

PP5182: 02-03.  
How Does the World Outside Look?

LKY School of Public Policy

Danny Quah  
2016 Sem 1

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OUTLINE

1. Deciding What Matters
2. The Changes That We See
3. Conclusion

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Deciding What Matters

Assessing What Matters for  
Global Power Relations and their Potential for Shift

1. Sustainable changes
2. Large changes
3. Surprises and unexpected realizations
4. Others...?

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Deciding What Matters

## What Matters... 1. Sustainable changes

- Uncertainty: China's rise, Asia's convergence; Western stagnation — All these could turn around. Remember Japan.
- Legitimacy and Consent. Stability
- A priori: Technology and Knowledge accumulation

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Deciding What Matters

## What Matters... 2. Large changes

- Physically manifest. "Observable even from outer space"
- Inclusive, widespread, disseminated. "The needs and well-being of the many"
- Measurable, valuable. "Show me the money"
- Raw, naked power: Military force. Terrorism. Pandemics. Cyber warfare.

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Deciding What Matters

## What Matters... 3. Surprising or unexpected realizations

- Change in understanding and perception
- The "Cixin Liu" problem
- The stealth of barbarians

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Deciding What Matters

## What Matters.... 4. Others?

Make 4 columns ...

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2. The Changes That We See

## “Actually, no ...”

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“China’s rise directly challenges America. Competition between the two is inevitable. Just as America dominates the Western Hemisphere, China will aim to dominate Asia, and America and China will each seek to contain the other. As China continues its ascent, the likelihood of war with America only ever grows.”

## Great Power Politics

“... if China continued its ascent, it would build formidable military forces and try to dominate Asia the way the US dominates the Western Hemisphere. Becoming a regional hegemon ... is the best way for a country to maximize its prospect for survival.” (John Mearsheimer, 2014)

“China’s quest to enhance its world leadership status and America’s effort to maintain its present position is a zero-sum game. It is the battle for people’s hearts and minds that will determine who eventually prevails.” (Xuetong Yan, 2011)

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## International Financial Architecture

“China’s leaders talk of the yuan’s internationalisation in peaceful terms. A more diverse monetary system will breed financial stability for the world, they say. But China’s rise poses a bigger threat to America than America’s did to Britain. For all the paeans to mutually beneficial development, China is a possible adversary, governed by an autocratic regime with a statist approach to the economy.”

(*The Economist*, 01 August 2015)

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BEGIN WITH BRICs

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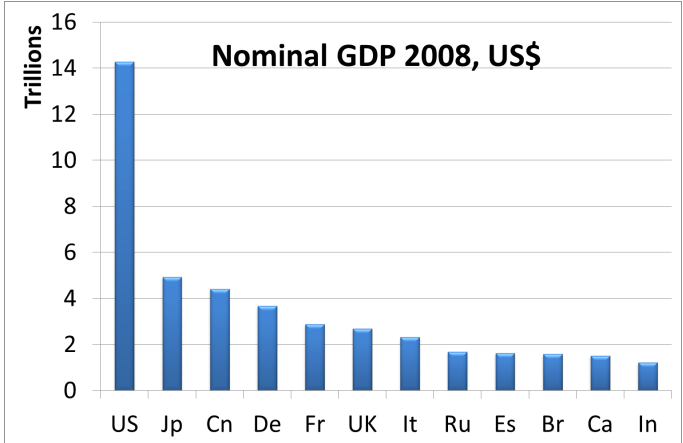
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Source: Goldman Sachs 2010

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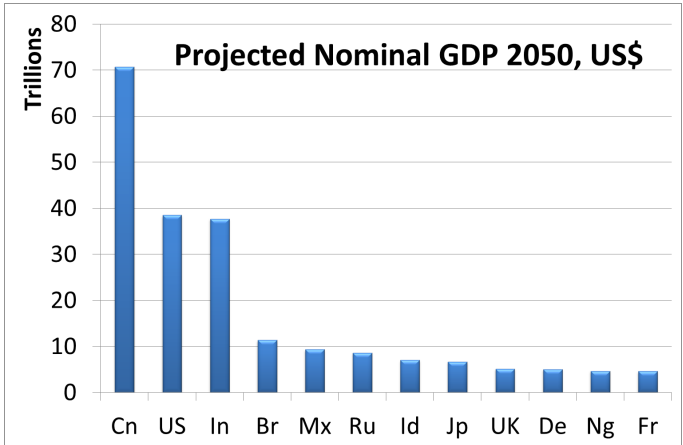
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Source: Goldman Sachs 2010

