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International Relation

ASIA IN POST-WESTERN AGE

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ABSTRACT

The Asian age has arrived. The uninterrupted growth story has been fuelled by new paradigm of growth and intra-regional cooperation and networking. The countries like Australia and Turkey which are on Asian periphery are hankering to be part of Asian growth story. China will soon surpass the US in terms of GDP. Indonesia, India and Japan are the major players of the resurgence story. Though, the US has launched the Asia as Pivot strategy to perpetuate the hegemony, Asian nations are cutting the cord of the global hegemony. The dollar has been replaced from the East Asian region as the dominant reference currency and the Asianization of Middle east oil trade is further replacing the role of dollar from intra-Asian trade. The world is moving towards a tripolar global monetary system. The rise of Asia is multi-dimensional. Asia is fast catching the US in research and technology. The paper examines the multifarious dimension of this complex change and elucidates how the post-western age would be more peaceful and discourage emergence of any belligerent hegemon.

Keyword: ***Asia, dollar hegemony, OPEC, Asianization, renminbi bloc, G-20, ADB, virtual economy, steel production, centre of gravity, Wealth Report, urbanization, WIPO, Patents, High-tech industry, Bancor, MENA, ASEAN, China, Carter Doctrine, fracking, Oil-dollar regime(ODR)***

The world has entered Post-Western Age. The demise was drumbeated vigorously by the western masses in anticipation of the apocalypse. The best of the minds got afflicted with the dystopic vision. The Mayan calendar was made the reference point. It was the history coming full circle. Only the Spanish conquest of the New America and decimation of the native Indians fuelled the industrial revolution in Europe and subsequent ascendancy of the West as the new territory offered capital in the form of bullion and land for cash crop plantation to bypass the payment crisis. Now, the visions of those "lost natives" turned into a meme for the declining West. The World did end on 21st December, 2012. But, it was the Western world-vision. Coinciding with the event, dozens of intelligence agencies based in the US prepared a strategic vision for the future under the aegis of the National Intelligence Council , *Global Trends 2030: Alternative Worlds.*[1] This Report publicly accepted the fact that the "unipolar moment" is over and "*Pax Americana-the era of American ascendancy in international politics that began in 1945-is fast winding down.*"[2] Another major think tank, Atlantic Council based in the US topped up the NIC assessment with a companion for perpetuating the limping hegemony in the post-western world, "*Envisioning 2030: US Strategy for a post-Western World*".[3] Kishore Mahbubani, Asianist scholar-diplomat from Singapore has come up with his bird's eye view of the changing power shift from the West to Asia and convergence of material aspirations world across at a time when he foresees China as the world's largest economy within this decade and the United States turned down from the world's sole superpower to a Number 2 position in his new book, "*The Great Convergence: Asia, the West, and the Logic of One World*" [4]

On the other hand, there is plethora of writings by the American experts devising devious ways to perpetuate hegemony through art of offshore-balancing, or instigating turmoil in domestic political system in the developing Asia in the name of liberal democracy. The foremost American exponent of geopolitical (dis)ordering, Zbigniew

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Brzezinski is rancouring again with his new book, ***Strategic Vision: America and the Crisis of Global Power(2012)***[5]**.** Brzezinski explores following major questions of the new global reality:

1. *What are the implications of the changing distribution of global power from the West to the East, and how is it being affected by the new reality of a politically awakened humanity?*
2. *Why is America's global appeal waning, what are the symptoms of America's domestic and international decline, and how did America waste the unique global opportunity offered by the peaceful end of the Cold War? Conversely, what are America's recuperative strengths and what geopolitical reorientation is necessary to revitalize America's world role?*
3. *What would be the likely geopolitical consequences if America declined from its globally preeminent position, who would be the almost-immediate geopolitical victims of such a decline, what effects would it have on the global scale problems of the twenty-first century, and could China assume America's central role in world affairs by 2025?*[6]

The clamor for renewing the Western primacy under the American hegemony is growing wild. The Return to Asia strategy announced by the US under which 60% of all naval assets are to be shifted to the Asia-Pacific region (APR) by 2020 A.D. springs from this imperial hubris. But, geopolitical ordering of 19th or 20th century is a wide and far-flung idea in this age when the power has decisively shifted back to the Asian pivot. Asia's rise is irreversible. Asia has returned to its position of the pole star and the post-Western world is straddled with everyday news of Asia's home coming as numero uno in tangible and intangible things .

There is a concerted attempt to amputate Asia of its Islamic colour and valour. Asia has been downsized in western discourse to a region encompassing upto India only. The terrain of Asia keep on shifting in western imagination. Only few months back, 'Asia" was limited merely to South East and East Asia. India was part of South Asia. US government statistics have devised another category, Asia-8 comprising Asia-Pacific nations excluding China and Japan. Samuel P. Huntington in his paradigm of "Clash of Civilization" had reduced Asia into four competing civilizations-Islamic, Hindu, Confucian and Japanese (1993).[7] Asia in spite of geographical unity, common belief system in human-nature continuum, and unity of purpose in the ethos of 'peaceful rise" through 'harmonious , inclusive development commensurate with cultural sensibility" is represented as a heterogeneous land-physically, socially and politically. While on the other hand, the 'West" is pitted as an essentialist category encompassing separated geographies extending as far as Australia, New Zealand, North America and the northern Europe.[8]

In fact, Australia has rafted back into Asia. Australia is part of Asia. The same was echoed by the Chinese thinkers like Liang Ch'chao who promoted the view of Yellow Australia through the fortnightly influential journal, *Xinmin Congbao*(The New People's Journal) which continued publication till 1907. [9] Australian Prime Minister Julia Gillard has realized the imperative to be part of Asia. She commissioned Australia in the Asian Century Implementation Task Force under the Department of the Prime Minister and Cabinet to prepare a White paper on Australia in the Asian Century. The task force in its report Australia in the Asian Century[10] has affirmed that the country's destiny is tied to its geography. Since the West fades out of eminence, Australia is rooting for space in the Asian pivot. Gillard has launched a plan to teach every Australian student a key Asian language and to make every school have a sister-school in Asia. Singapore's Asianist proponent Kishore Mahbubani has welcomed Australia into comity of Asia and argues that "*by the logic of geography, the continent of Australia should have been populated with Asians. Instead, by an accident of history, Australia has been predominantly populated with Westerners*", but "*the logic of cultural identity cannot" indefinitely "trump hard geopolitical considerations*" Mahbubabni declared that historical accident is now coming to an end.[11]

Turkey, too, is part of Asia. Turkey's bid to join EU since 2005 was stalled on one or another pretext. Turkey has realized that it remained the distant "Orient' in Western imagination. French president Nicolas Sarkozy humiliated by taking a dig at Turkey that "*Turkey has no place inside the European Union .....I want to say that Europe must give itself borders, that not all countries have a vocation to become members of Europe, beginning with Turkey which has no place inside the European Union*.[12] But, now EU is on the ventilation, while Turkey is booming with growth. Turkey is now back to Asian co-prosperity sphere. It is wooing out Arab countries. Turkey is consistently taking up the issue of the plight of the Palestinians and their rights to statehood in the United Nations.

Asia is the world's largest and most populous continent continues to grow even in geography. It covers 29.9% of the earth's land area and is the land of more than 60% of the world's current population. Asia is the mesocosm in the hierarchical nesting of the universe. Scientists squiggle that seventy percent of the Universe is dark energy. Similarly, seventy percent of the earth's surface consists of water and seventy percent of human body contains water. In cosmic nesting of matter, nearly thirty percent of matter has the centrality and remaining act as the connecting space. Asia's centrality fits neatly into the cosmic scheme. In fact, the political theorists find *Nested Hierarchy* model as the most apt way to understand the complex security architecture in Asia[13]. Asia is expanding like the spider web, producing, consuming, weaving, growing benignly unlike malignant growth of the Western powers, which had to succumb to the overstretch and overgrowth.

