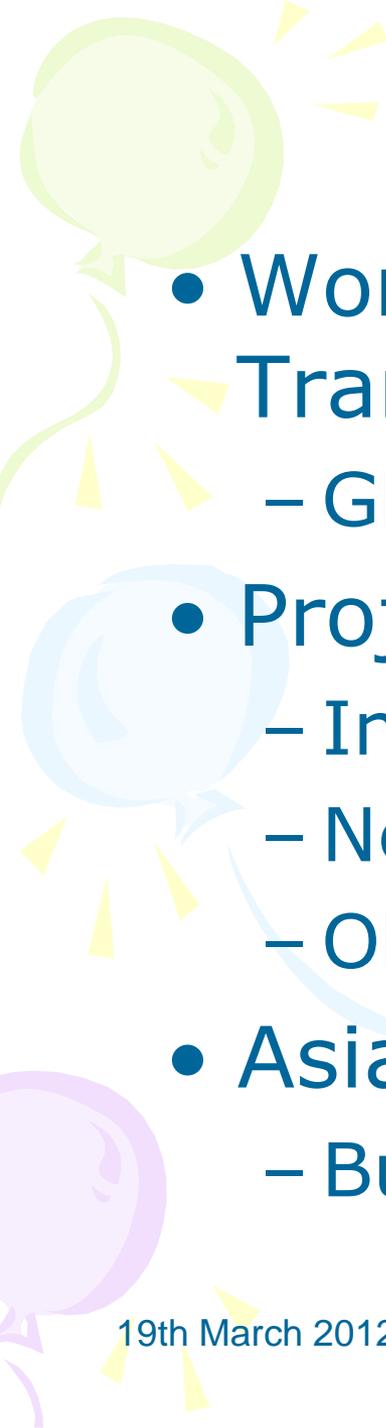
The background features several large, overlapping, colorful swirls in shades of green, purple, and blue. Scattered throughout are numerous small, yellow, triangular shapes that resemble confetti or starbursts.