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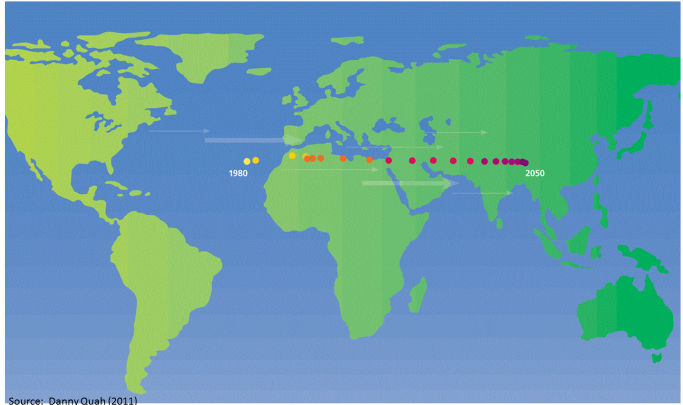
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The world's economic centre of gravity: 1980-2050



Source: Danny Quah (2011)

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## WECG ... — so what?

- NY/LON. Doesn't mean everything happens at the centre
- What the dynamics tell us
- Proxy for distribution, blanket of activity. "The World is Flat"

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## Great Shift East

- In 30 years 5,000km or three quarters of the earth's radius
- Another 5,000km to the India-China boundary
- Which way South?
- Ten timezones east of Washington DC

► Details?

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## BRICs? Or a Great Shift East?

1. Brazil, Russia, India, China: BRICs (via Goldman Sachs/Jim O'Neill)
2. South Africa? Korea? Indonesia?
3. The picture, however, is more of a "Great Shift East"

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## Smallest circle, more people inside than ... — so what?

- 50%, not just greatest density or highest concentration
- Centred near Mong Khet, in Shan State, eastern Myanmar with great circle distance 3,300km
- “If the world were a democracy, whose preferences are median?”
- If convergence continues, this will also be the zone of highest purchasing power and greatest production capacity.

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IS THIS FOR REAL?

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## “The Myth of Asia’s Miracle”

“From the perspective of year 2010, current projections of Asian supremacy extrapolated from recent trends may well look almost as silly as 1960s-vintage forecasts of Soviet industrial supremacy did from the perspective of the Brezhnev years.”

(Krugman 1994)

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## “The End of History and the Last Man”

“Liberal democracy remains the only coherent political aspiration that spans different regions and cultures around the globe. In addition, liberal principles in economics — the “free market” — have spread, and have succeeded in producing unprecedented levels of material prosperity [...].”

Today [...] we have trouble imagining a world that is radically better than our own, or a future that is not essentially democratic and capitalist. Within that framework, of course, many things could be improved [...]. But we cannot picture to ourselves a world that is essentially different from the present one, and at the same time better.”

(Fukuyama 1992)

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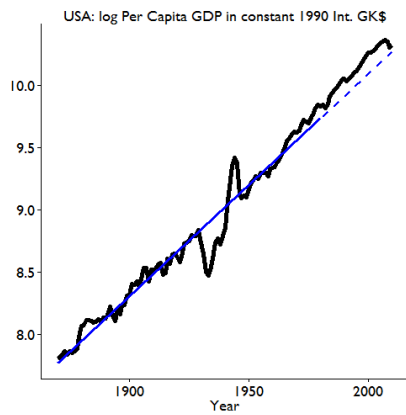
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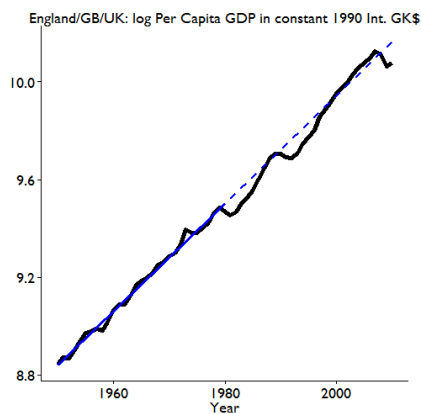
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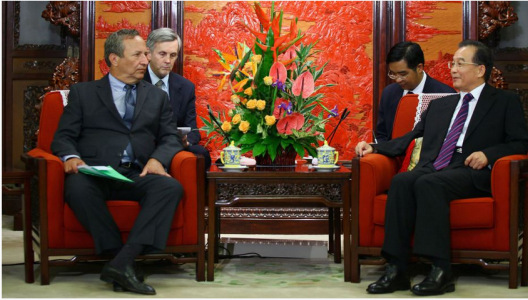
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END OF THE LINE

