

The Importance of Asia

Economic and Geopolitical Considerations

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Presented as part of Michigan's Connection to Asia Workshop
March 18, 2015

Two themes: Economics and Geopolitics

- Economics
 - The size and importance of Asia
 - Trends:
 - The re-emergence of Asia
 - The shrinking world
 - Rapid growth
 - Emerging hot spots in Asia
- Geopolitics
 - The emergence of China as a military superpower

What is Asia?



What is Asia?



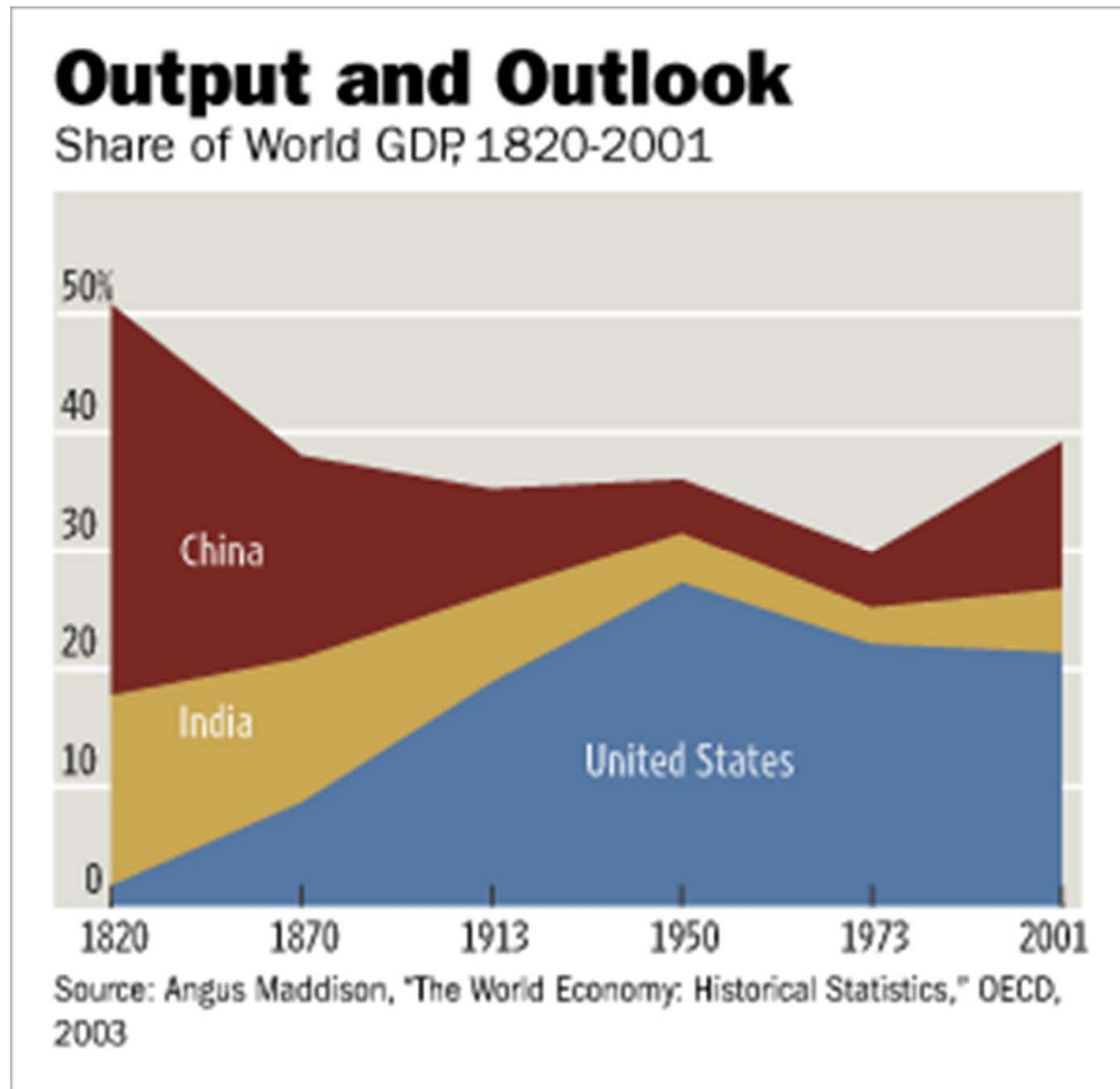
Economics

- Asia is large
 - Population of Asia: 4,427 million
 - 60% of world population
 - USA: 319 million
- #1 China: 1,368 million
- #2 India: 1,268 million
- #4 Indonesia: 255 million
- #6 Pakistan: 189 million
- #8 Bangladesh: 158 million
- #9 Russia: 146 million (> 75% of landmass in Asia)
- #10 Japan: 127 million

Trend 1: The Re-emergence of Asia

- In 1500, over 60% of the world's economic output came from Asia
- In 1960, only 20% of the world's GDP came from Asia.
- By 2000, the share had doubled, to 40%.
- By 2100, it is likely that the Asian share of world GDP will have reverted to (or will exceed) 60%.
- Region of enormous opportunity

Trend 1: The Re-emergence of Asia



Trend 2: The Shrinking World

- Improvements in
 - communication,
 - transportation, and
 - information technology
- America is closer than ever before to Asia