# **Global & Asian Balance of Power: Building Institutions for Peace**

**Arvind Virmani**  
**(views are personal)**



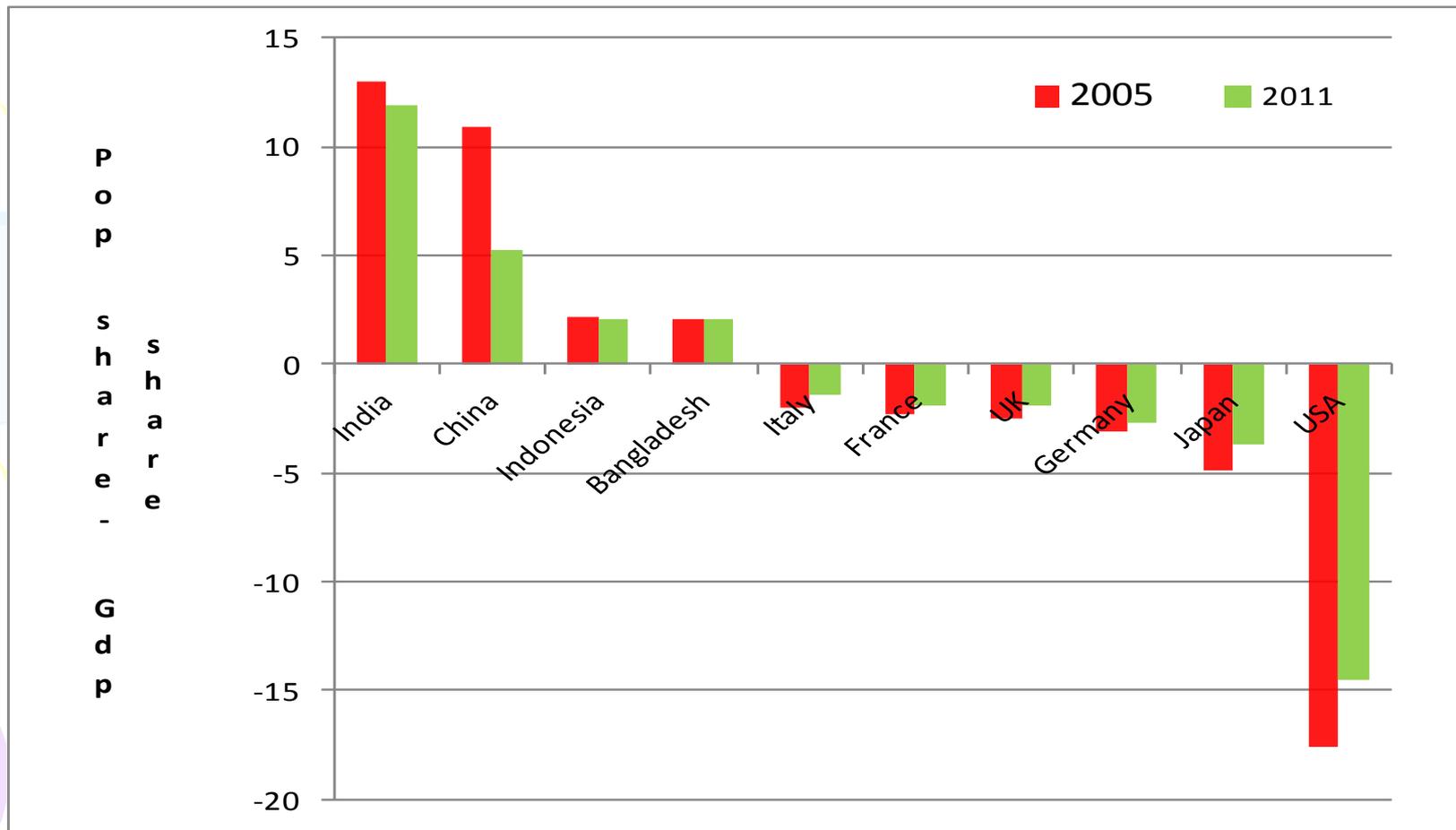
# Introduction

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

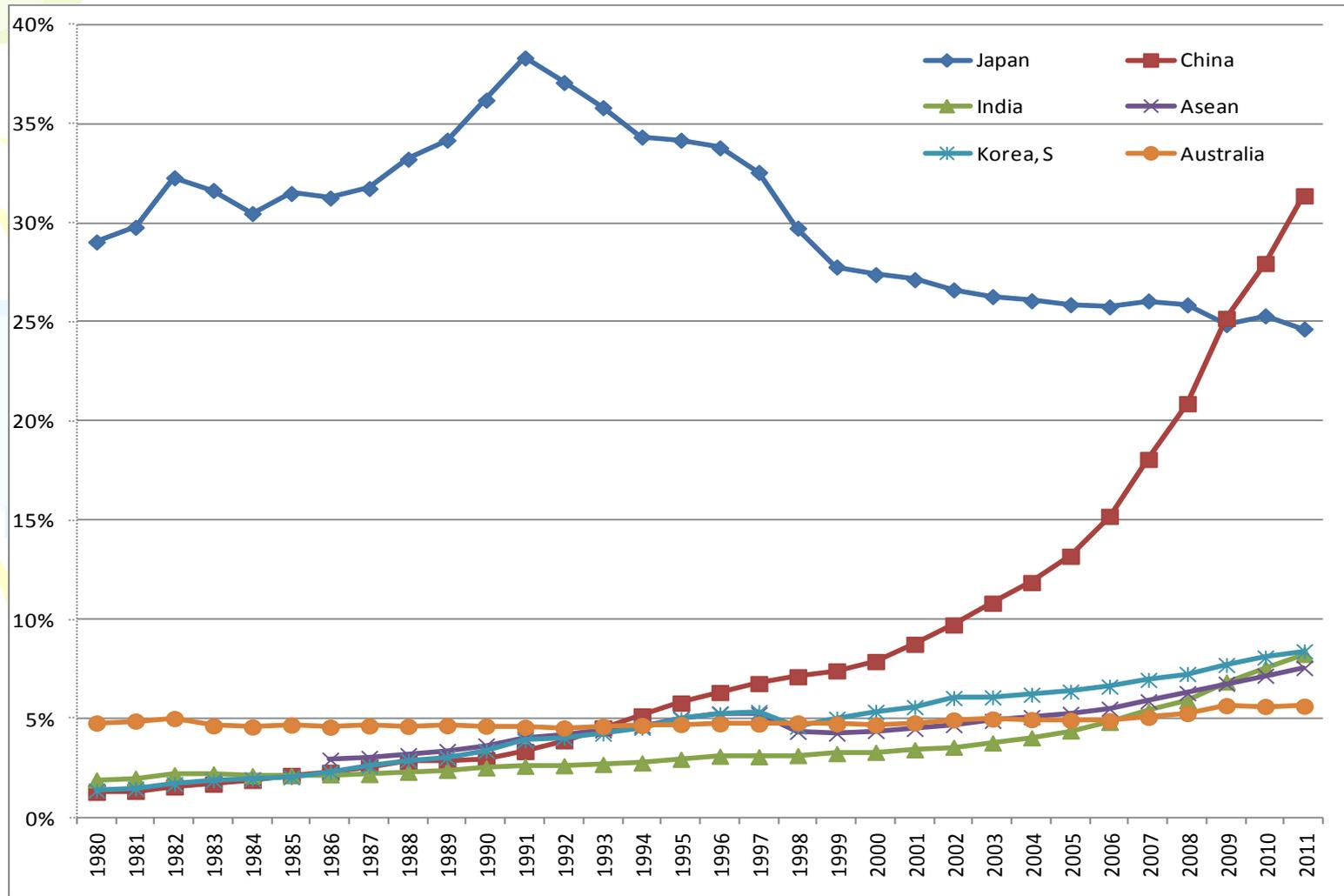
# Indices of Power: $VIP^2$ , VIP

- Size of Economy (GdpPpp)
  - GDP = Population \* Per capita Gdp
  - Quantity Comparison: PPP
- Projections
  - Population/Demographics
  - Catch-Up growth
- Economic Power : Index( $VIPP/VIP^2$ )
- Overall Power: Index (VIP)
  - Strategic Technology and Assets

