Globalisation and the ‘Emerging Giants’- China and India

Dr Sumit Roy

Occasional Paper

School of International Relations and Strategic Studies
Jadavpur University, Kolkata, India

May 2010

Globalisation and the ‘Emerging Giants’– China and India
written by Dr. Sumit Roy

Printed by :
Pragna Prakashani
8, Narasingha Lane, Kolkata – 700 009

Foreword

'Globalisation' is a phenomenon with multidimensional connotations though its economic aspects tend to predominate any discussion on the subject. American academic Manfred Steger refers to economic globalisation as "intensificaiton and stretching of economic inter-relations across the globe. Gigantic flows of capital and technology have stimulated trade in goods and services. Markets have extended their reach around the world, in the process creating new linkages among national economies. Huge transnational corporations, powerful international economic institutions, and large regional trading systems have emerged as the major building blocs of the 21st century's global economic order." In the process markets have emerged as mechanisms in place of the state to devise policies on development with the creation of the "new space" which co-exists with the nation state.

In the last decade or so the emerging economies of China and India have attracted a lot of attention around the world as entities which can play an effective role in the structural transformation and reshaping of the national and global destinies. What is increasingly revealed, as the author of this paper puts it, is "their mounting power and drive to liberalize and pursue long term strategic ties with each other and developing regions – exemplified by Africa."

This paper delves into the subject of the increasing importance of China and India in a globalising world. The author of this occasional paper, Dr Sumit Roy, Visiting Senior Research Fellow at the School of International Relations and Strategic Studies (SIRSS), Jadavpur University is a noted expert on global political economy who has written extensively on the subject. The paper emerges out of a research project undertaken by the author and sponsored by the SIRSS. The SIRSS is privileged to present this paper entitled ***Globalisation and the 'Emerging Giants' – China and India*** to the academic community and the reading public at large with the hope that it will be appreciated.

Professor Purusottam Bhattacharya
Director
School of International
Relations & Strategic Studies

Jadavpur University
Kolkata, India

Preface

This Occasional Paper is divided into two sections: Section 1 'Globalisation, the Emerging Giants'-China and India-and development' and Section 2 'Globalisation, the 'Emerging Giants-China and India- and African development.' The setting is the political economy of the mounting power of the two nations in the world and their potential to induce a rebalancing of the global order. Section 1 uncovers the process of structural change driving economic change and strategies to intensify ties with each other and with developing nations- exemplified by Africa- while Section 2 appraises in detail the nature of EG-Africa ties underscored by a shift from politics to economic development.

I would like to express my thanks to the School of International Relations and Strategic Studies, Jadavpur University, Kolkata, where I undertook the research as a Visiting Senior Research Fellow, and specially to Professor Purusottam Bhattacharya, the Director of the School. The analysis draws on several lectures and broadcasts I gave on globalization and China and India: School of International Relations and Strategic Studies, Jadavpur University, Kolkata, the Open University, Kolkata, the Indian Institute of Management, Kolkata, Maulana Abul Kalam Azad Institute of Asian Studies, Kolkata, the School of Social Sciences, University of Manchester (UK), the Nordic Africa Institute, Uppsala, Sweden and the Gothenberg International Book Fair, Gothenberg, Sweden and the BBC World Service's 'Newshour,' ' The World Today,' and 'Network Africa.'

Globalisation is complex arousing optimism and pessimism with nations trying to create a more open economy while exercising their traditional hold over national sovereignty. In this respect my understanding of the process has been enriched through discussions and collaboration with leading academics. In particular my fondest memories are of Sir Hans W Singer with whom I co-authored a book on shifts in global thinking and policies since Bretton Woods (Economic Progress and Prospects in the Third World:Lessons of Development Experience Since 1945, Edward Elgar, 1993) and the late Professor T.V.Sathyamurthy of the Department of Politics, University of York (UK) with whom I taught and researched on international political economy. My understanding was also enriched through critical exchange on such themes with my past colleagues including Meghnad Desai, Director, Global Governance, London School of Economics, Cornelius Mwalwanda, Head, UN Economic Commission for Africa Liaison Office, Geneva, Duncan Campbell, Director, Policy Integration Department, ILO, Geneva, Augustin Fosu, Deputy Director UN WIDER, Helsinki, and Liu Haifang of the Chinese Academy of Social Sciences, Beijing. I may mention that my wife, Bharati, firmly supported my research endeavours..