Cost of a Three-minute Telephone Call in 1998

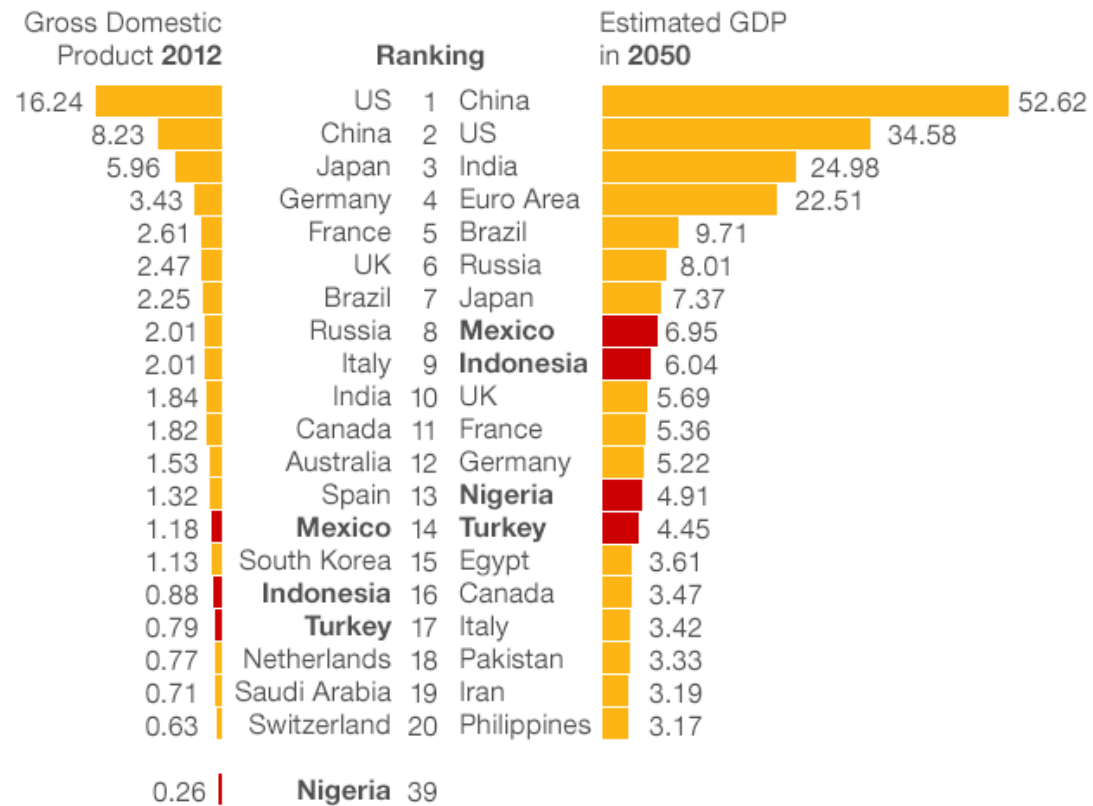


Trend 3: Rapid Economic Growth

- Of the six economies that are growing at a rate of 5% or more:
 - Five are in Asia, of which
 - Four are among the 10 most populous countries in the world
- India: 7.5%
- China: 7.3%
- Egypt: 6.8%
- Malaysia: 5.8%
- Pakistan: 5.4%
- Indonesia 5.0%