# Fig 1: Catch-up Growth Potential - World Shares of Pop-Gdp



# Fig 2: Asian Country VIP<sup>2</sup>





# 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)

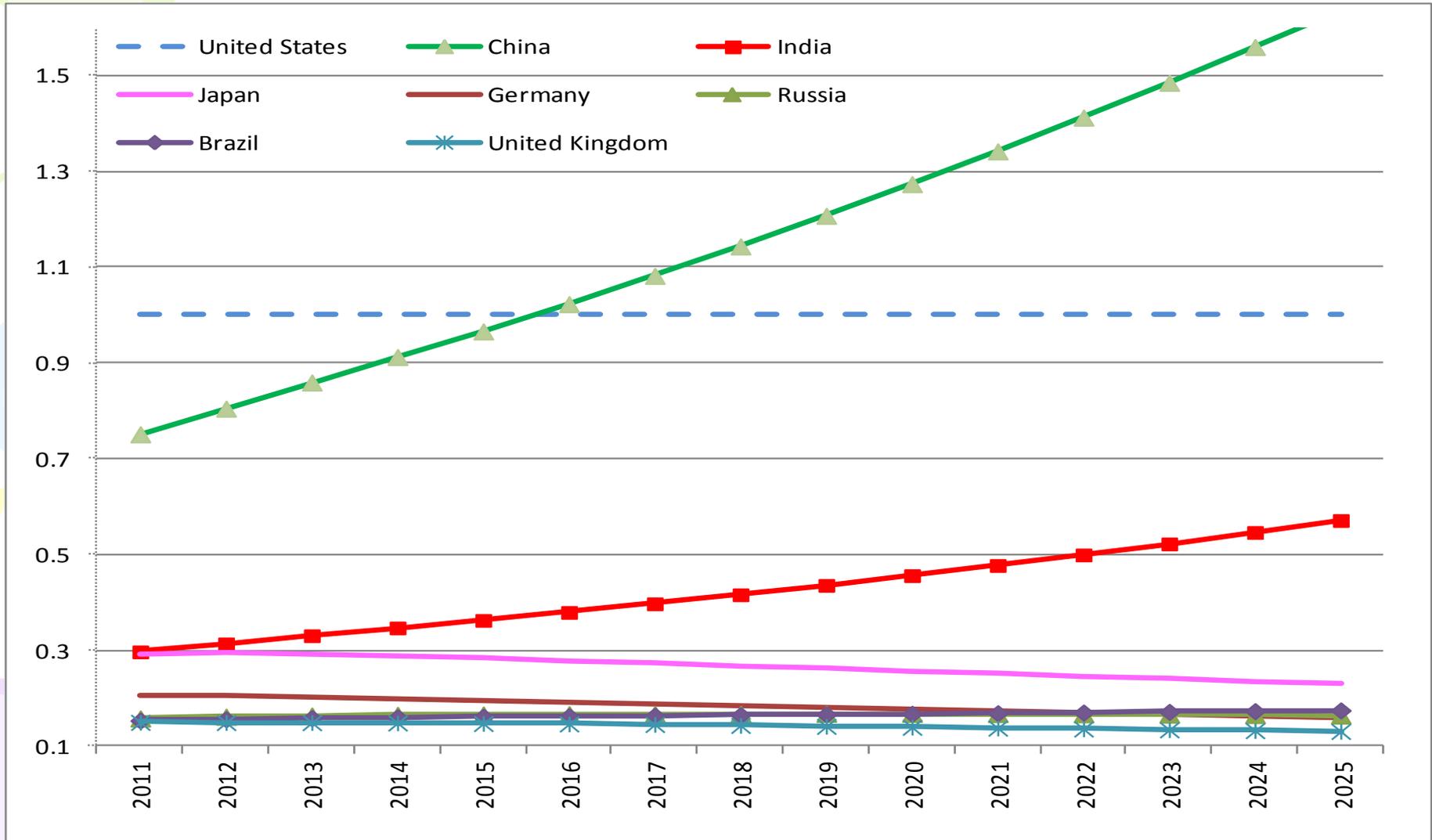
# US NIC: November 2008

- “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

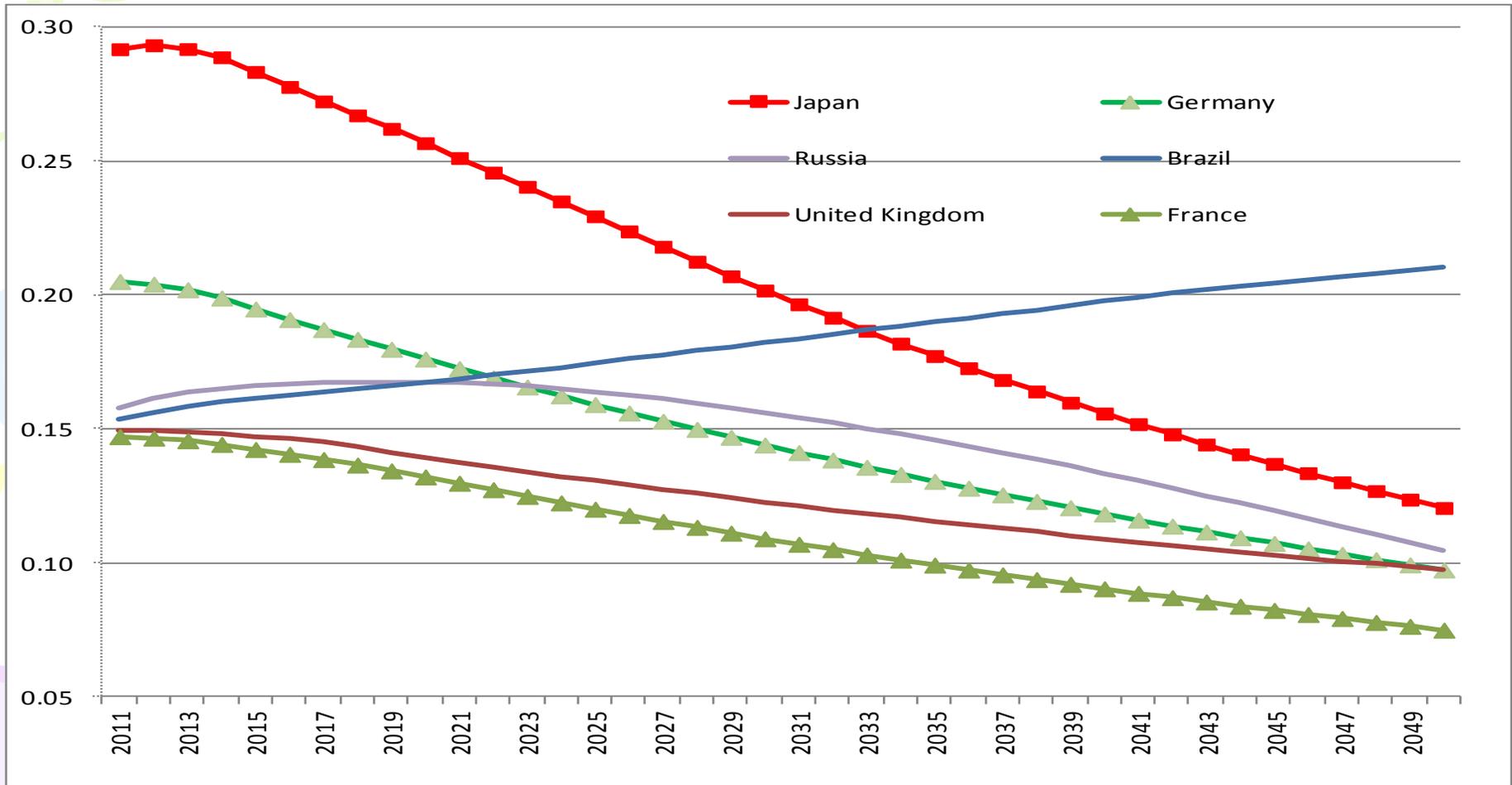
# New Developments: 2008-10

- Oil, Energy Price Boom
  - Russia's comeback, Brazil
- New PPP estimates from ADB-WB
  - India, China: -36%/40%
- US-EU FinancialCrisis
  - Differential Impact on economies
    - Domestic vs. Export oriented
    - Fiscally constrained vs. non-FC
- Forecasts (Ch,Ind) = Outcomes

