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The New Triad Power: Impact on Global Markets, Resources, and Politics

If we examine the economic growth engines for the world, the nineteenth century can be characterized as the European century, thanks to the industrial revolution and the colonial expansion needed to run the factories of industrial revolution. That is when multinational corporations such as the East India Company emerged. The twentieth century belonged to America by most metrics, and the twenty-first century (at least the first half of it) can be characterized as the Asian century. China and India naturally have a lot to do with this, but the contributions of the ASEAN nations such as Singapore, Indonesia, Malaysia, Thailand, and Vietnam cannot be denied. Furthermore, Australia's support for the growth of Asian nations should not be overlooked.

The old triad consisted of Western Europe, North America, and Japan. Forty-five percent of world trade and 70% of the world's GDP was concentrated among the triad powers.[1] A total of 15 nations conducted and controlled much of world trade. It was as if the rest of the world did not matter. This held true for the duration of the cold war, all the way to the collapse of communism in 1991.

However, those days are in the past, and the source of economic growth has long shifted from advanced nations to emerging nations such as China, India, Brazil, and Russia.

Similar to the Japanese model following World War II, China relied on cheap labor to become a low-cost provider to the world in the 1990s. However, the undeniable economic success of Japan led to increased wages and standard of living, which coupled with an aging population, resulted in higher costs. Thus, manufacturers gave their attention and business to China next, which quickly became known as "the workshop of the world." "As in Japan, that

J. Sheth et al., *The Global Rule of Three*, https://doi.org/10.1007/978-3-030-57473-4_6

strategy was very successful in China for the next two decades…But just as happened in Japan, China's economic growth has led to higher wages, an increased standard of living, and they will eventually experience lower productivity from an aging population."[2]

No need to worry however, since the entire continent of Africa is awakening to opportunities. While the last century was shaped by ideology and politics (e.g., World War I, World War II, and the Cold War), the current century is closely anchored to competitive markets and resources. Arguably, a new triad power consisting of America, China, and India has been emerging, which will reshape world policy in the twenty-first century. The global race for resources is on, and competition for a new geopolitical order of the world is fierce.

The members of the old triad need jobs and economic growth just as badly as the new one. Without job growth, politicians tend to lose their jobs. Ironically, most elections are won based on economics rather than ideology. For example, George H.W. Bush became even more popular than Ronald Reagan following the Gulf War; unlike today, America was even admired as the savior of the oppressed nation of Kuwait. However, Bush lost the 1992 election to Bill Clinton despite his popularity and incumbent advantage because of the Clinton campaign's realization (in James Carville's phrase) that "It's the economy, stupid." On the other hand, Bill Clinton from the small state of Arkansas was able to win re-election despite his personal indiscretions because the economy was doing well.

The same phenomenon occurred in the U.K. (where John Major lost the election to Tony Blair), in Germany (where unemployment rose to 10% following the East Germany integration, the people were fed up and demanded a new government), in Australia, China, India, Africa, Latin America, and so on. After the Turkish Lira became the worst-performing currency in the world,[3] even President Tayyip Erdogan may be losing his tight grip. His party surprisingly lost the municipal election in Istanbul twice (with an even wider margin the second time after the first election was canceled based on alleged foul play by Erdogan's party, AKP).[4] The mayorship of Istanbul had been in the hands of Erdogan's AKP party for over 25 years. Thus, the fact that economics trumps (pun intended) ideology is certainly not a strictly U.S. phenomenon.

There are a few forces driving the triad shift. First, the affluent advanced nations of the world are rapidly aging. For example, the Japanese population has been aging so rapidly that more adult diapers are sold there than baby diapers.[5] Its birthrate at 1.4 is significantly below the 2.1 needed to maintain the population. In fact, its population decreased by over half a million people just in 2019 and is expected to shrink from 124 million in 2018 to just 88 million in 2065. The situation in South Korea is even more dire; the fertility rate dropped to a mere 0.98 in 2018.[6] Germany, the U.K., France, Italy, Canada, and many other developed nations suffer from the same problem. With a birthrate of 1.72 (lowest in record for over three decades), the U.S. owes its population growth to immigrants but at a much slower pace than it is accustomed to.[7]

Second, economic reforms that took place in communist and socialist countries (such as China and India) have accelerated the transformation to market economies. Third, the discontinuous rise and integration of the new middle class to the industrial economy, which is completely separated from the previous generation (which largely grew up in an agricultural economy) is mind-boggling. The most drastic example of this is the transformation of China in the 1970s from an agrarian to an industrial economy. It rapidly became a manufacturing powerhouse for the world. Its young consumers have also become buyers of all sorts of branded goods, automobiles, smartphones, washing machines, and so on.

