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Sanjaya Baru

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Review Essay

The Economics of Multipolarity

Sanjaya Baru

Catch Up: Developing Countries in the World Economy

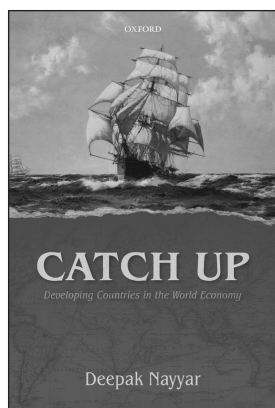
Deepak Nayyar. Oxford: Oxford University Press, 2013.
£25.00/\$45.00. 221 pp.

Since the turn of the twenty-first century, the attention of economists and geopolitical analysts has been focused on China's spectacular rise. In the shadow of the 2008 transatlantic financial crisis, and against the backdrop of the 'global imbalance' that the United States–China relationship came to represent, analysts even entertained the possibility of a 'G2' condominium between the two powers to jointly manage world affairs.¹ More recently, it has been suggested by economist Joseph Stiglitz (perhaps appropriately, in *Vanity Fair*) that just as the nineteenth century belonged to Great Britain and the twentieth to the United States, the twenty-first would be a Chinese century.²

Because of their understandable focus on China's economic rise, geopolitical analysts often ignore a wider process: the rise of several other nations across Asia and Latin America. Today's game might look like a race between the West and China, but the West has for some time been dealing with the challenge of the 'rise of the Rest'. That was Alice Amsden's thesis in a now-classic book written at the turn of the century, in which she examined the more generalised rise of a group of emerging economies.³ Amsden's chosen dozen – non-Western economies that were rising through industrialisation – included Argentina, Brazil, Chile, China, India, Indonesia, Malaysia, Mexico, South Korea, Taiwan, Thailand and Turkey.

Sanjaya Baru is Director for Geo-economics and Strategy at the IISS.

That China became the centre of geopolitical attention is understandable, not only because the Latin American countries on this list failed to meet the expectations of the 1970s and 1980s, but also because China dwarfed all other Asian economies after the 1997–98 Asian financial crisis. The question remains whether this more recent spurt will make the next century China's. While capturing the impressive nature of China's rapid rise, this view of the global order overlooks the fact that the nineteenth century was Britain's because it managed to build and run a global empire on which the 'sun never set', and that America became a global power in the twentieth by building powerful military alliances around the world – including with nations it had defeated, Japan and Germany. China has neither an empire nor such allies, and does not yet appear anywhere near acquiring either. It is too soon to award the twenty-first century to China. What it certainly appears destined to become, however, is Asia's.



Next in line

In the 1970s, the economies of the future were assumed to be Latin American, especially those of Argentina and Brazil. In the 1980s, the West's attention was focused on the economic threat from Japan, to which the single market was Europe's response.⁴ When Latin American economies were overtaken by East Asian economies and Japan slowed down, Amsden's Rest narrowed to mainly Asian economies, and principally China. Other, smaller economic powers have continued to industrialise, however, in an effort to 'catch up' with the West. In doing so, they have found themselves in competition with China, whose rise as the 'factory of the world' the newly industrialising economies of Asia, Africa and Latin America see as a challenge to their catch-up effort.

Deepak Nayyar's important study of the catch-up phenomenon builds on Amsden's message: that there are many nations on the rise. Nayyar's central thesis is that several developing economies are contributing to a convergence in the levels of development between the West and the Rest by pursuing a set of policies aimed at promoting local industrialisation. In doing so, they are all seeking a share of the global space for industrial growth.

Catch Up is a hopeful account of the vanguard role of 14 developing economies – the ‘next 14’, as Nayyar puts it – contributing to a ‘dramatic transformation’ in the structure of world output within a span of four decades, from 1970 to 2010 (p. 124). Nayyar’s 14 include four from Latin America (Argentina, Brazil, Chile and Mexico), eight from Asia (China – including Hong Kong – India, Indonesia, Malaysia, South Korea, Taiwan, Thailand and Turkey) and two from Africa (Egypt and South Africa), a marginally different list from Amsden’s ‘next 12’. Nayyar offers detailed data on structural shifts in industrial production and world trade to make three basic points: firstly, that the shift of the global economic balance towards the Rest is now irreversible; secondly, that most of the growth of the Rest is centred in Asia, running eastwards from India to the Pacific, with China at the core; and thirdly, that the decline of the West owes largely to Europe’s loss of competitiveness.

Nayyar’s 14 have few attributes in common. Some are democracies, some autocracies, some one-party states. Some have followed inward-oriented, import-substituting industrialisation, others have pursued export-oriented growth. Some have depended heavily on state-financed industrialisation, others have opted for private-sector and even foreign-funded industrial development. What they do have in common is their focused pursuit of industrialisation and foreign trade (albeit to varying degrees of success), especially in the last quarter of the twentieth century.