Asia's rise is not merely a cliché. The recovery of lost dynamism which was caused by the manipulation of colonialism and imperialism by the west fuels this multifarious balanced and sustained growth. But, the examination must proceed from the measurement of the most tangible product- steel. Steel production is a very important marker of tangible economic activity of a nation. The virtual economy trumps over tangible economy in the GDP calculations as the virtual economy is assumed to be value-added. But, sign-economy is not a substitute for the physical economy. The infrastructure , machine production, automobile industry, housing sector, railway line, ship—each requires persistent supply of steel. Let us compare the figures of steel production in Asia vis-à-vis other regions.(Table :1)

Table:1

Steel Production (million tonne,Mt)

Rank	Country	2007	2008	2009	2012
1	Peoples Rep. China	494.9	500.5	567.8	716.5
2.	EU	209.7	198	139.1	169.4
3.	Japan	120.2	118.7	87.5	107.2
4.	Russia	72.4	68.5	59.9	70.6
5.	USA	98.1	91.4	58.1	88.6
6.	India	53.1	55.2	56.6	76.7
7.	South Korea	51.5	53.6	48.6	69.3
8.	Germany	48.6	45.8	32.7	42.7
9.	World	1351.3	1326.5	1219.7	1547.8

Source: World Steel Association, 22 January,2013[14]

Asia's share grew from 598.1 million tonne in 2005 to 1012.7 million tonne in 2012 i.e. by 414 .6Mt.. World production has gone down except Asia in same period. World production grew from 1146.5 Mt to 1547.8 Mt. between 2005 -2012, growth of mere 401.3 Mt, whole of which can be attributed to production in Asia. In the world, ‘Other than Asia”, production is either stagnant or have declined. Europe, North America and Africa, have been in the latter category.

Asia’s share of world steel production has increased slightly from 64.5% in 2011 to 65.4% in 2012. It is commensurate with the population share of Asia in the world population. China’s crude steel production in 2012 reached record 716.5 Mt. Only China’s share is hopping 46.3% in 2012. Within a couple of years, China and South Korea would surpass US in steel production.

The figure clearly indicates the status of “hard” economic activity in the US. China is now producing 46% of global steel while the US produces less than 6%. But, this staggering difference is not revealed in the GDP figure. Similar situation exists all across the economic spectrum. US produced 5.7 million vehicles in 2009, China produced 18 million. Printed circuit board(PCB) production in US went down to $4 billion in 2008 while the value of PCB produced in China was $16 billion for same period. In 2009, US produced machine tools worth $2.3 billion, while China’s corresponding figure is $15 billion.[15] If one takes up the number or weight (currency-free parameters or money-neutral measurement criteria) to compare the manufacturing output between the US & China, the US invariably falls behind China in most of the items. The US is still touted as the biggest economy and according to the IMF’s latest estimates for 2010, the value of total US GDP was $14.6 trillion while that of China was $5.7 trillion and China’s GDP can surpass US in PPP terms only in 2016. [16] Though, some economist like Arvind Subramanian of Peterson Institute for International Economics has been arguing that Chinese economy had surpassed the US economy sometimes in 2010 with total output of &14.8 trillion. His calculations are based on new estimates of GDP published by the Penn World Tables (PWT) under the University of Pennsylvania. [17]

How much is Asia’s projected share in world GDP?

In the din of arguments focusing on US-China competition for ‘hegemony” or “Wang”(humane authority), the narrative of Asian resilience receives reduced attention. Asian share in world GDP is growing fast. Angus Maddison(1926-2010), the leading economist of the OECD , calculated that Asia’s share of world GDP grew to 40.5% in 2003. This is stupendous feat of Asian genius and hard labour . Asia’s share after the end of the second World War was 14.9% in 1950. Asians took off in a baton relay mode.

Japan led the resurgence soon to be joined by the neighboring countries and cities termed as Newly Industrialized Economies(NIEs)- South Korea, Singapore, Taiwan and Hong Kong. Then , this growth zone began to expand fast. From Malaysia and Thailand, it reached the shores of China. India, Indonesia and Viet Nam have joined the fray. Between 2000 and 2006, around a million people were lifted out of poverty every week in East Asia alone.[18] Japan, the Republic of Korea (South Korea), Singapore and, more recently, China and India doubled their income per person within a decade. Some went on to repeat this achievement two or three times. To put this into perspective, it took the United Kingdom over 50 years to double its income per person during the epoch-defining Industrial Revolution.[19]

The causes of growth is being discerned by the economist. A common pattern is apparent. All these growing economies “set out to support prosperity by investing in people, building capital and undertaking institutional change, including expanding the role of markets. With the benefits of a good education and employment-creating reforms, large numbers of young people have become productively employed as they reached prime working age, while a global system of rules has promoted stability and interdependence.” [20]

There have been enormous competition to project the future shape of global economic system. Asia’s current share in global GDP is set to increase since the US is still battling the Fiscal cliff under which a $7 trillion program of automatic tax increases and spending to reduce the fiscal deficit and the public debt cuts cannot be postponed indefinitely . This might cause fiscal contraction of the US . On the other hand, Euro zone is battling hard to tackle debt crisis. The ray of hope and growth is emanating from Asia alone.

Angus Maddison estimated that by 2030 A.D. , Asia (including Middle east) will grow to 53.4% of global GDP (Table:2). Since in 2030, Asia's share of world population will be 58.6%, (Asian population is projected to grow to 4.79 billion out of projected world population of 8.17 billion), the population-GDP optimization can be realized.

Table:2

Share of World GDP,1820-2030

	1820	1950	1973	2003	2030
Western Europe	23	26.2	25.6	19.2	13.0
USA	1.8	27.3	22.1	20.7	17.3
Western Offshoots*	0.1	3.4	3.3	3.1	2.5
Japan	3.0	3.0	7.8	6.6	3.6
China	32.9	4.6	4.6	15.1	23.8
India	16.0	4.2	3.1	5.5	10.4
Other Asia	7.4	6.8	8.7	13.2	15.4
Eastern Europe	3.6	3.5	3.4	1.9	1.3
Former USSR	5.4	9.6	9.4	3.8	3.4
Latin America	2.1	7.8	8.7	7.7	6.3
Africa	4.5	3.8	3.4	3.2	3.0
Asia as % of World	59.3	14.9	24.2	40.5	53.5

Source: *Shares of the Rich and the Rest in the World Economy: Income Divergence between Nations, 1820-2030* [21]

Maddison estimates that by 2030, 9 Asian nations will be among the top 20 largest GDP. The list will include China(Rank 1), India(Rank 3), Japan (Rank 4), Indonesia(Rank 9), South Korea(rank 12), Turkey(Rank 15), Thailand (Rank 17), Iran (Rank 18), Taiwan(Rank 20). By including Australia among the comity of Asian nations, the number would grow to 10.

The projections of different teams converge on the list. The Citigroup projects the world economy to grow until 2050 .The global real GDP at PPP exchange rates would rise from $73 trillion in 2010 to about $377 trillion in 2050. They estimate Asia's share in the global GDP(in PPP terms) to rise from 38.1% in 2010(Includes Middle east) to 51% in 2030 and further zooming to 56% in 2050 A.D.[22] (Table:3**)** The analysts with the Citi Investment Research and Analysis, William Buiter & Ebrahim Rahbari , has coined the concept of 3G- Global Growth Generators. [23] These are the countries selected on the basis of their average real per –capita GDP growth over the period 2010-50 to be 5% or higher at PPP exchange rates. There are only 11 such countries in the 3G list and nine out of those are in Asia. These are- Bangladesh, China, India, Indonesia, Iraq, Mongolia, Philippines, Sri Lanka, and Vietnam. Only Egypt and Nigeria represent the Other- than Asia(OTA).

