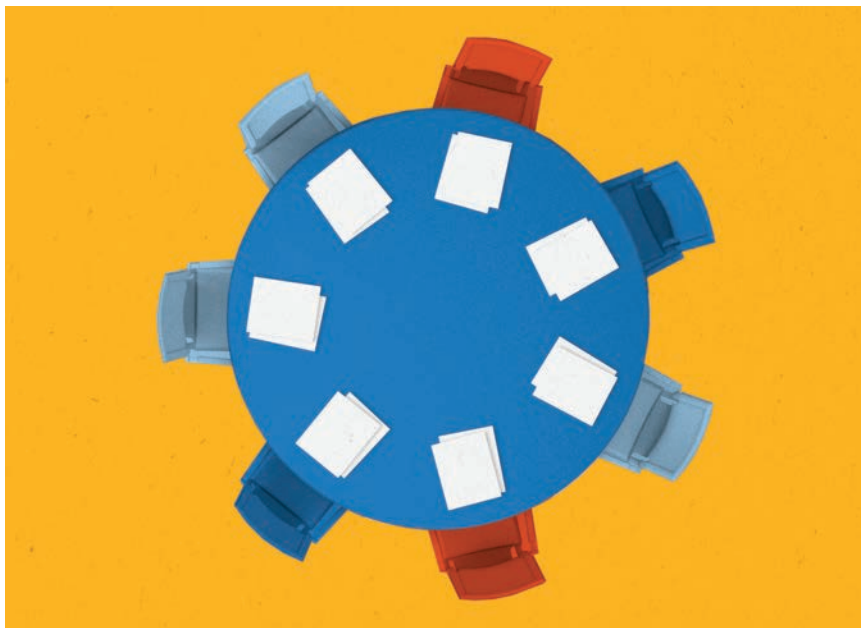


The Middle Power Moment



N. K. Singh

India and other midsize powers can shape the global order through plurilateral coalitions



The global economy is no longer driven by markets alone. It is shaped just as much by geopolitical rivalry. Trade flows are rerouted by political calculus; capital flows are driven by trust rather than efficiency; and technology may have given an unprecedented boost to productivity, but it has become a weapon of war. These forces have left us with an increasingly uncertain and transactional world that neither respects nor pays attention to established rules.

Geopolitics drives economic decisions. As supply chains shift, energy security anchors national resilience. Financial systems and preferred currencies are more segmented, and even multilateral institutions face strategic controversy. The US withdrawal from the United Nations Framework Convention on Climate Change and other global platforms drives home the notion that the old anchors of coordination can no longer be taken for granted.

For middle powers, including India, these disruptions present both risks and opportunity. A plurilateral world is emerging even as established universal frameworks erode.

Coalitions are smaller, issue-specific, and often transient. Influence no longer results merely from economic size or military might but from the ability to convene, bridge divides, and shape agendas. This is the strength that countries such as India must seek to develop creatively.

Reforming multilateralism means recognizing that the old architecture is becoming irrelevant. If the US remains an unruly player in international negotiations, alternative pathways must be strengthened. There are already multilateral development institutions with limited or indirect US influence, such as the Asian Development Bank, the European Bank for Reconstruction and Development, the New Development Bank, and the Asian Infrastructure Investment Bank.

These institutions are a place for more pragmatic and less polarized cooperation. Such cooperation is especially urgent for climate policy, whose transnational risks demand coordination even without full consensus. As Canadian Prime Minister Mark Carney has argued, the old order is effectively over. Middle powers must be at the table, not on the menu.

For India, this means a major responsibility to catalyze new coalitions among emerging market and developing economies. It's a revival in many ways of the spirit of Cold War nonalignment but adapted to a world defined less by conflicting ideological blocs than by overlapping economic interests.

Middle power challenges

India's economic rise intersects this fractured global order. Its transformation into the world's fourth largest economy, averaging 7 percent growth over the past decade, stems from macroeconomic stability and remarkable progress in expanding infrastructure and reducing poverty.

Yet this is not the time to celebrate the past but for strategic reorientation. India's actions in an unpredictable world offer lessons for other middle powers navigating four common challenges that cannot be overcome by any one nation alone.