And outsourcing comes home through services. Just like their developed market counterparts,[8] young consumers from emerging markets are also significant consumers of household services. While the stereotypical example of outsourcing may be Indian IT firms, outsourcing of household services (cooking, cleaning, childcare, etc.) is actually a major driver of economic growth in emerging markets. Finally, emerging nations have enormous resource advantages. The real wealth of a nation is the wealth of its citizens and the resources of emerging countries increasingly involve human resources in addition to natural resources.

Consider the economies of China and India beyond 2020. China's economy is expected to slow down due to the one-child policy adopted in 1979. Even though the program was revised in 2015, its effects are expected to be enduring.[9] Earlier in this decade, 117 boys were born in China for every 100 girls. This imbalance has drastically increased the number of imported brides as well as human trafficking concerns.[10]

The real economic boom will come from the Indian economy, albeit later, since there is a need for massive investments in infrastructure before the potential can be realized.

Eventually, the GDP of India and China may become relatively equal as measured by Purchasing Power Parity. There is no denying that "Chindia" is rising.[11] China and India will have to learn to cooperate economically initially with trade and later with mutual investments. For example, in categories such as farming equipment and software, India may be a net exporter to China, whereas China may dominate the relationship in categories such as consumer electronics and appliances. However, the U.S., due to its genes of entrepreneurship and innovation will remain a major power alongside China and India, forming the new triad power.

Unlike the harmonious ideological, economic, and military alignments orchestrated by the U.S. in the old triad, the new triad power comes with tensions, especially between the U.S. and China. On the one extreme, America is capitalistic and heavily relies on free markets. On the other extreme, China has a communist legacy where strategic sectors are not trusted to private enterprise. India is in the middle with a semi-socialistic society. These differences will inevitably create tensions, which have already begun to mushroom with tariffs and trade renegotiations.

The advantage of a triad structure is that in case one party gets too dominant, the remaining two can always form a coalition as a counterbalance. Given the global rivalry between the U.S. and China, India will increasingly become a more strategic partner to both. Next, we consider the impact of the new triad power on global markets, resources, and politics, respectively.

Impact of the New Triad on Global Markets

The emergence of the world's largest consumer markets: Markets with sizes never seen before will emerge in China and India. Even more than a decade ago, China already produced more pigs than the next 43 top pork-producing countries combined![12] And more recently (as of 2016 and 2017), it annually consumed 59% of cement, 47% of aluminum, 56% of nickel, 50% of coal, 50% of copper, 50% of steel, 27% of gold, 14% of oil, 31% of rice, 47% of pork, 23% of corn, and 33% of cotton in the world![13] As of February 2019, there were 1.58 billion registered phone subscriptions in China,[14] whereas India is projected to have 829 million smartphone users by 2022.[15] Both of these figures dwarf the U.S. market whose current 248 million smartphone users is expected to reach 270 million in the same time frame.[16]

While America invented cellular technology and commercialized smartphones, it will lose the telecommunications market permanently. The biggest manufacturers, as well as wireless operators and consumer markets, are already all in Asia. This is essentially the same trajectory that television followed (invented in the U.S. and then lost to Asia). Tencent's sales have already caught up to that of Facebook, thanks to its dominance in China.[17] India is rapidly moving from bicycles to motorcycles and has already become the largest market in the world for them.[18] Eventually, the largest demand for housing the world has ever seen will also come from these two economies. However, the biggest growth areas will be in services ranging from banking to broadband and from household support services to education and health care.