## Larry Summers explains why the world is too optimistic about China's economic future



© Summers (left) and then-Chinese premier Wen Jiabao in 2010. (Reuters/Feng Li)

SHARE

Imagine you're a doctor and someone hands you the chart of a 60-year-

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3. The Changes That We See

## Asiaphoria and the Predictive Power of Averages

“While many countries have experienced what Summers and Pritchett call “episodes of super-rapid growth”—meaning, above 6% a year for at least eight years—they have typically lasted no longer than nine years. China, however, “already holds the distinction of being the only instance, quite possibly in the history of mankind, but certainly in the data” to sustain super-rapid growth for more than 33 years, they write. The country’s streak now stands at 36 years, including the time since the study’s data set ended. Even when you consider “episodes of rapid growth”—meaning GDP growth of more than 4%—China still takes the crown, beating Singapore’s 30 years at 4.2% growth and Indonesia’s 29 years at 4.7%.”

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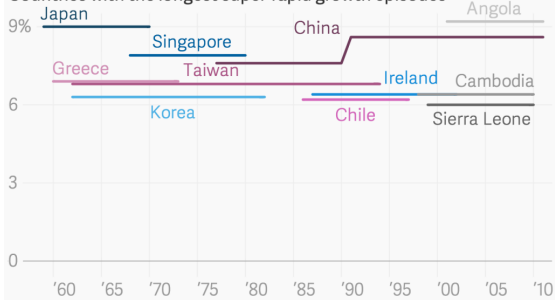
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Countries with the longest super-rapid growth episodes



Quartz | qz.com

Data: Summers and Pritchett, 2014

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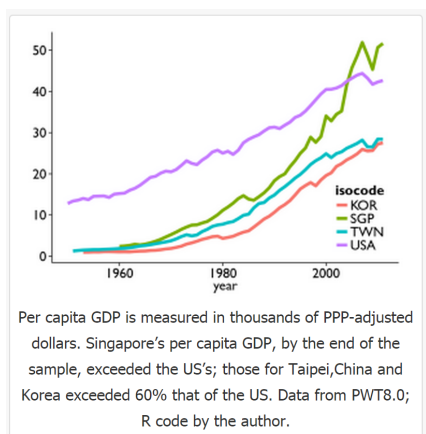
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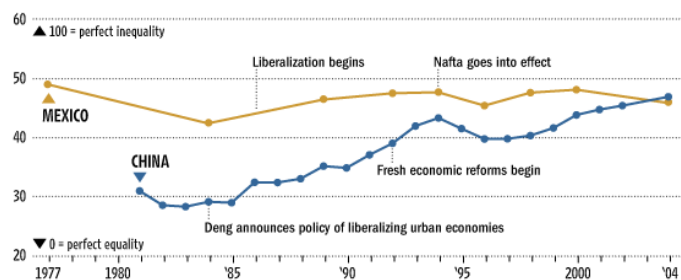
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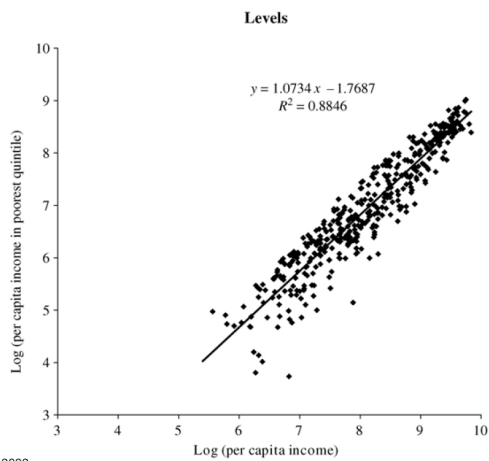
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## 2. The Changes That We See

### World Growth and Poverty

	1981	1990	1999	2005
World GDP, $10^{12}$ PPP\$	26	35	45	56
GDP per capita, PPP\$	5876	6704	7505	8662
World's poor, mn	1904	1815	1695	1400
China's poor, mn	835	683	447	208
Remainder, mn	1069	1132	1248	1192