It is foolish to forecast the future. However, the 'Emerging Giants' may reshape globalisation and the power of nation states. I hope this paper provokes some thoughts on this core challenge..

Sumit Roy
Visiting Senior Research Fellow,
School of International Relations
& Strategic Studies,
Jadavpur University,
Kolkata, India

Section 1

Globalisation, & the ‘Emerging Giants’ — China and India — and Development

Abstract

Globalisation is a historical process of unifying the world. It is based on compression, blurring of borders, removal of economic barriers, and interlocking of nations. Its contemporary phase unfolds a shift from the state to the market to devise policies on development with the creation of a 'new space' which coexists with the nation state. This impinges on the scope of embracing globalization and pursuing national sovereignty.

In this context this Section 1 focuses on the political economy of integration of the EG-China and India-into a changing world underscored by structural transformation and its implications for reshaping national and global destinies. This captures their mounting power and drive to liberalize and pursue long term strategic ties with each other and developing regions-exemplified by Africa. Insights unfold into the potential of the EG to create a more balanced global world.

Globalisation

Globalisation is a historical process.[1] It can be traced to the pre colonial and the colonial era with gradual intensification of the interlocking of nations. The contemporary phase of globalization has been underscored by ICT and reduced transportation costs paving the way for compression of the world economy, a blurring of national borders, and removal of barriers to flows-trade and finance-and labour movements (albeit somewhat limited). This is driven by a shift from state to market led forces and in turn arouses questions on the autonomy of the state and its hold over national policies.

This is set against a backdrop of post cold war inter and intra state power struggles. This has stemmed from nuclear and non-nuclear strife, civil wars, ethnic, religious and tribal animosities. These are often rooted in poverty and cultural insecurity. This has been accompanied by the spread of economic globalisation through forging stronger links between nations and domestic-

1. On globalisation see Roy, 2009 (b), 2007 and 2005.

international markets impinging on sustainable growth. Hence, interaction between states and non-state actors is being increasingly moulded by both economics and international and domestic politics encompassing conflicts and tensions between diverse social forces. Post cold war intra developed nation frictions have been confined to particular regions. However, tensions among developing nations, exemplified by inter state and civil wars in Africa, have intensified. This is a major threat to global peace. It is essential to re-knit and revive social and political stability in conflict ridden and post conflict societies and hope of material advance through globalization.

Initially globalisation was seen as being positive with the hope it would usher in material benefits surpassing any temporary disruptions to nations. Hence, it was assumed that the majority of national leaders and people would enthusiastically embrace globalisation. Alas, such an illusion has been shattered by the emergence in the post cold war era of dormant forces, which had been repressed or suppressed by cold war ideological battles between 'capitalism' and 'socialism.' This has exposed insecurities, uncertainties, and anxieties rooted in diverse identities-ethnic, religious, linguistic, tribal, and cultural-stemming from different, and often conflicting, beliefs. Thus, it is crucial to challenge the imposition on developing societies of avowed universal values of globalisation often based on western based notions of markets, society and politics. This may undermine 'traditional' life styles and national and local sovereignty. Though tensions between developed nations have eased in the globalisation and post cold war era that between and within developing nations have been mounting. Sadly, this has undermined peace, stability and development (especially in Africa). Goals and strategies of development, therefore, should be closely linked to peaceful diplomacy, peace making and peace building.

The recent financial crisis (2008) which emerged initially in developed countries and was subsequently transmitted to developing and transitional economies has led to resurfacing of critical doubts about the basis of globalisation, its desirability, and the urgency of restructuring international institutions.

Globalisation requires removal of barriers to flows of trade and finance through liberalisation exposing nations to booms and slumps in the world economy. In the aftermath of the crisis there is major concern over the virtues of opening up and liberalising economies and the ensuing risks from open exchange relationships between countries. However, the impact of the crisis on different countries is dependent on the nature of their integration into the world economy. The more open an economy the more the exposure to the vagaries of the external economy exemplified by financial shocks..