Noting that the ‘next 14’ are mainly in Asia, Nayyar observes that it is really the rise of East Asia, and subsequently Southeast Asia and India, that has produced the structural shift in the locus of global economic activity, from West to East, that Amsden identified. The process, however, is nascent. Even China has some distance to go, and the others have even longer journeys ahead. Economic growth and increasingly competitive manufacturing sectors must be translated into human development, and made ecologically and socially sustainable.

Geopolitics of the ‘next’

Historical context for China’s rise can be found in the seminal statistical work of historian Angus Maddison on structural changes in the world

economy.⁵ Since 1995, Maddison's time-series data, spanning a millennium, has provoked a range of arguments about the decline and rise of Asia, and the rise and decline of the West. The backbone of considerable theorising on both economic and geopolitical change has been data on the changing shares of world national income and trade held by Europe, the United States, China and India. Maddison showed how, at the beginning of the nineteenth century, China and India accounted for almost half of world income, while the combined share of Europe and the US was about one-quarter. By the middle of the twentieth century, the combined shares of Europe and the US amounted to more than half of world income, while China and India together accounted for less than one-tenth.⁶ The resurgence of China and India thus stands apart from that of most other emerging economies. Yet, in recognising the primacy of China and India among the Rest, one should not ignore the importance of other Asian, African and Latin American economies.

The rise of the Rest is, after all, not just an economic phenomenon. It has geopolitical implications. China's rise has already affected international relations and institutions, both in Asia and worldwide, but the global economic shift has also contributed to changing political alliances between the West and others among the Rest. New political equations are shaping the global rules of the game with respect to trade, the environment and intellectual-property protection. 'It is essential to recognize', says Nayyar, 'that the significance of developing countries in the world would be shaped not only in the sphere of economics but also in the sphere of politics' (p. 184).

Indeed, apart from the other rising economies of Asia, Africa and Latin America that Amsden and Nayyar identify as the new poles of economic activity, major powers such as Russia, Japan and Germany are bound to pursue global political ambitions. The dispersal in economic activity will strengthen multiple centres of power, and prevent any one power from gaining ascendance. In short, while the rise of the Rest has the potential to create a multipolar, global balance-of-power system in which the US, the EU, Russia, China, India and Japan may emerge as dominant powers, we should not underestimate the margin for manoeuvre that others will seek and retain. As Nayyar observes, 'the outcome, fifty years later, is likely to be a multipolar world in which dominance might not be so striking' (p. 184).

If the West wishes to prevent a return to a bipolar system, with China playing the role of the Soviet Union, it should invest in the growth of parallel centres of prosperity and power across the globe. It is in the interests of the West that democracies such as Brazil, India, Indonesia and South Africa emerge as independent centres of economic activity and political agency so that no single country, such as China, can in fact challenge it. Favouring multilateralism may benefit countries that the West is not particularly inclined to support, such as Iran and Russia, but it is in the interests of all that a more dispersed, multipolar balance-of-power system emerge at the global level, rather than allowing one hegemon to be replaced by another.

The idea of a G2 condominium may be seductive, and the appeal of a China-containment strategy may induce others to push the Rest to make an 'us-or-them' choice between the US and China. The wiser strategy, however, would be to promote development among the Rest. This will require a change of US–EU strategy in the management of international economic institutions. Rather than continuing to exclude the Rest from managerial boards of multilateral institutions, while creating new mega-regional blocs, it would be wiser for the West to share power and democratise such institutions. Fears that power will slip away from West to East, or from the US to China, are highly exaggerated. Other emerging powers among the Rest would never allow the global system to move from one unipolarity to another, nor would they wish to return to a bipolar world. If the past half-century's processes of growth, as Nayar describes them, persist into the next, the twenty-first-century distribution of power will be multipolar.

Notes

- ¹ Fred Bergstein, 'A Partnership of Equals: How Washington Should Respond to China's Economic Challenge', *Foreign Affairs*, July–August 2008, <https://www.foreignaffairs.com/articles/asia/2008-06-01/partnership-equals>.
- ³ Alice Amsden, *The Rise of The Rest: Challenges to The West from Late Industrialising Economies* (Oxford: Oxford University Press, 2001).
- ² Joseph Stiglitz, 'The Chinese Century', *Vanity Fair*, January 2015, <http://www.vanityfair.com/news/2015/01/china-worlds-largest-economy>.
- ⁴ Paolo Cecchini, Michael Catinat and Alex Jacquemin, *The European Challenge, 1992: The Benefits of a Single*

Market (Aldershot: Gower, 1988).

- ⁵ See Angus Maddison, *Monitoring the World Economy 1820–1992* (Paris: Development Centre of the Organisation for Economic Co-operation and Development, 1995). This was his original monograph; along with his subsequent work, it is available at the website of the World Economy project. See www.theworlddeconomy.org.

- ⁶ Table B-20, 'Shares of World GDP, 20 Countries and Regional Totals, 0–1998 A.D.', in Angus Maddison, *The World Economy: A Millennial Perspective* (Paris: OECD, 2001), p. 263, <http://theunbrokenwindow.com/Development/MADDISON%20The%20World%20Economy--A%20Millennial.pdf>.