In their estimate ,China will overtake the US to become the largest economy in the world by 2020 (at PPP exchange rates).India will overtake China by 2050. By 2025, four of the 10 largest economies in the world will be in Asia—China (Rank 1), India (Rank 3), Japan (Rank 4) and Indonesia (Rank 10).

Table:3

Note: GDP measured in 2009 PPP USD.

Composition of World GDP

	2010	*2030*	*2050*
Africa	4	7	12
Developing Asia	28	44	49
Japan	6.1	3	2
Aus &Nz	1	1	1
CEE	3	3	2
CIS	4	4	3
Latin America	9	8	8
Middle east	4	4	5
North America	22	15	11
West Europe	19	11	7

Willem H. Buiter and Ebrahim Rahbari: Global growth generators: Moving beyond emerging markets and BRICs

In another recent report of the United Overseas Bank, Singapore prepared by Alvin Liew [24], it has been estimated that by 2020 A.D. Four Asian economies will be among the global top 10 in terms of GDP. Indonesia with 3 trillion dollar economy at market price will join the top league. China will surpass US with its 24 trillion dollar economy(Table:4). This will be a remarkable gain for Asia since in 1990 , China could manage a place in the top league just by whisker and its GDP was less than Brazil and Spain. In 2011, India joins at tenth spot. But, within next decade, it will surpass Japan to become third biggest economy in market price.

Table:4

In trillion US $

Rank.	**1990**		**2000**		**2011**		**2020**	
1	US	5.8	US	10	US	15.1	China	24
2	Japan	3	Japan	4.7	China	7.3	US	23.5
3	Germany	1.5	Germany	1.9	Japan	5.9	India	9
4	France	1.2	UK	1.5	Germany	3.6	Japan	6
5	Italy	1.1	France	1.3	France	2.8	Germany	5
6	UK	1.0	China	1.2	Brazil	2.5	Brazil	4.5
7	Canada	0.6	Italy	1.1	UK	2.4	France	3.5
8	Spain	0.5	Canada	0.7	Italy	2.2	Russia	3.2
9	Brazil	0.5	Brazil	0.6	Russia	1.9	UK	3.1
10	China	0.4	Mexico	0.6	India	0.4	Indonesia	3

Source: "*The Rise of Intra-Regional Trade in Asia*" United Overseas bank, Singapore, Nov. 2012, Alvin Liew based on IMF,UOB Economic-Treasury Research Estimate

In fact, the centre of gravity of the global economy has decisively shifted to Asia. Danny Quah, a well-known LSE economist calculated the planet's centre of gravity of economic activity measured by GDP generated across 700 identifiable locations on the earth's surface. He discovered that the world's economic centre of gravity (WECG) located in 1980 was at a point in the middle of the Atlantic Ocean. By 2008 , WECG drifted to a location east of Helsinki and Bucharest. The WECG is projected to locate, between India and China in 2050. The WECG has finally come back home after meandering for two centuries across oceans and the mountains.[25]

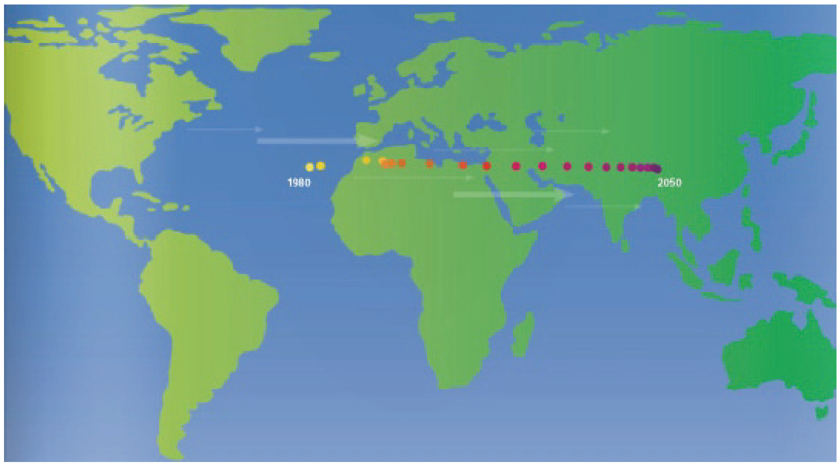


Image source: Danny Quah, The Global Economy's Shifting Centre of Gravity

What will fuel Asia's growth in risky & uncertain future?

The US and Eurozone are battling with their indebted economy. There is less prospect of renewing growth in Europe after Europe has lost the demographic dividend and the motivation for the productivity. Europe lies like a cold neutron star, emptied of steam for growth. Asian growth is attributed to export-led strategy, high saving rates and the resulting capital accumulation. The skeptics raise doubt about the sustainability of this strategy for enough growth since the two markets viz. US & Europe can no longer act as the sink for Asian manufacturing in current scenario.

But, Asian growth is no longer tied to the Eur-American market. At the time when the US was engaged with deleveraging its economy in the wake of series of mega-collapse in 2008, Asian economies turned to decouple from the western markets. The growth will be fuelled by internal demand and growing consumption.

Asia is urbanizing fast. The urbanization spur growth as cities are the centre of major economic activity. NIC's Global Trends 2030 report estimates that Urban centres are engines of productivity, generating roughly 80 per cent of economic growth.[26] Cities breed middle class which are the consumers. The size of Asian middle class far surpass the western middle class. The shift from export-led growth strategy to consumption- based strategy in turn will deepen Asian regionalism.

Let us survey the tectonic shift in Asian urbanization. In 2010, 3.5 billion of the world's 7.1 billion people live in urban centers. The UN estimates bring out this gigantic shift. By 2030, 4.9 billion of the world's projected 8.3 billion will be living in the cities.[27] In 1800 A.D., the urbanization was merely 3%. It took 150 years to climb to the level of 30%. But, another 30% jump will be achieved within 80 years.[28] The global landscape has completely changed from largely agrarian to urbanized centres. The UN further estimates that between 2011 and 2030, there will be an additional urban population of 276 million in China and 218 million in India which will together account for 37 per cent of the total increase for urban population in 2030.

CITI PRIVATE BANK has released its annual Wealth Report, 2012, “A Global Perspective on Prime Property and Wealth” [29] in which it rely on forecasts that suggest China to have around 130 cities with over one million inhabitants by 2020. This will be more than the US and Europe combined. Of those, around 90 are expected to have over ûve million people, while eight will be home to more than 10 million. Shanghai will be a Super mega city with over 50 million population and may turn into the global financial centre. In contrast, New York is the only US city that has a population of more than ûve million (8.2 million in 2010). China’s urban population has now surpassed that that of rural area . The country’s urbanization rate jumped to fifty percent in 2011 from mere 39.1 percent in 2002. China has 690.79 million people living in urban areas at the end of 2011, compared with 656.56 million in the countryside. The 18th CPC National Congress has formulated strategy to increase urbanization to 70% in next decade. This accelerated urbanization is intended to boost domestic demand through housing demand and further investment growth, infrastructure development and public utilities.

The pace of urbanization has picked up all across developing Asia. It is not only Beijing, Shanghai, Singapore and Hong Kong , but even cities like Surat and Nagpur which are rising into megacities. As of now, Citi private Bank’s Wealth Report,2012 calculate, nine of the top 10 cities in the world in GDP growth are in China while the top 20 are all in China or India. And except for Doha, Lagos, Panama City, and Lima, the top 30 are all in the Asia-Paciûc region.[30]

The growing urbanization foster higher consumption by the growing middle class . The insatiable demand boosts growth. The Asian middle class has become the main driver of Asia’s economic growth (Table:5).Centennial Group projects this veritable explosion in Asian Middle class.

Table:5

Growth of Asian Middle Class

	2030	**2050**
PRC	1120	1240
India	1190	1400
Indonesia	220	250
Japan	100	60
Republic of Korea	30	10
Vietnam	80	100
US	185	120
Germany	50	25
World	4990	5900

Source: Centennial Group projections, 2011[31].

