement
  - Asian Social Assembly: e.g. NGOs
Conclusion

• Multi-polar World?
  – No, merely a Transition Phase
• West (US) vs. The Rest?
  – Unlikely! Diversity of Interests
• Will China Rule/Dominate the World?
  – Tri-polar(VIP\(^2\)): USSR(27%), EE(37%)
  – Strategic Assets: US stock, Lags(Ec-Str)
  – Attitude/Approach of Power(s):
    • Will to Power (USA, Russia, China; India?)
    • Aggressive Action→Countervailing reaction

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