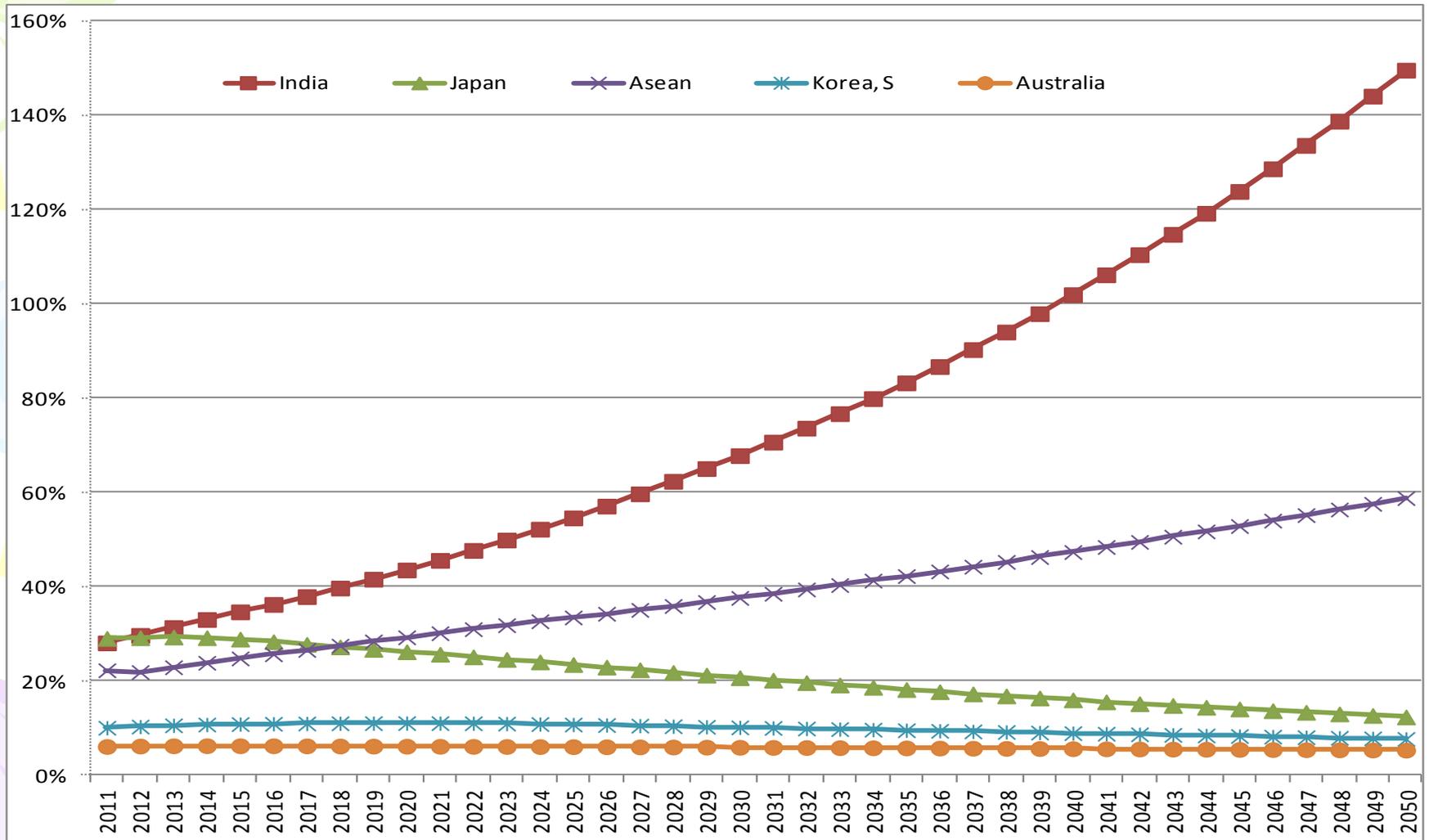
# 3a Economic Size (GdpPpp)