Upper

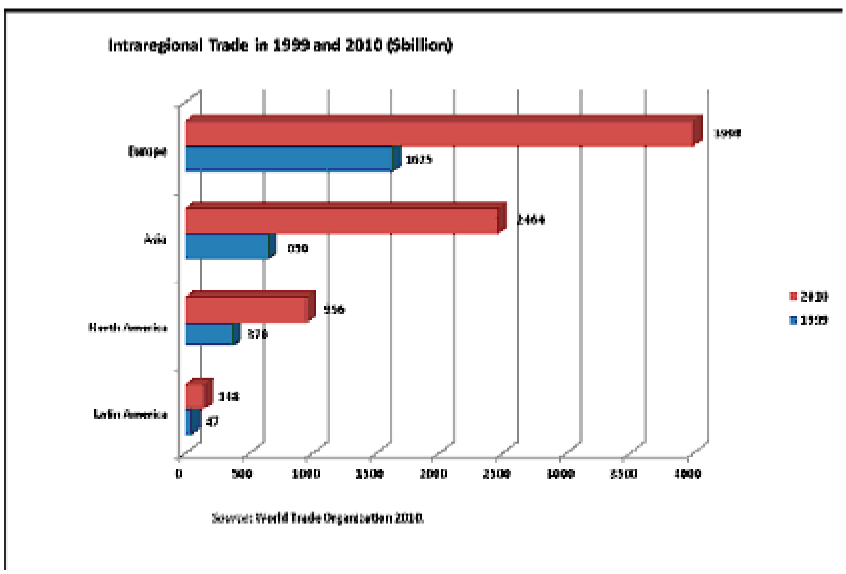
(*The middle class is defined to include those living in households spending between $10 and $100 a day in purchasing power parity terms*.)

While middle class will be shrinking in the advanced economies after 2030, Asia’s middle tier countries will continue to prosper with swelling of this consumer base. In fact, Asia is also creating ultra-wealthy *High Net Worth individuals* (HNWI) at an accelerated pace. According to The Wealth Report,2012,there are now 63,000 people worldwide with $100m or more in assets. The report indicates the shifting emphasis from the

West to the East. There are now 18,000 centa-millionaires in the region covering South-East Asia, China and Japan. North America has 17000 and Western Europe has 14,000. It is anticipated that by 2016, only this region will have extended its lead, with 26,000 centamillionaires, compared with 21,000 in North America and 15,000 in Western Europe.[32] The Report mentions that "South-East Asian deca-millionaires (those with $10m or more in assets) already outnumber those in Europe, and are expected to overtake those in the US" soon.[33] The Report notes that there is exponential growth in luxury items in Asia's dynamic region suggesting how the affluence boosts consumption.

There is discernible structural shifts in the pattern of global demand. Asia's growth is being fuelled increasingly on the Asian markets. The export-led strategy with the Western market as the sink has been relegated into past. Asian middle class consumers have emerged as the substitute for those in western markets. Soon, Asian countries will become major exporters to each other boosting intra-Asian trade and demand for Pan-Asian infrastructure for integrated market. The trend is clearly visible. There is an uncanny commonality of interest among Asian countries in boosting intra-Asian trade.

According to the World Trade Organization, Intra-Asian trade has grown from 650 billion dollar in 1999 to 2464 billion dollar in 2010. This is faster than growth in intra-regional trade in any other region[34].



WTO statistics reveal that 52.6% of Asian merchandise trade is intra-Asian. In a recent report *"The Rise of Intra-Regional Trade in Asia"* by the United Overseas Bank (UOB) of Singapore, it has been anticipated that "the global economy will increase by 73 percent over the US$63 trillion seen in 2010 to reach US$109 trillion by 2020, with Asian trade flows one of the key factors contributing to this robust growth."[35] The report emphasizes how bilateral trade corridors involving China and India will be the fastest growing sectors. India-china trade has reached record figure of US$ 73.90 billion in 2011 from US$ 2.92 billion in 2000 within a span of a decade. There are other fast developing trade corridors like MENA-India, China-Asia. Intra-Asia trade is expected to constitute 40% of global trade by 2030 jumping from current 18% ,with domestic consumption growing due to increased urbanization and swelling of middle class. In 1990, intra-Asian trade was mere 7% of global trade. ASEAN has become the nucleus of this intra-regional integration within Asia. Intra-ASEAN trade stands at 25.3% of its total trade in 2011. ASEAN's trade within Asia is estimated to grow from current level of 53.1%(2011) to 62.5% in 2020. Only in a couple of years, free trade across ASEAN will be established by 2015.

ASEAN can act as the glue between India and China. ASEAN can also boost intra-regional connectivity for integrating markets further. China and ASEAN is connected through new railway link, Mengzhi railway. There are proposals under consideration to link ASEAN and India with railway lines. Such spurt in connectivity will be boon for intra-Asian trade. Asia is also home to the maximum number of Free Trade Agreements being signed. The FTAs will create gridlocks and reduce the chances of mutual anatagonism as the prosperity vision trumps over now narrow- enumerated nationalism. Kishore Mahbubani rightly points in his new book that there is direct correlation between the decline in the number of wars and the rise in the number of FTAs among states. [36]

The Trade rebalancing is occurring all across Asia after the crisis has hit US and Western Europe . China has launched rebalancing of trade drive vigorously. We are witnessing asianization of Asian production and consumption. The opening of economies and reducing trade barriers under the impetus of globalization has led to greater regionalization. Asian nations are thus grid locking their commercial interest and through unmanifest sense of conciliation, pursuing pan-Asian integration agenda. This is in sharp contrast to the imperial rivalry among various European powers who fought for offshore empires and pursued the 'balance of power' strategy for its survival. Eur-America indulged in the two World Wars over imperial and commercial interests. Asian countries are pursuing institutionalization and greater integration to resolve their differences.

Is rise of Asia quantitative?

Asia is picking up growth in traditional low technology items as well as high tech economy. While the United States and Europe are the world leaders in science and research, Asia is cornering the application part in production. It is this innovation that has added to the dimension of productivity growth. Asian technology levels are catching up with the best in the world. There are select pockets of excellence concentrated in Japan and NIEs. But, such nodes are multiplying and it would not be oversimplification in saying that the mantle of science and technology leadership will lie with Asia.

WIPO figure reveals that Chinese residents filed maximum number of application in all three categories- patents, marks and designs. India and Turkey have joined the top 10 club in intellectual property [37] (Table:6).In 2010, Japan overtook the United States to become the highest producer of triadic patent families . The rise in patent application springs from the growing number of graduates in science and technology.

Table:6

Overview of resident IP activity by origin, 2011

Origin	Patents	Marks	Designs
China	1	1	1
Germany	5	4	2
United States of America	3	2	9
Japan (5)(7)	2	8	6
Republic of Korea	4	9	3
France (5)(7)	7	3	8
Italy	9	10	4
India	10	5	11
Turkey	17	6	5
United Kingdom (6)	8	11	10

Source: WIPO,2012[38]

64.5%, 63.2% and 64 % respectively. Contrast this share with US or EU's corresponding share. US share in semiconductor industry was meager 19.3% and in communication equipment 19.6. China earned trade surplus on high- tech trade in 2010, while the US again had trade deficit.

Asia is though still way behind the west in fundamental research and the aircraft and spacecraft. But, the burgeoning engineers and scientists with high sense of confidence and pride in the post-western world can match up to the west before 2030 A.D.

Complex Monetary Regime for US hegemony in a nutshell!