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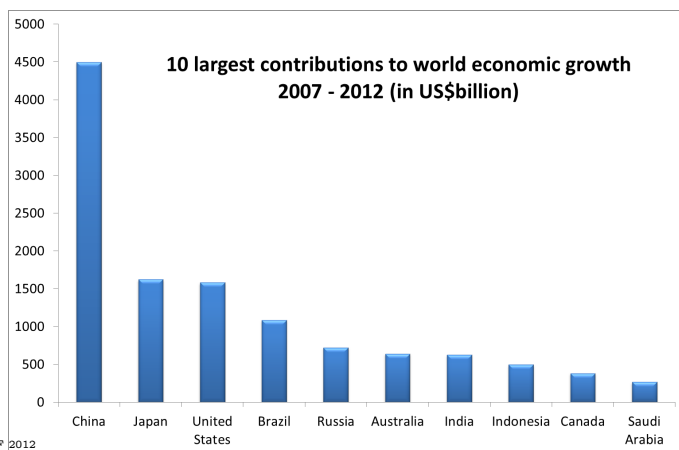
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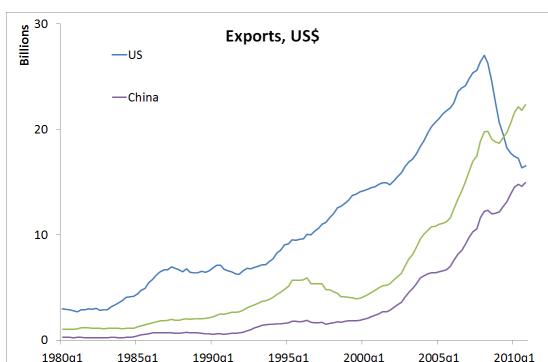
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2. The Changes That We See

## Germany



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## Additional to follow up

1. Where the world trades. OBOR. TPP
2. International finance
3. Political activity
4. Nobel Prizes. R+D. Corporations. Ideas

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## Nobel Prizes, R+D, ...

1. First half 20th century: UK, Germany, France before American domination. 84% of all Nobelists Western, the US 350+ (compared to UK and Germany's around 150 each); Asia, less than 60
2. 2015 Medicine, Youyou Tu, artemisinin: "Sweet wormwood" in traditional 1600 year-old text
3. Oct 2015 Mainland China more dollar billionaires than US (596, 537)—manufacturing, IT; many companies built up, not inherited, 16 entrepreneur billionaires born after 1980
4. Amazon Black Friday 2015 likely about US\$1bn. Alibaba on China's Singles Day, US\$1.6bn (RM10bn) in 12 minutes (one India annual GDP per month)

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## Flexible and Innovative?

China's recent history:

1. Radical land collectivisation
2. Great Leap Forward
3. Cultural Revolution
4. Privatisation of farmlands
5. Deng Xiaoping's market reforms
6. Jiang Zemin's opening up Party membership to private citizens
7. Party posts previously for life; now term limits, mandatory retirement

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## Concepts to remember and use

1. Criteria for assessing the possibility of a shift in global power relations
  - Sustainability
  - Magnitude
  - Surprise
  - ...
2. BRICs or a “Great Shift East”? WECG
3. Poverty and Growth
4. Surprises

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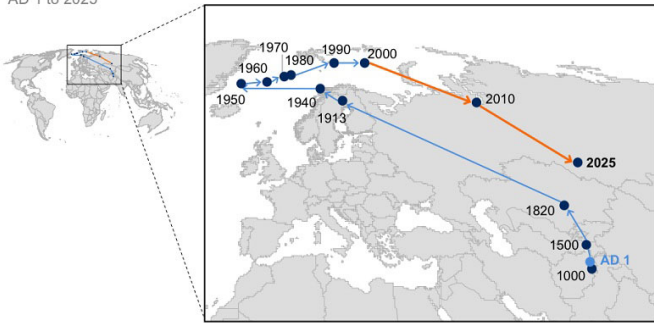
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### Exhibit 3

**By far the most rapid shift in the world's economic center of gravity happened in 2000–10, reversing previous decades of development**

Evolution of the earth's economic center of gravity<sup>1</sup>  
AD 1 to 2025



<sup>1</sup> Economic center of gravity is calculated by weighting locations by GDP in three dimensions and projected to the nearest point on the earth's surface. The surface projection of the center of gravity shifts north over the course of the century, reflecting the fact that in three-dimensional space America and Asia are not only “next” to each other, but also “across” from each other.