- Source: *Economist*, Q4 2014 figures

Trend 3: Rapid Economic Growth

Rise of the MINTs (\$ trillions)

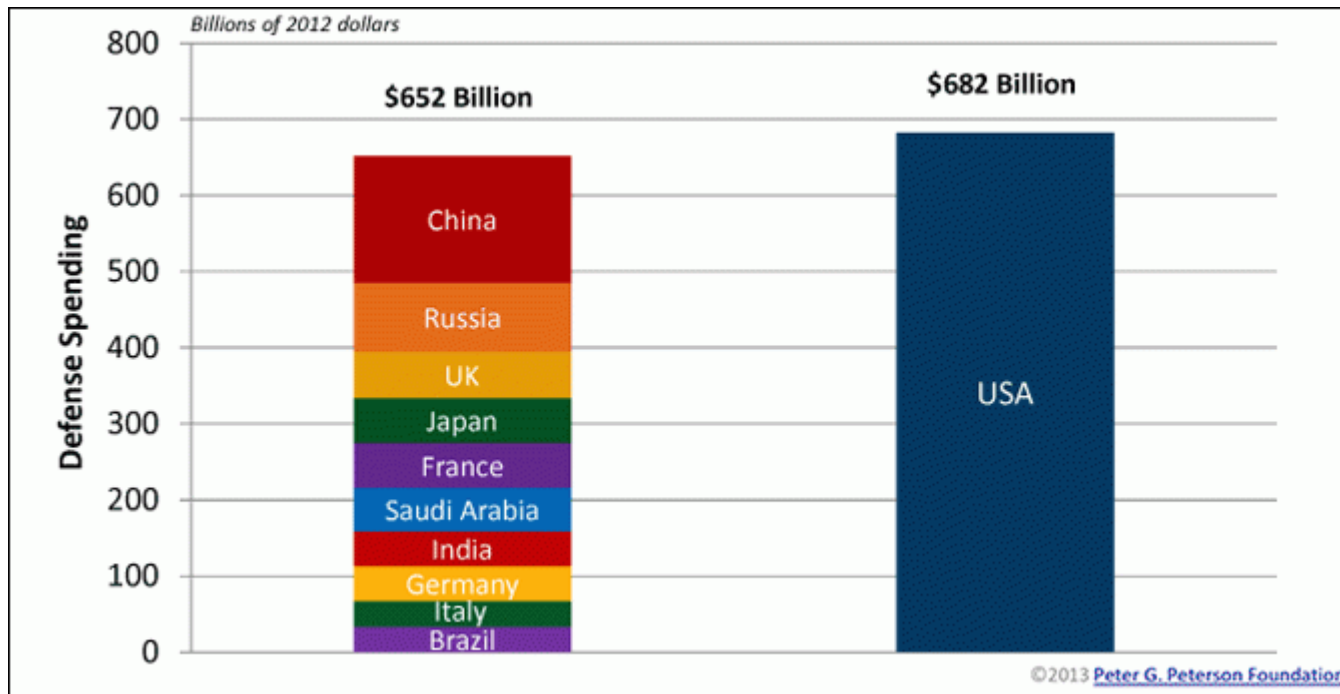


Source: World Bank, Goldman Sachs

Geopolitics in Asia

- The emergence of China as a military superpower
 - Recent defense budget increases of 10%+
- Re-negotiation of bilateral and multilateral relations
 - Territorial disputes and the use of force