How does the US maintain hegemony? The key lies in the paper-feudalism orchestrated by the American policy makers in the wake of collapse of the Bretton Woods Agreement in 1973 and the Arab-Israel war. The Second World War put America on the forefront of global system. America was the largest producer of oil. The USA orchestrated weakling European powers at San Francisco and Bretton Woods. Dollar became the international reserve and transaction currency on the precondition of dollar-gold convertibility as prescribed by Harry J.White. John Maynard Keynes' proposal for an international body to issue bank note, **bancor**, was turned down. At this juncture, USA ran a trade surplus and accumulated 60% of world's central bank gold with its Federal Reserve System that guaranteed the stability of Bretton Woods system. By the early 1960s, USA began to run massive balance of payment deficit and budget deficit due to domestic tax cuts, domestic spending under Great socity program and military expenditure in Vietnam War. French President Charles de Gaulle put up a European vision to challenge America. De Gaulle asked the US to convert Eurodollars for gold as the U.S. dollar's fixed value against gold($35 per ounce of gold) was seen as overvalued. On 15th August 1971, U.S. President Richard Nixon suspended the dollar's convertibility into gold . [40] By March 1973 the major currencies began to float against each other. paving way for a flexible exchange rate system, also known as Bretton Woods II system . Once the fixed exchange rate system was discarded, global trade in currencies accelerated. Capital became mobile and capitalism developed disjunctive spheres within as finance capitalism slowly got delinked from productive sphere.

In 1973, OPEC countries hiked oil price several times in the wake of Arab – Israel war. America's oil production had peaked. It needed new source for increasing demand of oil at home. Henry Kissinger entered into secret negotiation with the OPEC leader, Saudi Arabia in 1974 to denominate oil bills in dollar only and to invest their surplus oil proceeds in US debt securities. The United States-Saudi Arabian Joint Commission on Economic Cooperation was established and it would facilitate annual meetings between Finance officials from Saudi Arabia and US Treasury officials. US extended security guarantee to the Oil producers in MENA. This was the beginning of Petrodollar and its recycling system. The emergence of oil-dollar axis allowed America to widen its primacy internationally. Oil substituted gold as the bedrock of dollar economics. Every oil-importing nation require dollar. Global artificial demand for dollar kept on soaring since oil is the necessary requirement for economic growth. Dollar can be obtained only in two ways – either as loan from the US and US controlled multilateral bodies or by exporting more and more goods as well as services to the USA.

It is no coincidence that neoliberal philosophy of economic growth emphasizes export- led growth. Economic theories have been manipulated to show currency devaluation as a measure to boost export. Rest of the world, particularly developing world, enters into competitive devaluation vis-à-vis dollar to increase its market share in the USA. As a result, the US became the biggest consumer of goods at the cheapest price that brought consumer revolution there. Half of the world's exports are priced in dollar. Apart from being the transaction currency, dollar also acquires the role of reserve currency since that assures the nations the undisrupted supply of oil to grease national economies.

When petrodollar is recycled into American bond market, US derive three kinds of benefit from this recycling. First, American current account deficit is balanced. Second, the surplus capital is loaned to correct balance of payment deficit of those developing countries which face instability in its economy due to mobile nature of capital. Third, share indices and asset prices in the US are kept at maximum which reflects erroneously strong fundamentals in the American economy. These factors make dollar stable. Devaluation of other currencies vis-à-vis dollar maintains a strong dollar, hence, its primacy continues unabated.

US does not want this system to go . Only this system sustains a spendthrift government and consumerist society. The US pays merely a fiat currency i.e. dollar in lieu of 'real physical goods' as dollar can be printed without any limit after the collapse of dollar – gold convertibility in 1971. In the US, the Federal reserve print dollar against debt. The debt ceiling keep on raising and as on 31st December,2012; is at the level of $16.4 trillion. The profligate government pursue huge military and social sector expenditure through deficit financing. The excess dollar is pumped out through disrupting the Oil market. One can discern the pattern in the overtly militaristic policy of the US after the 2008 economic crisis hit major American banks. The US is pursuing hit and scoot policy in the MENA , merely to disrupt the oil market. This causes increase in oil prices and heightens artificial demand for dollar. The excess dollar which is being pumped in the US economy against raising of debt limit and fiscal deficit is pumped out offshore. The developing world gets scared with the devaluation of dollar fearing the dip in their export if their currencies strengthen. To protect their currencies from appreciation vis-à-vis dollar, their central banks intervene in forex market openly by buying up dollars. These dollar reserve is recycled into buying T-bonds in US. The reserve accumulation leads to excessive money supply in domestic economy, which if not sterilized through various market stabilization bonds, will cause high rate of inflation.

The US finances its deficit at low interest rate and keeps on accumulating debt by raising up debt ceiling through the Congress. It is not afraid of roll over or debt default as its currency, dollar, is the world's reserve currency and can be printed at will without any 'gold' or 'material' backup .Since the Plaza Accord in 1985, the US is the biggest debtor, but its foreign debt is denominated in its own currency under this complex recycling process backed up by the OIL-Dollar Regime(ODR). The US need not produce anything to pay back its debt but merely fiat dollar which can be printed at no cost. Therefore, the US aims at a monetary policy that keeps low interest rate, low inflation and strong dollar so that it's T-securities and bonds can be sold internationally with confidence. But, the system is on verge of being dismantled. The post-Western World will be agape with the news of demise of this complex, tributary regime. The last vestiges of the Western imperial domination is crumbling.

Imminent Demise of Dollar Hegemony

The global monetary machination is under stress. It is an unintended consequence of the US strategy to diversify its energy source. OPEC no longer is major supplier of oil to the US. The US is increasingly shifting back to Western Hemisphere as destination of its oil imports. OPEC supplied 20.82% of its total crude to the US in 2011, while the American share of the total export from Middle East has dwindled to mere 12.21%.[41]

This has to do with technical breakthrough to extract oil from non-conventional source like shale and sand. The US has emerged as the world's largest producer of the natural gas. The latest estimate suggest that US has a 100-year supply of natural gas. Production of oil after deploying the fracking (hydraulic fracturing) has tremendously improved the oil extraction in the US and Canada. In 2011, the United States became a net exporter of petroleum products for the first time since 1949, thanks to industry investment in domestic oil and natural gas production and refinery upgrades. [42] Total domestic production of liquid fuel is expected to be 11.4mb/d this year in the US. API report mentions that increases in production in shale areas have increased domestic oil production by 25 percent since 2008. and U.S. output from eight tight oil prospects alone is expected to grow to 4.5 million barrels per day by 2020, up from 2 million barrels per day in 2012.Two of the most prolific tight oil prospects are responsible for much of this production—the Bakken Shale, located in western North Dakota and eastern Montana, and the Eagle Ford Shale in Texas."[43] Apart from shale and sand oil, the increased production of ethanol from the biofuel and the hybrid technology to use artificial photosynthesis through nanotechnology to produce ethanol as the fuel for the vehicles are redrawing the contour of future energy import. It is estimated that by 2035, the United States will be importing just 6 million barrels of oil per day (bpd). The corresponding figure for the year 2000 was almost 11 million b/d in 2000. Brazil and Mexico has emerged as major producer of oil *(Table:7),* U.S. oil imports is estimated to be halved in next 20 years. The energy independence from the MENA is touted as the biggest achievement by the US administration. The Carter Doctrine under which the security of the Middle East was considered the prime objective for the sustenance of the US stands abdicated. The table clearly indicates that Canada and Mexico outstrip Saudi Arabia as source of oil import. With the production picking up in Brazil , the US can relieve itself from the Middle east oil import. Even now, US's import dependence on Middle East has reduced to 22% and that on OPEC to 39.6%. In fact, the US expects astronomical increase in oil production from its investment in exploration and non-conventional drilling in Brazil and has already begun to woo Brazil away from the BRICS.