Much of this scale will come from the growth of second, third, and fourth-tier cities, as well as rural markets. When comparing rural areas with urban markets, the demand for branded products and services is narrowing more and more. Just like the case of Wal-Mart which gave access to world-class brands to rural customers in small towns at affordable prices, rural consumers in emerging markets are also catching up to the rest of the world in their consumption patterns and tastes. In some ways, the emerging market story is more drastic.

Consider the case of a software engineer. Having studied for 15 years and still single, s/he goes to Bangalore, Delhi, or any one of the metro areas, makes about 60,000–70,000 Rupees ($900–$1000) a month and barely can save anything at the end of the month. S/he has to pay rent (15,000–20,000 Rupees). S/he is rather contemporary and wears stylish branded attire of the season, must have a smartphone and internet service to be on social media, and goes out in the evenings a lot. Eating out and night clubs are almost necessities. Alas, the expenses typically end up being much greater than the discretionary income after tax deductions.

Contrast that with the case of a crane operator in the port of Mundra. Having studied 12 years concluding with vocational training, he earns even more (about 80,000–85,000 Rupees a month). He is married to a homemaker wife. Whereas one-third of income goes to rent in urban areas, rural consumers tend to live with the expanded family and do not have to incur rent costs. Therefore, the discretionary income of the crane operator is much greater than that of the software engineer. He has buying power for discretionary items such as a motorcycle, furniture/upkeep, or a high-end smartphone, but importantly, can also invest more in the future of his children. Therefore, the rural-urban divide is getting narrower not only from a digital divide or e-commerce perspective, but also in terms of aspirations and desires which increasingly mean more branded goods and services, resulting in the world's largest consumer markets.

Rise of Chindia's global enterprises: Huawei, a name few people had heard of until a decade ago, is the largest manufacturer of telecommunications infrastructure in the world today. Its global dominance has put the U.S. government on the defensive. A more familiar name from India, Tata is a large conglomerate with stakes in many sectors. For example, Tata Consultancy Services (TCS) is the third most valued IT services brand globally (after Accenture and IBM),[19] and Tata Tea has become the #2 producer of teas in the world (right after Unilever which owns Lipton). Likewise, Hindalco (of

India) has become a major player in aluminum. Banks, appliances, e-commerce firms from China will similarly rise to global dominance. In fact, Haier from China has already become the top appliance-maker globally and Alibaba continuously beats Amazon when it comes to operating margin and earnings.[20]

R&D shifts to Chindia: This calls for a paradigm shift. R&D centers of pharmaceuticals, information, and communication technology firms of advanced nations will increasingly be located in Asia, mainly in China and India, to be closer to talent. For example, Intel developed its high-end Xeon 7400 chip in its Bangalore R&D center.[21] With over 425 foreign-invested R&D centers in Shanghai alone,[22] IBM, Microsoft, Google, Intel, and Facebook can all be expected to have R&D centers in Asia. This trend becomes inevitable as companies ranging from BASF and General Electric to Mercedes Benz realize where their future growth lies.[23]

Affordability becomes the focus of innovation: If necessity is the mother of invention, affordability is the father of innovation. Acceptable quality at affordable prices for the mass market will be a major criterion for innovation going forward. While the Tata Nano car eventually failed due to positioning blunders, it represented a breakthrough to be able to produce a car for under $2000.

The fusion of cultures: Rudyard Kipling's sentiment that "East is East and West is West and never the twain shall meet" simply does not ring true. Today, Asians are westernized (wearing jeans), while the world is becoming simultaneously easternized through music (K-pop), entertainment, arts, culture, spirituality (Buddhism, Feng Shui), and food (Indian curry). However, the transformation all surfaces as a fusion. While westernization was more of an export model, easternization is more of blending model, for example, Christian-yoga! Since western cultures are more open to innovation and external influences, easternization will take place much more rapidly than westernization ever has.