# 3b Economic Size (GdpPpp)



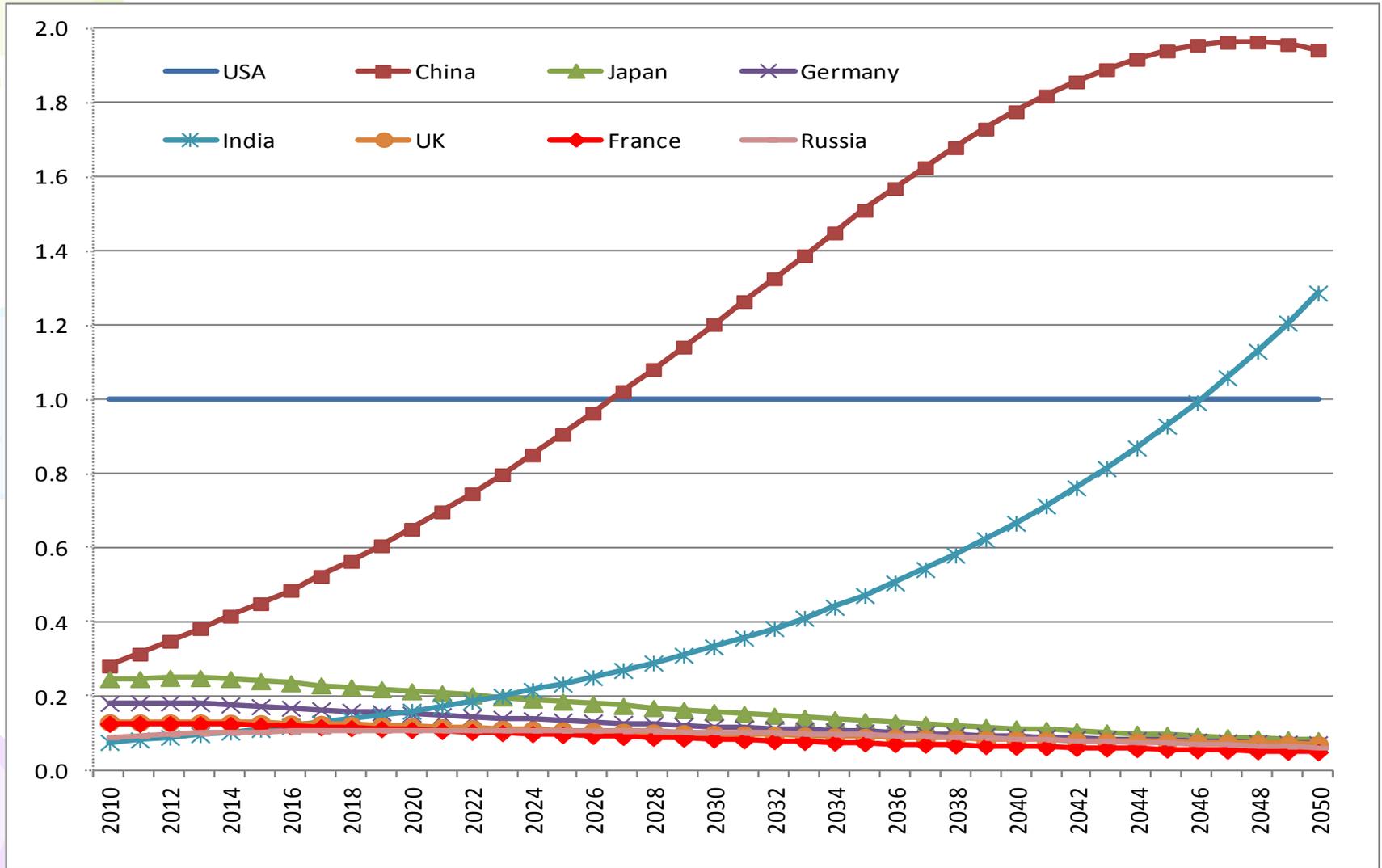
# 3c Economic Size- Asia



19th March 2012

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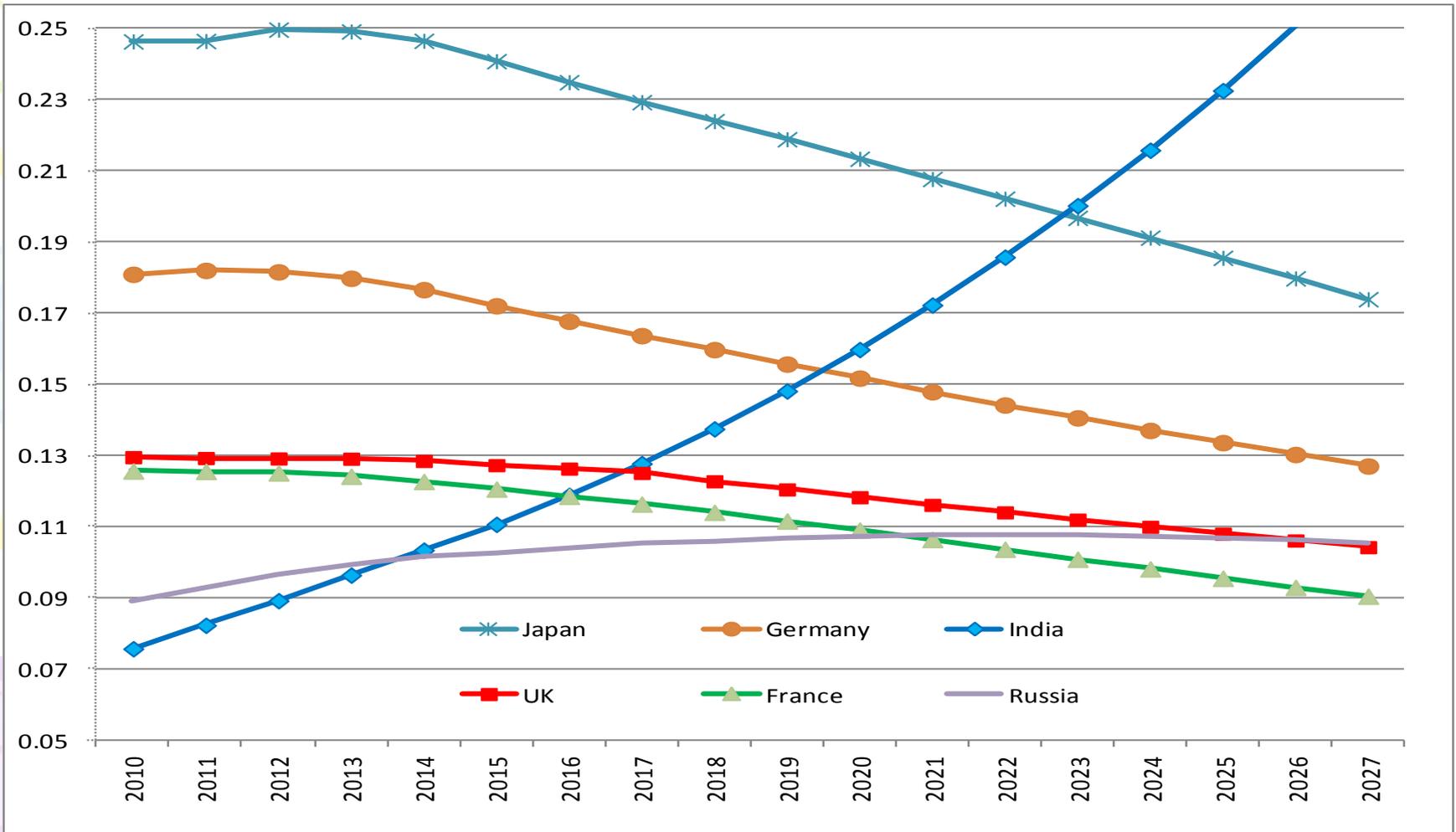
# Fig 4a: Long Term Evolution Power Potential VIP<sup>2</sup>