The roots of the crisis can be located to the so called sub-prime crisis in the US housing market in 2007 with the crux of the US housing market in 2007-8 quarterly engulfing the US economy via the intersectoral linkages, and the contagion spread in 2008-9 to the rest of the world through the channels of international finance and trade. The US sub-prime crisis was caused primarily by the over expansion of mortgage credit. This could have been averted if the Federal Reserve Board had played an appropriate regulatory role in relation to the expansion of new financial instruments such as loan securitization. The default ratio over home loans that occurred in 2007 was preceded by an enormous increase in home purchase loans and preceded by increase in home mortgage credit during the period from 2002 to 2005 the Federal Reserve should have taken a more active role in controlling the spiralling mortgage credit expansion. Banks can expand credit supply and hence they have to be controlled and also looked after by the central bank in case of need. The non banking institutions were left alone. These institutions got their loanable capital by selling these new types of financial assets to parties outside the financial system. This made possible the so called 'money multiplier' which increased sharply making the massive credit expansion of the pre-crisis years possible. In such cases, by holding each others debt assets these financial companies are virtually based on a 'shadow banking system.' When the sub prime bubble burst in 2007, the larger (absolute) value of the money multiplier world unfolded. The reverse took place with a massive credit squeeze and the spread of the contagion effect to other sectors of the US economy and then to other countries.[2] This included developed, developing, and transitional economies through financial and trade linkages- the former impacting on flow of loans (link), FDI and portfolio loans and on the availability of credit for investment and the latter on the demand for exports of countries with the net impact on the rate of growth of GDP, trade and poverty. Overall, there has been a fall in these indicators-

2. See Banerjee, 2010 Economic and Political Weekly, 8 November, 2008 on the financial crisis and developing countries.

GDP growth rate and trade (price and volume) and employment though this has been mainly distilled with developed countries being hit much more in the initial phase. Though all countries were hit the growth towards the last quarter of 2008 and in 2009 saw relatively sharper falls in the rate of growth of GDP, trade and employment in developed countries in comparison with developing ones.

Essentially, the rate of growth of GDP and exports and imports capture the crux of the problem stemming from the financial crisis with the world economy starting to revive from the close of 2009 and forecasts of a gradual return to a positive rate of growth in 2010 and beyond. Thus, the % growth rate of GDP started falling from the third quarter of 2008 to the close of 2009: 2.9% (2nd quarter 2008), 1.7% (3rd quarter 2008), -1.0% (4th quarter 2008), -3.4% (1st quarter 2009)-3.2% (2nd quarter 2009) and -2.0% (3rd quarter 2009). The % rate of growth of exports and imports in the world economy reveals sharp falls: exports fell by 2.9% (3rd quarter 2008), -5.8% (4th quarter 2008), -15.4% (1st quarter 2009), -15.5 % (2nd quarter 2009), and -11.5% (3rd quarter 2009) while imports fell by 2.3 % (3rd quarter 2008), -4.5% (4th quarter 2008), -15.6 % (1st quarter 2009), -17.3 % (2nd quarter 2009), and -14.0% (3rd quarter 2009) (Table 1). This has been underscored by the WTO Secretariat estimates which show that the rate of growth of world trade fell by over 12% in 2009-lowest since the 1929-33 depression-though it is forecast to increase by over 9% in 2010 (WTO, 2010). Unemployment, too, shows a sharp rise over the same periods for developed nations-exemplified by US's unemployment of about 10% in 2009. Developing countries were adversely affected through the 'contagion' effect of the crisis aggravating their poverty-including a decline in migrants' remittances in the second half of 2008 and in 2009 (by an estimated 5-8%).

In this context the EG were relatively less 'open' though China was more dependent on the world economy. Domestic demand was still the major vehicle for their growth. However, they were not immune to the financial crisis. Hence, changes in the world economy were transmitted to the domestic economy through trade and investment links with adverse outcomes for the rates of growth, exports and FDI and in turn through linkages to the rest of the economy to indicators like employment and poverty. At the same time their capacity to boost the domestic economy through fiscal and monetary measures initiated gradual recovery with hopes of resuscitating growth and minimizing the recession facing developed nations. This has major implications for the EG reviving their own economies and the global economy and their scope of resuming the pursuit of their pre-financial crisis policies.