Private equity in emerging markets: Large companies are already active in Chindia. Coca-Cola believes its twenty-first-century growth will rely heavily on China (as it did very much so on India in the twentieth century). Similarly, McDonald's, KFC, Caterpillar, General Motors (GM), and Starbucks all have large-scale operations which are still growing. From education to health care, global leaders are paving their way to Asia. The only exception is likely the defense industry since they are not allowed to operate in China. KKR, Blackstone, and major private equity players cannot be left far behind. Eventually, financial markets will follow the growth as well, and Shanghai is bound to become the largest capital market in the world surpassing both London and New York (when one combines public, private equity and debt markets).

Impact of the New Triad on Global Resources

Resource-driven global expansion: Akin to a producer which might want to be close to fertile land for agriculture, IBM has decided that they need to be in India to be closer to human resources. In fact, today IBM employs more people in India than it does in the U.S.; more than one-third of its headcount hails from India.[24] Similarly, Accenture whose IT business has shown tremendous growth in recent years[25] has over 150,000 employees in India (about three times the size of its U.S.-based employees) that make up more than a third of its global workforce.[26] It might even become the largest IT employer in India one day. Accenture has also launched "a massive, first-of-its-kind innovation hub in Bengaluru. The facility is populated with talent and tools in the most happening digital areas, including AI, blockchain, security, automation, cloud, as also in a variety of areas, such as baking, telecom, and healthcare."[27] The basis of these expansions is resource-driven as opposed to market-driven, which is a key phenomenon to understand across global markets of today.

Resource-driven global mergers: In addition to organic investment and growth, the need to expand to where the resources are will continue to fuel global mergers. For example, there has been a big wave of mergers in mining, spanning Australia, Canada, Latin America, Africa, and even the Caribbean. Of the five biggest mega-merger deals exceeding $10 billion in value in mining history, four consisted of cross-border transactions. For example, Brazilian CVRD bought Inco of Canada for $13 billion in 2006 to become the #2 nickel mining company in the world. Similarly, Anglo-Austrian Rio Tinto bought Alcan of Canada for $38 billion in 2007 to become the largest producer of aluminum and bauxite minerals at the time. And more recently, Barrick Gold of Canada acquired Randgold of Mali for $18 billion in 2018 creating the world's largest gold producer.[28]

The emergence of strange bedfellows: Gulf nations have long been buying land (in Sudan, Mozambique, Tanzania, Kenya, Mali, Senegal, and Ethiopia) to ensure agricultural supplies to prepare for a future where "food security" may no longer be a given. In fact, even a decade ago 115 million acres of land (larger than the size of the U.K.) was being sold or rented to foreign investors.[29] However, the Belt and Road Initiative (BRI) of China will potentially be the most important catalyst in the race for access to global resources. It involves infrastructure investments in 65 countries spanning Asia, Europe, Africa, the Middle East, and the Americas. These countries are collectively home to 30% of global GDP, 62% of world population, and 75% of known energy reserves.[30]

The initiative has two main components: the Silk Road Economic Belt connects China to Central and South Asia onto Europe, and the New Maritime Silk Road connects China to South East Asia, the Gulf Countries, North Africa, and Europe. It is estimated that trade flows between participating countries could increase by over 4% and potentially three times more if trade reforms are adapted.[31] Furthermore, shipment times and trading costs along the BRI corridors are expected to decrease by up to 12% and 10% respectively.[32] However, not all is rosy with the project. The mega initiative (which has been estimated to involve as much as $8 trillion in investment) will also leave numerous countries in debt that they might struggle to pay back. In particular, Pakistan, Djibouti, the Maldives, Laos, Mongolia, Montenegro, Tajikistan, and Kyrgyzstan have been singled out.[33] Recall that the U.S. bought Louisiana from France for $15 million in 1803 (roughly $300 million today) and Alaska from Russia for $7.2 million in 1867 (roughly $140 million today).[34]