# Global System: Long Term

- Global Power:  $VIP^2 \geq 25\%$ 
  - 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:  $\approx 2040$
- ASEAN: Not a virtual state

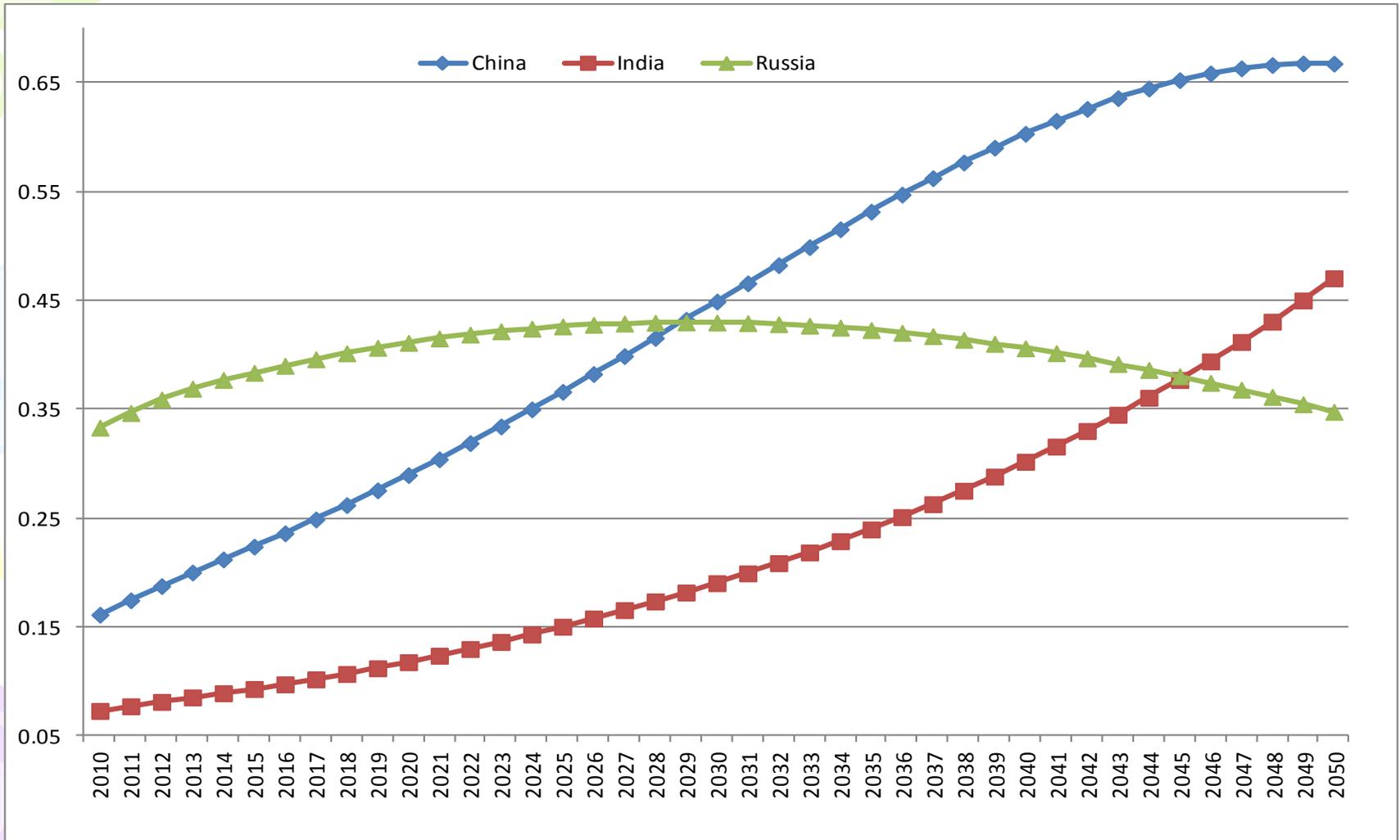
# Figure 4b: Emerging Tripolar Clarity (VIPP/VIP<sup>2</sup>)