Table:7

Source of Import of Crude Oil to the US*(1000 b/d)*

	2006	2007	2008	2009	2010	2011
All Countries	13,707	13,468	12,915	11,691	11,793	11,504
Persian Gulf	2,211	2,163	2,370	1,689	1,711	1,861
OPEC*	5,517	5,980	5,954	4,776	4,906	4,555
Algeria	657	670	548	493	510	358
Angola	534	508	513	460	393	346
Ecuador	278	203	221	185	212	206
Iran	-	-	-	-	-	-
Iraq	553	484	627	450	415	459
Kuwait	185	181	210	182	197	191
Libya	87	117	103	79	70	15
Nigeria	1,114	1,134	988	809	1,023	818
Qatar	2	2	0	10	1	6
Saudi Arabia	1,463	1,485	1,529	1,004	1,096	1,195
United Arab Emirates	9	10	4	40	2	10
Venezuela	1,419	1,361	1,189	1,063	988	951
NonOPEC	8,190	7,489	6,961	6,915	6,887	6,948
Brazil	193	200	258	309	272	253
Canada	2,353	2,455	2,493	2,479	2,535	2,796
Colombia	155	155	200	276	365	433
Congo	35	65	68	65	72	53
Equatorial Guinea	60	59	78	89	58	23
Mexico	1,705	1,532	1,302	1,210	1,284	1,206

Russia	369	414	465	563	612	624
Thailand	10	16	14	23	13	18
Trinidad &Tobago	117	100	63	84	73	77
United Kingdom	272	277	236	245	256	159
Virgin Island(US)	328	346	320	277	253	186

Source: US EIA,27.9.2012[44]

Since, the US is pursuing path of energy independence from MENA and OPEC, the OPEC is losing interest in denominating oil bills in dollar. Moreover, just as the Western Hemisphere oil production is getting Americanized in consumption, Asian oil production is getting Asianized. Asia's share in global oil consumption hovers around 40% . Oil import from all OPEC countries to Asian market is 54.6%. But, one will be surprised to look at the share of Middle East oil being consumed in Asia. In 2011, Asia imported 11586 b/d out Middle East's export of 16654b/d. (*Table:8)* This approximates 70%. With asianization of Asian oil achieved in production and consumption, in all likelihood, the invoicing of the bills will begin in local currency or new mechanism would substitute the decrepit Oil-Dollar Regime(ODR).

Table:8

OPEC Member's Crude Oil Export by destination (1000 b/d), 2011[45]

	Total world	Asia & Pacific	North America	Middle East
Middle East	16654	11299	2035	287
Iran	2537	1392	-	-
Iraq	2166	1125	460	-
Kuwait	1816	1500	195	-
Qatar	588	585	-	-
Saudi Arabia	7218	4487	1313	284
UAE	2330	2211	66	-
North Africa	997	158	289	-
Algeria	698	112	289	-
Libya	300	46		-
Africa	3919	742	1935	-
Nigeria	2377	91	1233	-
Angola	1543	651	702	-
Latin America	1887	333	627	-
Ecuador	334	11	207	-
Venezuela	1553	323	419	-
OPEC	23457	12532	4885	287

There is a stable energy linkage with Middle east oil and East Asia consumption. The interdependence is integrating the Middle East more and more with dynamic Asia. Intra-Asian trade is growing fast in other sphere of economy too. By 2030, it is estimated that intra-Asian trade would constitute 40% of the world trade. Regionalization of trade would further fuel the demand for non-dollar denominated invoicing of the bill.

This is already happening with series of swap agreements which China, Japan, south Korea have signed. The artificial demand for dollar is naturally dying. With the Asian economic strategy shifting from the export-led growth to consumption-led growth , further pressure will pile up against dollar. The lowering of demand of dollar in both oil sector and export market as well as growing fiscal deficit will cause devaluation of dollar. The Asian Central Banks have lost the appetite for accumulating dollar in their kitty. Though Saudi Arabia is buying dollar to stimulate dollar's primacy, with more than $620 billion in its kitty, it will soon loose the appetite else the cost of maintaining the reserve would drag its economy during turbulent times. If dollar further devalues, there will be pressure on OPEC to move pricing from dollar since oil is priced in U.S. dollars on the world market, and the dollars depreciation contributes to rise in crude prices and also erodes the value of their dollar reserves.

The pressure to dismantle Oil-Dollar Regime(ODR) is already building up. Iran is OPEC's second-largest producer and it has already ended conducting oil transactions in U.S. dollars in 2012. Iran has offered to conduct oil transaction in non-dollar currencies. Iran's oil transaction is conducted in euro, yuan, rupee and yen. China is the biggest buyer of Iranian oil and increasing import of Iranian oil.

Iran is not only puncturing the ODR, but also encouraging the other OPEC members to shift from dollar-pricing.

Iranian President Mahmoud Ahmadinejad called the depreciating dollar a "worthless piece of paper" on November 19,2007 at OPEC summit in Saudi Arabia and urged OPEC to "disconnect oil and dollar". [46] Initially, it was Iran which gave a twist to the end of unipolarity of global currency . In 2003, Iran began pricing its oil exports in Euro . Further Iran opened oil bourse on 17 February, 2008 on the island of Kish in the Persian Gulf for trading oil in Euro and other currencies. [47] This led to the rise of share of euro in forex reserve globally.

The Gulf Cooperation Council (GCC) is also pitting to went off dollar billing of oil. GCC consists of nations like Saudi Arabia, Kuwait, Qatar, UAE. Many of the GCC countries had unofficial pegs to the US dollar- 3.8 riyal per dollar in Saudi Arabia ; 3.7 dirham per dollar in UAE; 0.3 dinar per dollar in Kuwait; 3.6 riyal per dollar in Qatar. But, UAE and Bahrain opposed a currency union, Khaleej dinar only because the new currency was to be pegged to dollar. The dollar peg of these currencies are causing higher inflation in these countries as the US economy continue to be mired in recession. Moreover the US is pursuing deliberate policy of Quantitative Easing under which trillion of dollars have been pumped into domestic financial markets to push down the value of the dollar. This is the US implicit indulgence in the 'Beg Thy Neighbour Policy". The competitive devaluation of dollar is dragging down the gulf currencies tied to dollar and building huge inflationary pressure in these countries.

Since, these countries have high food-import dependency. In the wake up of the Arab Spring, the high cost of food prices have become threat to their stability. The GCC states are loosening their peg to the US dollar and slowly shifting their reserves out of dollars.

Venezuela, another OPEC country which too has its currency Bolívar to dollar(4.3 Bolivar per dollar) is now pitting for SDR and Yuan. The Arab springs has paved way for anti-American groups gripping power in the region. With the US's intent to pursue energy independence and shift to "Pivot of Asia' strategy to build a Trans-Pacific Partnership(TPP), the oil-producing Gulf states are relentlessly working to wriggle out of dollar strangulation.

But, the unipolarity of dollar in global monetary system is being replaced by a new post-western monetary system due to reckless policy of the American administration. The US is projecting itself as a victim of the global monetary system by putting up Triffin Paradox argument (Belgian economist Robert Triffin (1912-1993) argued that in an international monetary system, if the reserve currency is foreign currency, the issuer of the reserve currency has to run the current account deficit to fulfill the responsibility to supply the world with risk-free asset. By doing so, the Central country becomes more and more indebted to foreigners until the risk-free asset ceases to be risk-free). The US is that it has earned foreign debt of $4 trillion as of now only to facilitate global trade. This is the ultimate victimhood parried by a decadent hegemonic power. The US is creating a brouhaha against alleged ‘currency manipulators”, but no longer intends to radically alter its own domestic policy and overtly militaristic foreign policy.

The U.S. government has borrowed trillions of dollars from foreign banks and governments to help finance Iraq & Afghan wars and to bloat and overstretch its hard military power to secure its interests. The US also kept on encouraging domestic consumption at the cheapest import price to keep the population away from political engagement and questioning the administrations moves world across. Further, when the US was hit by banking crisis in 2008, it heavily borrowed to stimulate economy and rescue these huge financial institutions with bail out packages. In last five years, estimate for only the present year is below $ 1 trillion.