Considering the vast natural resources of several of the countries along the belt and road, it is not inconceivable that BRI may eventually serve the territorial expansion of China. While a direct land concession to a foreign country is not politically acceptable, debt servitude and concessions can come in the form of sales and long-term leases or other schemes that enable resource access to Chinese corporations or military. In fact, it is already happening. Burdened with debt, Sri Lanka gave control of its Hambantota port and 15,000 acres of surrounding land to state-owned China Harbor Engineering Company for 99 years in December 2018.[35] While the deal erased $1 billion in debt, the Sri Lankan burden continues as other outstanding Chinese loans still carry much higher interest rates than available from other international sources.[36] Similarly, facing burden of public debt amounting to 88% of its GDP, the government of Djibouti allowed China to build its first overseas military base.[37] Seeing the writing on the wall, Pakistan, Malaysia, Myanmar, Bangladesh, and Sierra Leone have already canceled or sought revisions to their previous commitments citing impact on national debt.[38] Just like England had invested in and built industries in America centuries ago (e.g., in steel and textile), China has already massively invested in the infrastructure of Africa and exerts significant soft power.

Rise of scarcity driven profits: Significant profits will be made at the commodity level due to unanticipated scarcities for raw materials. For example, African swine fever led to a 36% increase in pork prices in China the first week of April 2019 and was expected to lead to a 33% increase in Chinese 2019 pork imports bringing it to 2 million metric tons.[39] Prices of eggs in the U.S. jumped by more than 16% during April 2020 due to Covid-19, and other grocery categories such as bakery items, fish, meat, poultry, fruits, and vegetables were all impacted.[40] The usual expectation is for downstream activities (with higher value-add) to command higher margins. Counter-intuitively, industrial raw materials and commodities may command higher margins than finished products in the near future. For example, in the PC industry, merely a fraction of value-add comes from manufacturing in factories whereas the lion's share comes from procurement. Moreover, most of the value-add from procurement benefits Microsoft, Nvidia, and Intel, whereas Dell, Acer, and HP continue to struggle. Similar proportions also apply to consumer electronics in general. Sony and several other consumer brands have been struggling whereas the component manufacturers (especially for chips and software) have been thriving.

Shortage-driven breakthrough innovations: Breakthrough innovations will increasingly stem from efforts to replenish natural resources rather than automating manual labor. Camel, cattle, sheep, pig, deer, horses, mules, rabbits, and many more species have been cloned.[41] Advances in science may actually help us perfect Mother Nature. For example, pearl farms can produce more perfect-shaped pearls much faster and more economically (and in desired size and color and shape) than Mother Nature. Whereas physics and chemistry dominated the last century, the twenty-first century will be dominated by biomedical sciences, (nano)technologies, and machine learning.

Sustainability imperative: There are over 3090 active landfills and 10,000 old municipal landfills in the U.S. Ninety percent of solid waste does not get recycled. If only 10% of newspapers were recycled annually, 25 million trees would be saved in the U.S. alone.[42] Interestingly, the eventual restrictions to the spectacular growth of China and India will not come from lack of capital or technology but from the environment. Climate change will increasingly be top of mind for nations in the second half of the century. For example, it is expected that more than a quarter of U.S. metropolitan cities will experience over 100 days per year with over 95 degrees Fahrenheit beyond 2060 as opposed to just 1% today.[43] Similarly, heat waves caused by climate change will only worsen China's woes; the country is already suffering from over a million premature deaths a year due to air pollution.[44] Hence, the business logic will have to shift from exploiting and extracting nature to nurturing nature. Addressing sustainability will increasingly be a key imperative for China, the U.S., and India in the twenty-first century. Leading multinational corporations will also need to embrace the principles for sustainability either through their own initiatives, whereas laggards are bound to succumb to regulation as it becomes the norm. The need for conscious capitalism has never been more urgently felt.[45]

Impact of the New Triad on Geopolitics

Economics as a driver of politics: As we have discussed already, politics is heavily driven by economics. Filling the stomachs and wallets of the population enable politicians to survive regardless of whether the system is one of a full-blown parliamentary democracy, republic, single-party, or even a non-democratic dictatorship; economic well-being of citizens is key. BRICS countries (Brazil, Russia, India, China, and South Africa) have been hosting their own summits due to the realization that they need to build trade and investment among each other despite their differences. North-South trade/investment is increasingly being replaced/displaced by South-South trade.