The first challenge arises from the growing intrusion of geopolitics into economic domains, particularly in energy markets.

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As the world's third largest oil consumer, India is exposed to external shocks. As a hedge, it is committed to net zero emissions by 2070 and 500 gigawatts of non-fossil energy capacity by 2030. Renewable energy already exceeds 50 percent of installed capacity.

India's latest Nationally Determined Contributions are bold given that some large-emitting nations are retreating from their obligations and that vanishing consensus is complicating climate negotiations. However, the math of the transition remains a fundamental macroeconomic hurdle. Developing economies require at least \$310 billion annually for adaptation, yet current flows are only \$26 billion.

This transition is underway against a backdrop of unprecedented fiscal challenges in advanced economies. The average fiscal deficit of emerging market economies is also high, at about 5.5 percent of GDP. Reaching the next phase of green growth depends on reconciling these imbalances through prudent fiscal policies.

Excess capacity

The second challenge is the changing structure of global production and massive excess capacity. In 2023, China produced 1,019 million metric tons of crude steel. Excess global steel is projected to be 644 million metric tons. Solar photovoltaic manufacturing will soon be twice as high as global demand.

These dynamics are reshaping trade via tariffs, subsidies, and industrial policies. The Indian response seeks to protect domestic industry from unfair competition while remaining integrated in global markets. A calibrated approach will be a

shield against protectionist forces.

Demographic divergence is a third challenge. The median age is less than 20 in Africa and below 30 in India. Labor surpluses in these areas contrast sharply with shrinking populations in parts of East Asia and Europe. Productivity gains can offset labor needs, but a fundamental review of traditional attitudes toward orderly migration is necessary.

The United Nations Global Commission on International Migration strove for rational discussion of the inevitable migration from the Global South to the North. Managing this movement calls for political wisdom and vision, which have sadly been replaced by prejudice. To ensure future stability, these flows must not be framed as a crisis but as an essential orderly response to global labor imbalances. However, a younger demographic profile is a source of strength only if matched by skills and employment opportunities.

The fourth challenge is the advance of technology and digital inequality. Only 1 percent of 14- to 18-year-olds in India have received formal skills training, yet businesses will need 1.25 million professionals in artificial intelligence by 2027. Emerging markets must overcome this digital-era inequality and steer AI toward enhancing productivity and broad-based progress rather than allow it to become an instrument of surveillance and conflict in a world of geopolitical upheaval.

Meeting this challenge means massive sustained investment in human capital and R&D. To secure a greater share of the \$877 billion in global foreign direct investment, developing economies must cultivate a stable and attractive environment—ensuring that the resulting technological progress drives productivity

while preserving macroeconomic sustainability and social equity.

Path forward

These interconnected challenges—and opportunities—are central to the future of the world's middle powers and of India. Sound economics and strategic clarity must lead the way. Political stability and orderly change are essential. This is where India's role in redefining multilateralism is critical. The traditional model of large universal institutions has given way to smaller coalitions that drive action on particular issues. Fortunately, India is well placed to act across and within these layers as it has already done, most recently with its presidency of the Group of 20.

India's experience as a large, diverse democracy gives it heft among developing economies. Its economic scale provides leverage. Its diplomatic tradition emphasizes dialogue and consensus. Continued political stability augurs well.

These attributes can help build bridges across fragmented blocs and shift the focus from confrontation toward conscious cooperation among middle powers and a validation of the old principles of nonalignment. Small and middle powers can play a crucial role in nudging this process forward.

The world is unlikely to return to the coherence of the past. Fragmentation will persist, but it need not imply disorder. In this unfolding story, key middle-income countries are in a good position to play a constructive, meaningful role bilaterally, multilaterally, and through individual initiatives.

India's choices today will shape not only its own trajectory but the contours of middle powers in the emerging global order. In a world where economics and geopolitics are intertwined, its ability to navigate these complexities through inclusivity will redefine the continued relevance of the Global South. This is an opportunity not merely to adapt to change. It is a chance to shape a world that offers all nations a seat at the table. **F&D**

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