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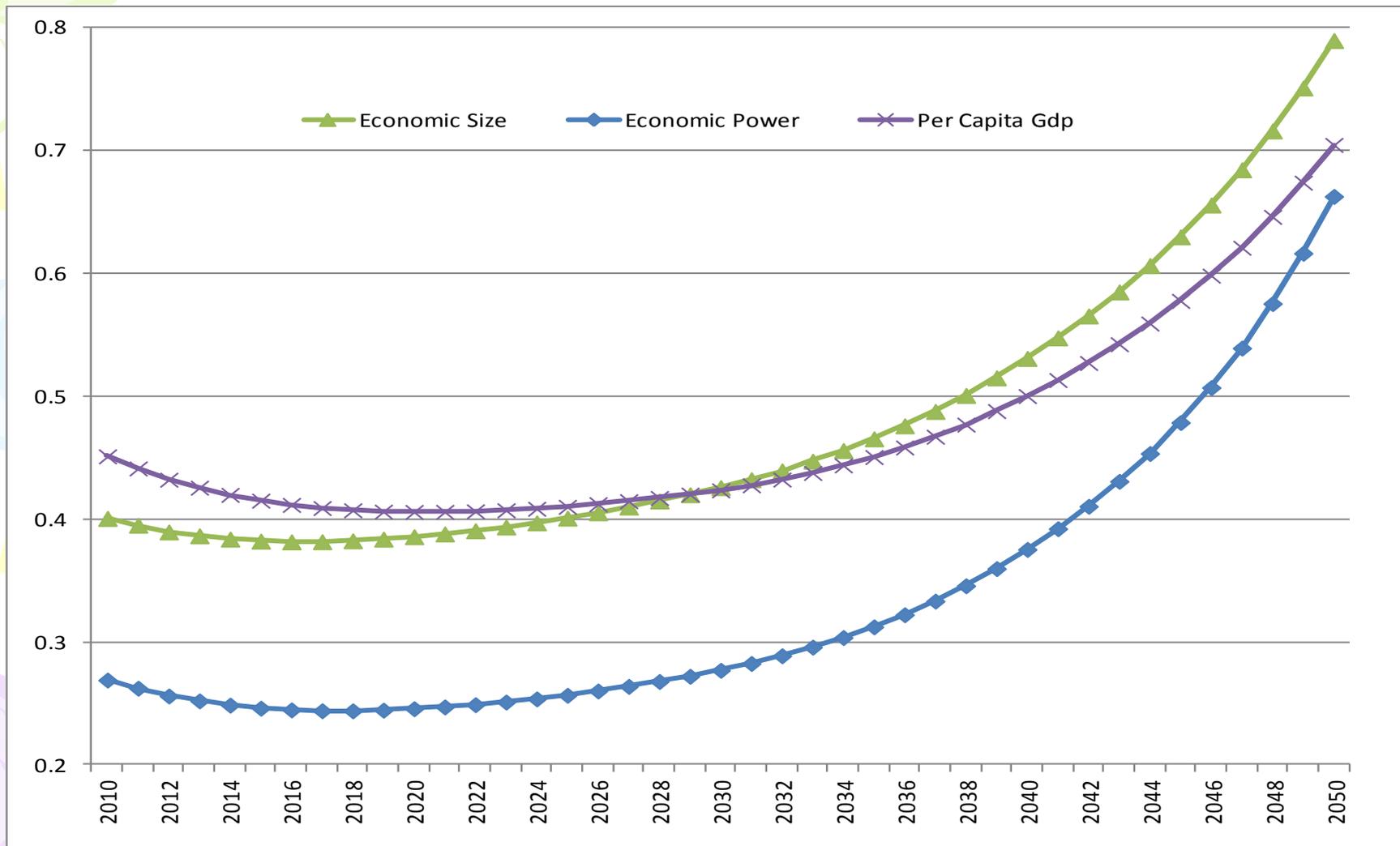
# Figure 5: Sustainability of Growth- Per Capita GDP



19th March 2012

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# Figure 6: Indian Economy Relative to China



19th March 2012

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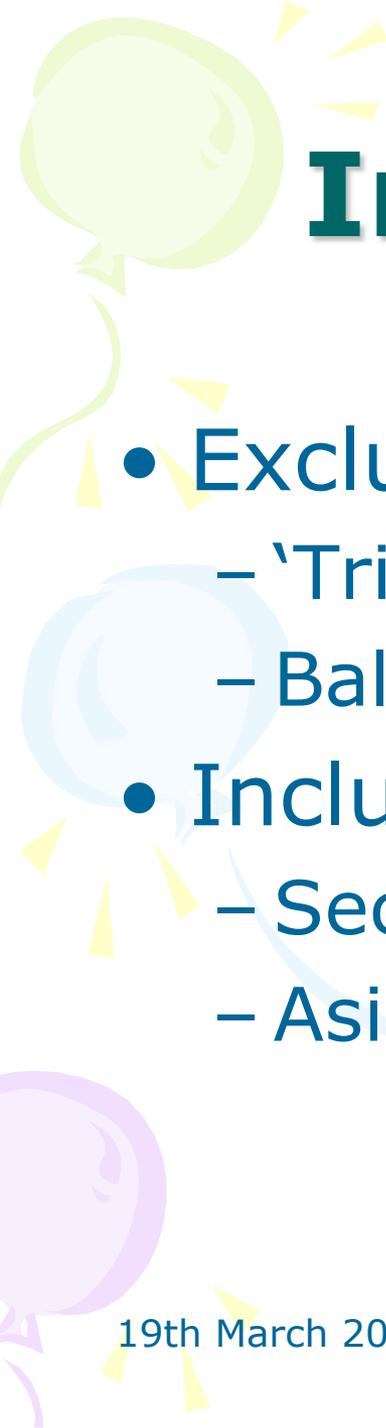
# Changing Power Balance: Risks and Opportunities

- 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<sup>2</sup>): 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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