G-8 becomes G-20: G7 historically was formed due to the need to deal with the energy crisis. Subsequently, Russia was added. Now instead of adding China and India, a larger league of 20 nations has been invited to the table to drive the world economy. The year 2019 was the 20th anniversary of the conception of G-20. The group of nations originally consisting of Canada, France, Germany, Italy, Japan, the U.S., and the U.K. now includes Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea, and Turkey as well. G-20 collectively accounts for 66% of the world population, 85% of global economic output, 75% of international trade, and 80% of global investment.[46] The influence of G-20 is bound to increase over time with the U.S., China, and India at the helm at the expense of traditional European powers.

Rise of multilateral politics: The American universal view has been replaced by multilateralism with the new triad. While it has been relatively easy for the U.S. to get its way in a post-Soviet era, Asia, Europe, and America increasingly have their own unique views on how the world should be governed. China is already increasing its influence, for example, the Philippines is already following suit of its “friend” China at the expense of its historical ally, the U.S., regarding disputes in the South China Sea.[47] China’s One China Principle is destined to cause a clash with Taiwan as well as Vietnam due to the ensuing border disputes.[48] While the general trend will be gradually diminishing global influence for the U.S., the resulting political arena will be more complex yet surprisingly stable, since a triad also offers counterbalance against a leading nation’s dominant whims.

Growth of Asian Sovereign Funds: By definition, sovereign funds are best suited for large scale and long-term infrastructure projects. We had mentioned the increasing role of sovereign funds for organizing industries in Chap. 4. In addition to the several large funds from China and India, others such as Temasek of Singapore, Abu Dhabi Investment Authority, and Khazanah of Malaysia play a significant role in Asia, just like the Swiss have an outsized presence in the European economy.[49] Emerging markets of China, India, and Africa need massive investments that only sovereign funds have the scope to undertake. The aforementioned $8 trillion Belt and Road infrastructure initiative involves sovereign funds. It has been estimated that the Asia-Pacific region will need $1.7 trillion additional infrastructure investment per annum for a total of $26 trillion by 2030 at current growth rates.[50] The private sector alone cannot sustain investment at such a scale and Asian sovereign funds will play a major role and actively step in.

Multiple Currency Reserves: Throughout the 1980s, most U.S. debt was bought by the Japanese. America then encouraged Japan to convert public debt into private equity. Bank of Japan made low/no interest loans to the banks of keiretsu. These banks in turn made loans to their manufacturing business units to invest and produce in the U.S. as opposed to simply exporting. Honda, Toyota, and Nissan all built their own plants in the U.S. Even when the U.S. was trying to catch up and compete with Japanese in terms of quality, the Japanese were permitted to buy equity/firms in the U.S. Hence, they bought U.S. television manufacturers and invested in real estate. The current U.S. debt rate is not sustainable in the long run.

The same evolution is expected to happen for China (and India) which will convert its mountain of debt instruments (T-bonds) into equity. In the case of India, interestingly, Western capital will be used to acquire Indian firms which may then be leveraged to buy U.S. and other Western assets. In order to diversify risk, China and other emerging market governments will also begin to hold massive reserves in multiple currencies and gold. Indeed, this is already happening: Chinese gold reserves that averaged 995 tons from 2000 until 2019 have increased to an all-time high of 1936 tons in the third quarter of 2019.[51] Similarly, gold reserves in India averaged 462 tons from 2000 until 2019 but have reached all-time high of 618 tons in the second quarter of 2019.[52] Trade wars, as prominent as they are today, will actually be augmented by currency wars in the future where the central banks will play a more active role by shifting their focus from fiscal to monetary policy.

Redefining Capitalism and Democracy: History is written by the hand of the victors, and ideology is always defined by the superpower of the era. When the British were in power, Adam Smith and David Ricardo defined the pillars of capitalism and free markets. The British defined democracy as a parliamentary government system with two primary parties, which the U.S. adopted. However, whereas in the U.K., the people choose the party and the party chooses the prime minister who can be replaced through a vote of no-confidence, the U.S. favors stability and continuity, and you have a leader for at least four years once a President is elected. The U.S. is a Republic-Democracy where the states influence Congress based on their electoral votes. Thus, popular versus electoral votes can make a major difference as the last few Presidential elections have demonstrated.