Defense Budgets, 2013



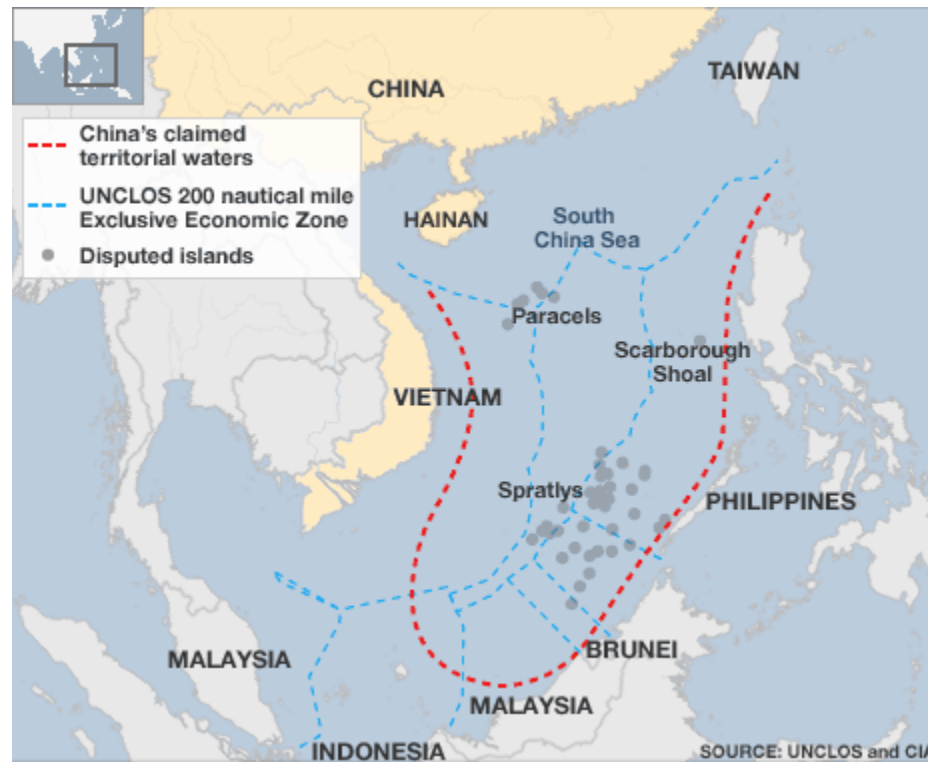
Territorial Disputes: East Asia

- Japan
 - Diaoyutai/Senkaku dispute
 - Claimed by Japan and China
- Japanese government purchases islands from private citizen in 2012
- Increase in tension
- Fishing boat/rare earths crisis
 - Consequence: Japan diversifies sources of rare earths

Territorial Disputes: South China Sea

- Conflicting claims over islands in the South China Sea
- Seven countries directly involved
 - China, Philippines, Vietnam are key players
- Use of force
- Chinese land reclamation projects

Claims over the South China Sea



Territorial Disputes: South Asia

- China-India dispute
- Large areas under dispute
- Pakistan involved
- China in the Indian Ocean
 - “String of pearls” theory and encirclement of India
 - Burma, Bangladesh, Sri Lanka, Maldives, Pakistan

China-India Border Dispute



Conclusions

- Asia holds enormous potential for Michigan
- Large economies, populations
- Rapid growth
- But geopolitics can affect economic relations
- Knowledge of geopolitical change critical to understanding the climate in the region