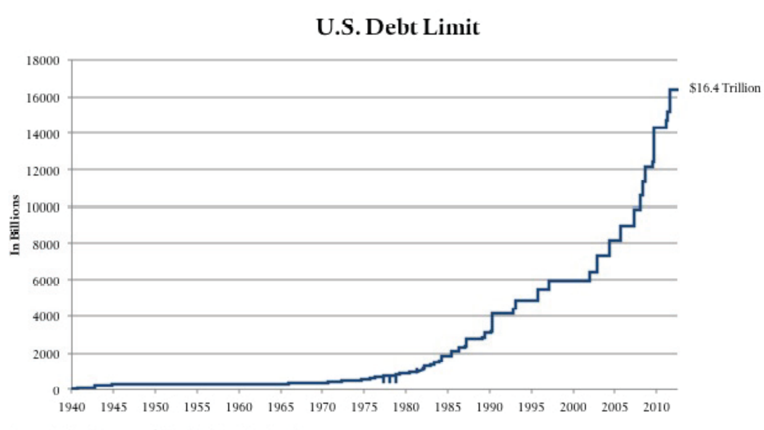
Recent US Federal Deficit Numbers

Deficits during Obama’s Presidency	***Deficits during Bush’s Presidency***
FY 2013*: $845 billion	FY 2009†: $1,413 billion
FY 2012: $1,089 billion	FY 2008: $459 billion
FY 2011: $1,300 billion	FY 2007: $161 billion
FY 2010: $1,293 billion	

* CBO Projection[48]

The federal government has already reached debt limit of $16.39 trillion on 31st December 2012. There is no new borrowing authority from the Congress and the US government will have to handle possible default on interest payment or even payment of salary to employees by early March ,2013. The Congressional budget Office further project fiscal deficits of $7.0 trillion for the 2014–2023 period, . Federal debt would remain above 73 percent of GDP—far higher than the 39 percent average seen over the past four decades. (As recently as the end of 2007, federal debt equaled just 36 percent of GDP.) [49]

Federal debt held by public stands at $11.28 trillion or 72.5% of US GDP at the end of 2012.The CBO projects that this figure would boom to $19.94 trillion in 2023(77% of the then GDP). Gross federal debt that consists of debt held by the public and debt issued to government accounts is projected to reach $26.1 trillion by 2023.[50] The increase in debt will also increase the expenditure towards interest payment on the debt. Interest rates which is bottomed at almost zero will increase as the US cannot continue to maintain artificially near zero interest rate and attract investment. The CBO projects that, under current law, the government’s yearly net interest spending will double as a share of GDP—from 1.5 percent in 2014 to 3.3 percent in 2023.



While fiscal deficit and debt is skyrocketing, neither the taxpayers nor the administration are ready to tighten the belt . The public uproar led to the postponement of fiscal cliff under which sharp decline in the budget deficit had to occur beginning the FY 2013 due to increased taxes and reduced spending. But, the fiscal cliff was eliminated by the passage of the American Taxpayer Relief Act of 2012 (Public Law 112-240), was enacted on January 2, 2013 that permanently extended some lower tax rates and other tax provisions that expired at the end of FY 2012 . But, this will add $4.0 trillion to federal deficits over the 2013–2022 period[51] The US, rather than tightening its consumption binge, is indulging in "beggar-thy neighbour" policy by pursuing the Quantitative easing under the Fed's macroprudential approach. This is aimed to dupe and disrupt the global financial system. The Fed creates credit, and uses it to buy mortgage-backed securities(MBS) and Treasuries from American banks. The banks take off old debt off from balance sheet and extend further credit to make more loans. The increase in money supply devalues dollar. The US intends to make its export cheaper as well as to export its own inflation. Since oil is denominated in dollar, the oil prices soar up due to dollar devaluation. This impacts the dynamic economies which are oil-dependent like India , Japan and China, the troika of Asian powers which are expected to be among the top four global economic powers within a decade. The artificial hike in oil prices is then blamed over growing appetite of Asian nations. There is an artificial demand for dollar. These nations hoard the dollar for energy security as well as to protect its export to the global consumption sink, the US. The Fed pumps this excess dollar into global financial system to maintain low level of interest rate and inflation within USA which safeguards the strength and stability of dollar. The draining out of dollar is also achieved through currency traders via the 'dollar carry trade". The US is maintaining lowest possible interest rate in spite of huge turbulence in economy. The Fed fund rate till 2015 is zero. It helps the nation in two ways. The interest payment amount on the public debt is kept at minimum. Secondly, the emerging economies which maintain higher rate than the US, became destination for hot money through carry trade in dollar. The dollar gluts the world economy. This enters stock markets and raises the indices. Asset bubbles are created in these growing economies and then high inflation builds up. With huge amount of dollar, there is panic among exporters in other countries, since the domestic currencies are expected to rise in strength. There is a cacophony to devalue currencies to maintain the cheap export to the US. US dollar retains the strength since other currencies enter into competitive devaluation.

Asian Central Banks intervene in the market and pile up dollar in forex reserve and inject corresponding amount of money in domestic economy which fuels inflation. Through this way, the US can continue to expand debt base and export inflation. China has piled about &3.3. trillion in reserves by October 2012. Japan is number two with $1.2 trillion in its kitty. *(Table:9)* On the other hand, US which is the world's largest economy has mere $52 billion in forex reserve in comparison with the standard requirement of three month of import, which in US case should be $666 billion.

Table:9

Foreign Currency Reserve Accumulation: Major holders

October 2012(reserves &million)

China	3,285,095
Japan	1,196,844
Saudi Arabia	613,373
Russia	476,380
Switzerland	456,124
Taiwan	399,216
Brazil	369,212
Korea	314,255

Hong Kong	291,210
India	260,465

(Latest data are for September for China, Saudi Arabia, Russia, Brazil, Hong Kong)

Saudi Arabia is the only major economy for which the pace of reserve accumulation has been increasing, reflecting rising oil prices. India's foreign currency reserve has fallen since July 2011.[52]

Under this process, the US is gleeful that with each bout of devaluation of dollar, the value of the substantial dollar assets in forex reseves of these Asian econmies get driven down. Realizing the baneful effect of getting caught in this endless cycle of financing US debt and loosing hard earned wealth, ACBs have stopped further piling dollar. The US has managed the Saudi Arabia to purchase dollar so that the latest round of the QE policy does not fuel domestic inflation. But, inspite of the QE policy, the trade deficit in the US is widening. The US Trade balance deteriorated from 645.1 billion trade deficit in 2010 to 738.4 billion in 2011.[53] This also points to the need for the US to engage in domestic tightening and not to create imbalance in global monetary system.

The mischievous strategies are getting thumbs down from various quarters. The credit rating agencies like S &P are downgrading the US economy and it is further exacerbating the negative confidence effect among the global business community for the dollar as a transaction currency.

The US finds itself at the fag end of monetary unipolarity as the nations have begun to shun dollar after the regular bouts of devaluation and the American economy in doldrums. C. Fred Bergsten and Joseph E. Gagnon of Peterson institute for International economics have argued in their recent policy brief, "Currency Manipulation, the US Economy, and the Global economic order", [54] argues for the end of dollar's international role:

" With respect to the international role of the dollar, it is now clear that the United States pays a considerable price and might be better off without it. The dollar's role makes it easier for other countries to set the exchange rate of the US currency and more difficult for the United States itself to do so. Moreover "deficit without tears" that other countries have jealously criticized for so long have turned out to be a poisoned chalice for the United States itself. By depressing demand for US output, currency manipulation has simultaneously driven the United States to larger fiscal deficit and made the financing of those deficits easier. The net result is an unsustainable path of national and external debt." [55]

Bergsten & Gagnon plots the evolution of a multiple reserve currency system with multiple international financial centres and argues that the other countries would not be forced to use the dollar or US financial assets, and thus the US can achieve autonomy to contemplate dollar policies. Their prescription for the United States is to "*gracefully accept the steady, and most likely continued slow, decline of the dollar's international role and react with equanimity when the inevitable day arrives that it will no longer be number one on one or another of the relevant criteria*." [56]

The end of dollar hegemony will deprive the US from the multiple advantages that sustained hegemony. The foremost of which was to indefinitely and exponentially feed on foreign debt and foreign oil , both denominated in their national currency, dollar, which could be printed at will without any tangible backing. But, will the US allow peacefully to let a new global monetary system emerge in the post-western world or will it destabilize global monetary system in a game of brinkmanship?

