
What The “Asian Century” Means For The United States

By Lothar Katz

Read any major business or political magazine, and you are guaranteed to find an article or two about the growing pressures of China’s rapid development and India’s amazing tech job growth on the U.S. economy. We are growing accustomed to living in the “Asian Century”, in which the world economy will be propelled by the overwhelming progress of the coming Asian superpowers.

This is more than hype. The growth rates and improvements in education, infrastructure, jobs, and incomes countries such as India and China have achieved over recent years are simply astounding. As a result, their growing prosperity makes them attractive not only as sources of blue- and white-collar labor, but also as huge emerging consumer markets. In the long haul, their economies are bound to leave the United States in the dust. Or are they?

Challenging Economics

Some of the economic projections that are being quoted over and over warrant closer scrutiny. To put things in perspective, the U.S. economy is still nine times larger than China’s and almost twenty times the size of India’s. In absolute terms, it grew twice as much in 2005, by about \$420B (+3.5%) versus China’s \$223B (+9.9%) or India’s \$50B (+7.6%). Yet, few articles on the subject fail to predict that China will pass the United States by 2050. That assumes that on average, China’s GDP will continue to grow at an annual rate of 8 percent, versus 3 percent in the U.S., for ***the next 45 years(!)***.

There is no historic precedent for such impressive long-term growth in the annals of modern economy. Many economists find it hard to believe. After all, China, India, and others still have a ways to go before they even reach the current size of the U.S. economy, which will not stand still either. Nevertheless, there is little doubt that China’s rise as the world’s manufacturing powerhouse and India’s ascent as a provider of technology and services, combined with both countries’ increasing investments in education and infrastructure, will ultimately make them into economic forces to be reckoned with.

For the United States, this trend is neither reason to panic nor to relax. Undoubtedly, the transition of Asian countries from providers of “cheap labor” to sources of “cheap brain-power”, as evidenced by the countless research&development centers mushrooming all over the region, challenges one of the strongest foundations of the American economy. On the other hand, Asia’s giants face equally gigantic challenges.

China has its hands full to adjust its political, social, and economic rule sets, while battling to expand the infrastructure, use its resources more efficiently, and fix numerous environmental issues. India’s biggest problem may well be the disparity of its cities and regions, with few that prosper and many that so far only marginally benefited from the country’s progress. Taken together with the enormous population growth and dismal infrastructure outside of the Indian technology centers, its leadership may well have to drive even bigger changes than it has over the past two decades.

There is no doubt that both countries will continue to make significant strides, achieving greater prosperity and gaining global influence in line with their huge populations. The real question, however, becomes how the United States can leverage its own strengths to moderate the risks of global shifts and participate in the opportunities they represent.

How the United States Can Stay Ahead

Countries compete through their natural resources, access to financing, and the strengths of their people. In order to thrive in the 21st century, America needs to stay ahead in those areas that drive its competitive advantage: technology and innovation. This emphasizes two important points:

- **The U.S. must strengthen, or revive, its role as the world's innovation powerhouse.** While economic and political aspects have greatly helped America's ascent to superpower status in the 20th century, its core assets are the values and passions of its people. Few others around the world are as happy to take on new challenges and risks, as confident that they can make anything happen if they really want to, or as impatient when it comes to bringing plans to life. These traits continue to equip Americans with what it takes to remain among the greatest innovators in the world.

Its worst enemy may well be the country itself. No matter how you look at it, the U.S.' oft-touted education crisis is real. Whether at the high school or the graduate level, American schools rarely score well in international competitions. While average levels of education in China or India may still fare worse, the gaps are small when looking at the top tier of each country's educational institutions. The U.S. must make up some lost ground.

Next, the country must continue to nurture its people's entrepreneurial spirits, albeit in a changing environment. With business going global across most industries, U.S. entrepreneurs and business leaders need to learn what it takes to be successful internationally – without losing any of their creativity, drive, or passion.

- **America must learn to cope with the realities of the 21st century.** Make no mistake: all those manufacturing jobs the U.S. lost in recent years are gone and will not come back. Those that still exist are likely to go where the others went: to cheap-labor countries around the world, where people are eager and capable to fill the same roles at rock-bottom wages. Attempts to stop this trend, for instance the recent U.S. embargo of Chinese textiles, won't change a thing: factories in countries like Vietnam, Indonesia, and many others could not be happier to fill in for China in order to close the gap.

Rather than fighting losing battles, the U.S. must leverage its world leadership role to remain "the place to be." Nothing appears more counterproductive and threatening to the country's lifeblood, i.e., its ability to attract the world's sharpest minds, than the post-9/11 decline in immigration and college admissions of foreign students. Valid political and security-related concerns notwithstanding, if the United States fails to attract the best of the best around the world as it has for decades, it is bound to fall back into mediocrity.

Little is lost at this point. The global economy presents huge opportunities for those nimble enough to seize them, and there is no reason why the U.S. could not do so. Some analysts actually argue that even the recent off-shoring trends have been good for the U.S. economy, creating positive effects for the society as a whole. Yet, a lot of work remains for the country to maintain its leadership position and thrive in the "Asian Century" as it has in the previous one.

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