The current definition of capitalism is not sustainable when there is such a large base of the pyramid in the global society (over one billion living on less than $2 a day). Going forward, a more participatory and nurturing style of capitalism (that incorporates all stakeholders—customers, employees, suppliers, and community—rather than simply shareholders) than that defined by the West is necessary. Corporate social responsibility is not enough; the fiber of capitalism must be refreshed and a more egalitarian/equitable basis for shared value is required.[53]

Democracy allowed to its extreme of acrimony and gridlocks becomes anarchy. When individuals have the right to express themselves without any checks and balances, things can quickly get out of control due to the amplification of messages through social media (as we have seen recently with fake news). The best enforcement is self-discipline. A disciplined approach to dialogue is necessary to avoid such acrimony. Thus, the *disciplined democracy* of the future will need to balance the rights of the individual with the rights of institutions (government, education, religion, family). Autocratic nations are dominated by institutions. The highly contested issue of abortion laws in the U.S. represents a case where society/institutions currently dictate this key decision over the individual.

On the other hand, a purely democratic approach where individual rights trump organizations, institutions, or society is also not sustainable. An example of this is the gun legislation in the U.S. where the constitutional right of individuals (to bear arms) from a bygone era is being used as the ruse to prevent meaningful protection of citizens. Institutions are just as valuable to society as individuals. *The rights of the institutions and the individual must be properly balanced for a caring capitalism and disciplined democracy.* The rise of Chindia will redefine both. The center of gravity is clearly shifting from the Atlantic to the Pacific Ocean.

Next, we discuss the global expansion strategies for multinationals from emerging markets.

Key Takeaways

- The nineteenth century can be characterized as the European century, thanks to the industrial revolution and the colonial expansion. The twentieth century belonged to America by most metrics, and the twenty-first century (at least the first half of it) can be characterized as the Asian century.
- While the twentieth century was driven by ideologies and politics of advanced nations, the twenty-first century will be driven by markets, resources, and realities of emerging nations.
- Aging of affluent nations, economic reforms, the rise of the new middle class, and resource-based advantages are responsible for this mega-shift.
- A new triad power consisting of China, America, and India has emerged, replacing Western Europe, North America, and Japan. Rise of Chindia will have a global impact on resources, markets, and politics. Fostering economic growth through trade and investment between triad powers will be critical for worldwide peace and stability.
- The real economic boom will come from the Indian economy, albeit later, since there is a need for massive investments in infrastructure before the potential can be realized. Eventually, the GDP of India and China may become relatively equal as measured by Purchasing Power Parity.
- In categories such as farming equipment and software, India may be a net exporter to China, whereas China may dominate the relationship in categories such as consumer electronics and appliances. However, due to its genes of entrepreneurship and innovation, the U.S. will remain a major power alongside China and India, forming the new triad power.
- Allowing large-scale investment and trade into the triad markets by each geopolitical and economic mega-power is a better prevention mechanism than nuclear bombs ever were! The more nations become interdependent through trade and investment, the less the urge to go to war against each other. Collectively, the triad has the power and sway to deter and hold every other nation at bay.
- Demand for the world's resources will create strange bedfellows among nations, as well as resource-driven global expansion for all enterprises and nations. Major technology breakthroughs, including cloning and nanotechnology will stem from resource conservation and resource scarcity. Key drivers of innovation will be affordability and accessibility of products, technologies, and services. The world economy will decouple from the dollar denomination for trade and investment to be able to cope with volatility and speculation.
- China and India will be integrated into world political, social, and economic forums and institutions. We can already see evidence of this in world bodies such as the WTO, UN, World Bank, IMF, WHO, with many Asians in leading positions. They will be on the sidelines no more. M&A and private equity will play a significant role in the new triad power. Most M&A activity has been concentrated among the new triad economies and investment has also been flowing in the same direction. These investments will manifest in several global leaders from a wide array of sectors.

Notes

1. The reason why GDP was more concentrated than trade was that the triad powers received natural resources from their ex-colonies which somewhat diversified trade distribution.

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