Tripolar Global Monetary System

China has surpassed the US in 2012 to become the world's biggest trading nation. While US exports and imports totaled $3.82 trillion, China's total trade amounted to $ 3.87 trillion. [57] The biggest trading nation has incentive to promote the use of its own currency for smooth flow of trade. China has embarked upon internationalizing yuan through swap agreements. Bilateral swap agreements lead to short-term liquidity and ease trade conditions It has already signed 18 currency swap agreements with a total of 1.6 trillion yuan involving such diverse countries like South Korea, Japan, Phillipines,Brazil, Australia, Indonesia, Belarus,UAE, Turkey. [58] The deal between China and Japan is a deal between world's second and third largest economy. China is already Japan's largest trading partner with bilateral annual trade exceeding $340 billion. Similarly, China is the biggest trade partner of Germany now and a similar swap agreement is being negotiated. India and Japan have agreed to enhance the amount of currency swap agreement from $ 3 billion to a tune of $15 billion on December 4,2012[59] .Such swap agreement reduces the dollar role in international transaction.

Moreover, Japan has been allowed to buy yuan denominated bonds issued inside China. . China is also working to develop yuan offshore market. Apart from Singapore and Hong Kong, London and Taiwan has become offshore yuan trading centre. Now, all over the world, the financial centres are competing to emerge as the major centre for yuan transaction. has become the clearing centre for yuan market. China has now officially declared to pursue Yuan internationalization on market –oriented basis.[60] A report in China Daily estimates that "in 2012, cross-border trade settlement in the yuan rose 41 percent to 2.94 trillion yuan, while investment settled in the currency rose by 153 percent to more than 280 billion yuan[61] . The bankers project that within next two years , yuan would be adopted as a reserve currency. Thus by multiplying bilateral swap agreements, China is aiming to make yuan as a global reserve currency and an alternative to the dollar.

The clamour for replacing dollar as reserve currency is growing manifold .Russian President Dmitri Medvedev told an economic forum in St. Petersburg in June,2010 that American financial policy had made the dollar an undesirable currency for reserves held by central banks. Russian Finance Minister Alexi Kudrin suggested making China's renminbi as a world reserve currency after it becomes fully convertible in about next ten years. Following such bonhomie, from November, 2010;Russia and China began to use their own national currencies for bilateral trade, instead of the U.S. dollar. The yuan started trading against the ruble in the Chinese bank market in Shanghai, and in December 2010, began trading on the Moscow Interbank Currency Exchange.

Yekaterinburg Summit(2009) of BRIC nation & Pittsburgh Summit of G-20 nations same year witnessed clampdown against dollar's over bloated role. China led the creation of Chiang Mai Initiative in 2010 for an Asian Monetary Fund- kind of institution with 10-member ASEAN and China, Japan, South Korea as signatories. This created a $120 billion regional currency swap fund with objective to bail out member nations in times of illiquidity or balance of payment shortfall. Now, the members are considering doubling the fund in response to the perceived increasing threat of global instability.

Such initiative has encouraged the institution like the ADB to visualize a Pan-Asian Integration scenario. In its report, *ASIA-2050:Realizing the Asian Century*, ADB chalks out the future of global monetary system:

There are four possible paths to the future Global Reserve Currency System. The first is the status quo, if Asia remains non-convergent, fragmented and subject to economic setbacks and internal conflict. The second is a single dominant Asian currency that then contends for the dominant position in the Global Reserve Currency System. This has a low probability, because it would be quite difficult for a single Asian economy to achieve Asian dominance or global dominance on its own. The third path is an intermediate Asian Monetary System before negotiating to join the Global Reserve Currency System. [62]

Emboldened with dollar's diminishing role, the G-20 nations have sought a stable and resilient international Monetary system and aims to review the developments afresh in 2015.

In the 6th Summit of G-20 nations in Cannes, France held in the year 2011 ; the G-20 countries agreed to accept the emergence of new international currencies. The relevant paragraph of the Agreement is reproduced here:

"Reflecting the changing economic equilibrium and the emergence of new international currencies

12. We affirm our commitment to move more rapidly toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals, avoid persistent exchange rate misalignments and refrain from competitive devaluation of currencies. We are determined to act on our commitments to exchange rate reform articulated in our Action plan for Growth and Jobs to address short term vulnerabilities, restore financial stability and strengthen the medium-term foundations for growth. Our actions will help address the challenges created by developments in global liquidity and capital flows volatility, thus facilitating further progress on exchange rate reforms and reducing excessive accumulation of reserves.

13. We agreed that the SDR basket composition should continue to reflect the role of currencies in the global trading and financial system and be adjusted over time to reflect currencies' changing role and characteristics. The SDR composition assessment should be based on existing criteria, and we ask the IMF to further clarify them. A broader SDR basket will be an important determinant of its attractiveness, and in turn influence its role as a global reserve asset. This will serve as a reference for appropriate reforms. We look forward to reviewing the composition of the SDR basket in 2015, and earlier if warranted, as currencies meet the criteria, and call for further analytical work of the IMF in this regard, including on potential evolution. We will continue our work on the role of the SDR." [63]

But, 2015 may be far distant in time. The economists have confirmed that in East Asia, dollar bloc has effectively been replaced by a yuan bloc. Arvind Subramanian and Martin Kessler of the Peterson institute for International Economics have come out with their study, " The Renminbi Bloc is Here: Asia Down, Rest of the World to Go?" [64]. They find that the renminbi has increasingly become a reference currency (meaning emerging market exchange rates move closely with it).Since June 2010 when the renminbi resumed floating, the number of currencies tracking it has increased while the number tracking the euro and the dollar have declined.

They have studied this tracking and find how East Asia is already a renminbi bloc because the currencies of seven out of 10 countries in the region – including South Korea, Indonesia, Taiwan, Malaysia, Singapore and Thailand – track the renminbi more closely than the US dollar. Only three economies in the group – Hong Kong, Vietnam and Mongolia –have currencies following the dollar more closely than the renminbi. But these three economies does not have high GDP.

The shift emanates from China's rise in the share of east Asian countries' manufacturing trade . East Asian countries that sell to the growing Chinese market or are locked in supply chains centered on China maintain a stable exchange rate against the renminbi.

The economists have also tracked the rise of the renminbi outside East Asia. Even the currencies of India, Chile, Israel, South Africa and Turkey now follow the renminbi closer than dollar. Subramanian & Kessler have projected that in 2037, the global renminbi currency bloc may emerge. [65]

The multipolarity of global monetary regime will virtually end the tottering American hegemony. The Post-Western world will no longer be marred by the world wars and imperialism. Asian nations have pursued the path of integration in contrast to the halcyon days of the west when the nation-states pursued the policy of balance of power and Beggar Thy Neighbor policy. Asian resilience and reliance on conciliation rather than power politics will help create a stable and peaceful global environment. The international hegemon, in such conditions, will have to pursue a benign approach. It will be a networked and nested global system and not the hierarchic system. Harmony and rule of law will extend sway over international system. The post-western world will have many more positive surprises for the citizens world across. Asia-centric global civilization will emanate peace and prosperity and facilitate the great leap in mankind's quest for a rational ,moral and aesthetically soothing social and political order.

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