The New Triad Power: Implications for Global Sourcing, Competition and Markets

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While the 20th Century was driven by ideology and politics of advanced nations, the 21st Century will be driven by markets and resources of emerging nations.
Forces Driving the Shift

- Resource Based Advantage
- Aging of Affluent Nations
- Rise of the New Middle Class
- Economic Reforms
Economic Growth Engines for the World

EUROPEAN CENTURY

1800s

AMERICAN CENTURY

1900s

ASIAN CENTURY

21st Century (1st half)

AFRICAN CENTURY

21st Century (2nd half)

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The new measure is Purchasing Power Parity (PPP).

### GDP based on PPP

#### 2015 (Forecast)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>U.S.</td>
<td>$18 trillion</td>
</tr>
<tr>
<td>2.</td>
<td>China</td>
<td>$17 trillion</td>
</tr>
<tr>
<td>3.</td>
<td>India</td>
<td>$6.0 trillion</td>
</tr>
<tr>
<td>4.</td>
<td>Japan</td>
<td>$5.0 trillion</td>
</tr>
<tr>
<td>5.</td>
<td>Germany</td>
<td>$3.4 trillion</td>
</tr>
<tr>
<td>6.</td>
<td>Russia</td>
<td>$2.9 trillion</td>
</tr>
<tr>
<td>7.</td>
<td>Brazil</td>
<td>$2.8 trillion</td>
</tr>
<tr>
<td>8.</td>
<td>UK</td>
<td>$2.7 trillion</td>
</tr>
<tr>
<td>9.</td>
<td>France</td>
<td>$2.6 trillion</td>
</tr>
<tr>
<td>10.</td>
<td>Italy</td>
<td>$2.0 trillion</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund (IMF)
China vs. India Beyond 2020

- China’s growth will slow down after 2020 due to aging of its population similar to Japan.
- India’s growth will accelerate after 2020 as it invests in infrastructure and reforms its industrial policy.
Chindia Rising
The Old Triad Power

As of 1987

• 45% of world trade was concentrated among the triad power nations.
• 70% of world GDP was concentrated among the triad power nations.
• The triad power desperately needs economic growth to sustain employment and political stability.
The New Triad Power

Implications for Global Resources, Markets and Politics

CHINDIA
The India, China, America (ICA) Institute
Implications for Global Resources

- Resource driven global expansion (IBM)
- Resource driven global mergers (mining)
- Shortage driven breakthrough innovations (cloning)
- Rise of scarcity driven profits (commodities)
- Sustainability imperative (nurturing nature)
- Emergence of strange bedfellows (China in Africa)

Rise of scarcity driven profits (commodities)

Shortage driven breakthrough innovations (cloning)

Resource driven global expansion (IBM)

Emergence of strange bedfellows (China in Africa)

Sustainability imperative (nurturing nature)
Implications for Global Markets

- Emergence of largest consumer Markets (cell phones)
  - Fusion of cultures (music, food & spirituality)
  - Affordability becomes focus of innovation (Nano car)
  - Private equity in emerging markets (Warren Buffet, KKR, Blackstone)
- Rise of Chindia’s global enterprises (Huawei, Tata)
  - R&D shifts to Chindia (pharma & technology)
  - 1
  - 2
  - 3
  - 4
  - 5
  - 6

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Implications for Global Politics

1. G-8 becomes G-20
2. Economics as driver of politics (BRIC Summit)
3. Rise of multilateral politics (Asia, Europe, America)
4. Growth of Asian Sovereign Funds (China Investment Corporation, Temasek, Khazana)
5. Multiple currency reserves
6. Redefining capitalism & democracy (caring capitalism & disciplined democracy)

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1. While the 20th Century was driven by ideologies and politics of advanced nations, the 21st Century will be driven by markets and resources of emerging nations.

2. Aging of affluent nations, economic reforms, rise of the new middle class, and resource based advantage, are responsible for this megashift.
3. This will lead to new triad power consisting of China, America and India.
4. Rise of Chindia (China and India) will have worldwide impact on global resources, global markets and global politics.
5. Fostering economic growth through trade and investment between the triad power will be critical for worldwide peace and stability.

6. Demand for world resources will create strange bedfellows among nations, as well as resource driven global expansion of all enterprises and nations.

7. Major technology breakthroughs, including cloning and nano-technology will come from resource conservation and resource scarcity.
8. Key drivers of innovation will be affordability and accessibility of products, technologies and services.

9. World economy will decouple from the dollar denomination for trade and investment.

10. China and India will be integrated into world political, social and economic forums and institutions.
11. Mergers & Acquisitions (M&A) and private equity will play significant role in the new triad power.

12. Rise of Chindia will redefine capitalism and democracy. Caring capitalism and disciplined democracy will become increasingly meaningful.