

## **The New Tripolar World**

by  
**Dr Arvind Virmani**

The Dragon has emerged from the dungeons of Maoist communism to grab the benefits of globalisation whether its foreign direct investment, exports, education or skills without singeing it with its fiery breath. It has successfully combined communist party ownership & control with elements of a globalized market economy. The vegetarian elephant has similarly emerged from the Indian version of Socialism to experiment with market reforms in its usual slow and steady but plodding democratic way. Though both started the transition in 1980 the dragon has attained a lead over the elephant that may take three quarters of a century to be completely eliminated.

If we compare the distribution of World GDP at Purchasing Power Parity (PPP) and the distribution of World population between the US, China and India, the results are striking. USA has only 5 per cent of the world's population but accounts for 21 per cent of the World GDP. China in contrast has 21 per cent of the world's citizens but thanks to its phenomenal economic growth rates since 1980 now has 12 per cent of the world's GDP share. India has 17 per cent of the world's population but because of slower growth rates its GDP share is only six per cent of the total. However, the discrepancy between these three countries is expected to be closed during the 21st century.

Why will a centuries old gap be closed in half a century? Because the past two decades has seen the two most populous countries change their economic policies and play catch-up in growth rates. Consequently, they were among the 10 fastest growing economies since 1980 and will remain among the 3-5 fastest growing in the next several decades. As a result the income gap between the two and the USA will close gradually. Given their much larger population, China's and India's GDP at PPP will equal that of the USA by around 2016 and 2039 respectively, though average income will be much lower (ICRIER WP 160). Within the next five years India's economy will overtake that of Japan to become the third largest in PPP terms. A few years later India will become a lower-middle income country (currently low-income). In a recent paper I have forecast that India will, by the middle of the century, become one of three global powers constituting the global trinity. It also presents an index of power potential that shows that, (a) China's potential power will exceed that of the USA by the second quarter of the century, and (b) India's power potential will exceed that of Japan by 2025. In 2035, India's power potential will be half that of the USA. Fourth ranked Japan's power potential will be 1/5th that of the USA and 50% that of India. India's power potential will be almost 80% of the USA by 2050. By way of comparison it should be noted that at its peak in the 1970-1980s (3rd ranked) Japan's power potential was only about 1/3rd that of the USA. The world will therefore become tripolar sometime during the second quarter of the 21st century.

India's GDP at PPP and its power potential will decline relative to that of China during the current decade, stabilise during the next and start to rise during the third. According to our forecast the gap between the two will be closed in the third quarter of the 21<sup>st</sup> century. History shows that the rise and fall of great powers leads to wars. The globalised world of the 21st century provides an opportunity to break the jinx of history, by building a system of co-operative

relations between the three great powers of the 21st century. As India will be the weakest pole of this tripolar world, the USA must help close the technology gap between India and China, that was partly created by discriminatory Western sanctions against India. This requires a translation of recent announcements by Secretary of State Condoleezza Rice into concrete changes in laws, rules and procedures. India and USA must build a partnership for peace.

China and India must also improve their bilateral relations. As China is the larger power it must recognise and respect India's role in Asia and the World. This requires a fair and equitable settlement of the border issue and a decision by China not to proliferate nuclear technology to countries hostile to India. Barriers to trade must be removed so that the trade potential is fully exploited. Drawing on the lessons of European history, India must pursue the idea of an Asian oil community and an Asian economic community with India, China, Japan and ASEAN at its core.

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