CHINA AND INDIA: SUSTAINING HIGH QUALITY GROWTH

New Delhi

March 19-20, 2012

Session II:
Development Paths

Global & Asian Balance of Power:
Building Institutions for Peace

Arvind Virmani

Presentation
Global & Asian Balance of Power: Building Institutions for Peace

Arvind Virmani
(views are personal)

Introduction

- World/Asian Balance of Power: Transformed in 21st century
  - Globalization and Reform
- Projections
  - Index of Power (VIP²)
  - 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
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

  - 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 Financial Crisis
  - 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
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

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

19th March 2012

Inclusive Institutions

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

19th March 2012
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(VIP²): 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

References 1

- Website: http://sites.google.com/site/drarvindvirmani
- Blog: http://dravirmani.blogspot.com/
- “Globalisation, Economic Growth and National Security” chapter in, Comprehensive Security for an Emerging India, Editor AVM Kapil Kak, CAPS 2010
- From Uni-polar to Tri polar World: Multi polar Transition Paradox, Academic Foundation, New Delhi, 2009.
- The Sudoku of India’s Growth, BS Books, New Delhi, 2009.
References 2

  - “A Tripolar World, India, China & US,” Lecture delivered at India Habitat Centre on May 18, 2005.

References 3

- Trilateral Nuclear Proliferation: Pakistan’s Euro-Chinese Bomb, IDSA Monograph Series No. 1, Institute of Defence Studies and Analysis, New Delhi, December 2006.