SOURCE: McKinsey Global Institute analysis using data from Angus Maddison; University of Groningen

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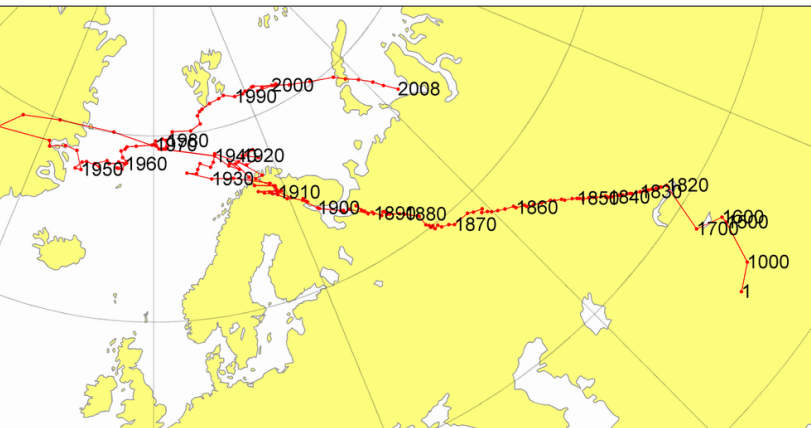
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Source: Anders Sandberg 2011

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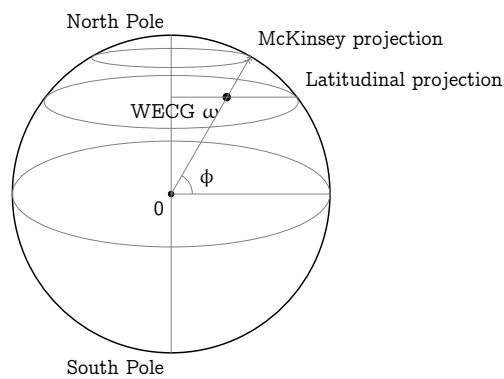
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Why is the world's center that far north? It isn't.



Source: D. Quah (2011). "The World's Shifting Economic Centre of Gravity"

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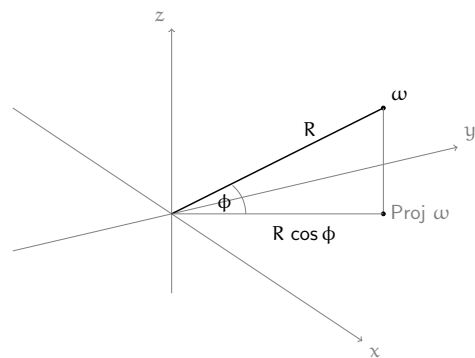
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Mapping the 3D Globe



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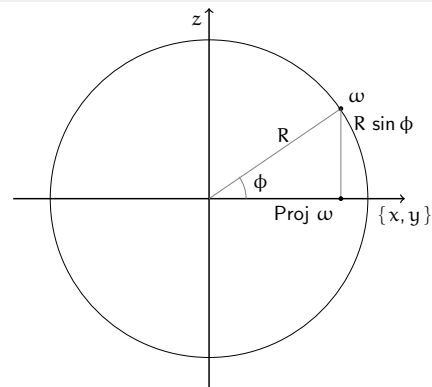
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Mapping the 3D Global: Head-on at the Equator



Latitude  $\phi$

$|\text{Proj } \omega| = R \cos \phi$

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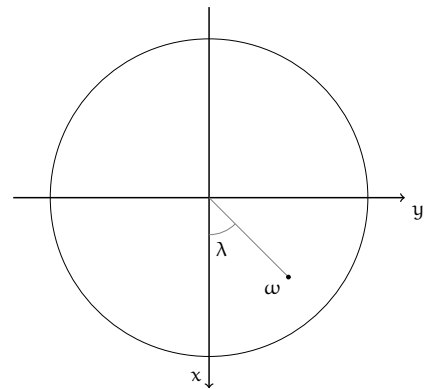
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Mapping the 3D Globe: From the North Pole



Longitude  $\lambda$   
 $x = |\text{Proj } P| \cos \lambda$   
 $y = |\text{Proj } P| \sin \lambda$

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