Nations may either welcome globalisation enthusiastically or withdraw and isolate themselves from the world economy. They may resist external forces encroaching on the national and the local system and fiercely protect local values. Alternatively, they may re-shape and spread their unique, and often fundamentalist vision of globalisation, shaped by their equally valid, though possibly less democratic, beliefs. It is not a homogenous process. It has to encapsulate universal and, specific, varying, and complex multiple, local identities and values to mirror diversity. This should provoke re-thinking the goals and strategies to create a 'borderless' world while retaining and nurturing sharply contrasting, and possibly conflicting, life styles. This could minimize isolation, marginalization and disintegration of nations and diverse social groups. Globalisation may be a curse or a blessing. This is likely to arouse intense controversy. The challenge is to confront it from different perspectives through forces at various levels-global, state and local (including social movements)- to pursue peace and development.

Integration

Integration of the EG into globalisation uncovers their mounting power to shape political and economic change in the world.[3] Indeed, their status as the new 'global players' may herald in the long term a shift in global power from developed to developing countries-the former exemplified by the US-and

3. The focus on China and India to stimulate the world economy has been intensified by the global financial crisis (September 2008).Though both have lowered their rate of growth for 2009 and 2010 developed countries including the US, Europe and Japan were hit much more badly and showed recessionary tendencies. The crisis was discussed by the researcher on BBC World Service's 'Newshour' on 24th October 2008 and in Roy (2008 (a). On the financial crisis (2008) see Banerjee, 2010, Ben Thirkell-White, 2009, and Alexander, 2010 and Roy, 2008 (a).

4. This refers to the rising power of BRIC-Brazil, Russia, India and China-and a rebalancing of global power. In the long term developing regions such as Africa could join forces with the EG to confront developed regions..See Keet (2008). The EG-Africa relationship could bring about radical changes between developing and developed countries in the frame of changing global forces. See Amin (2008).

revamp international relations and the prospects of poor nations.[4]

The significance of China and India in the world is evident. They account for about 40% of the world's population and have witnessed high growth rates-China (over 9% per annum) and India (8% per annum)[5] -within a 'centralized' and a 'mixed' economy respectively. China is likely to emerge as the second largest economy in the world by 2016 and India the third largest by 2035 and hence their inter-linkages with other regions impinges on re-shaping the global political economy.

China's political influence in the world has aroused critical interest in terms of rearranging the global power arrangements. Its increasing consumption of raw materials and its growing assertive position as competition for scarce resources may pose threats. A key issue is its capacity to keep diverse political development processes under control. This encompasses its responsibility as a permanent member of the UN Security Council for maintaining and reforming the international order. The European view is that China is in the midst of becoming a world power while evolving multilateral approaches to cope with global risks.[6]

Chinese foreign policy has been motivated by its desire for national sovereignty and territorial integrity and enhancing its economic and socio-political aims accompanied by a defensive military stance. A key facet is energy acquisition. This, in part, explains its interest in Africa, Central America and Middle East. China's search for unhindered access to market resources has coexisted with its participation in international institutions to pursue its interests. Alongside, it has reinforced regional stability and cooperation and opposed intervention in its domestic policies. China's focus on Africa should be seen in relation to its drive to boost growth while safeguarding its own economy.

India's political prowess in the world surfaced in the post cold war era when it initiated a new set of regional ties. This was inspired by its urge to fulfil its national and international interests.[7] Immediately after independence India was active with its 'soft power' approach in

5. This is based on the rate of growth in 2006-7.

6. See Giessmann, 2006. Also see Breslin, 2005.

7. Biva, S, 2007.

international organizations and the Non Aligned Movement (NAM). This was informed by 'realist' and 'idealist' visions of Jawaharlal Nehru, India's first prime minister. It played a major role in the decolonization process while its foreign policy choices were circumscribed by Cold War politics. This defined its political, economic and security relations with other states.

Global politics in the Post Cold War era has witnessed changes in power relations between and among states. India is no longer confined to South Asia by the Cold War rubric having been freed from the structural clutches of the Cold War. It seeks to build strategic, political and economic alliance at the bilateral, regional and global level. Balancing and hedging of interests have become critical to realize a new multilateralism and in particular a seat on the UN Security Council. This is motivated by the desire to pursue power and security in as large a region as possible. Four sets of relationships emerge: First, with the immediate region of South Asia where India shares a border with other countries eg. Pakistan, Nepal, Bhutan, Bangladesh and Sri Lanka;second, India's ties with the major powers-US, EU, China, Russia and Japan. The presence and the role of the US and China influence the political dynamics of South Asia. China's emergence as the pre-eminent player in the Asia-Pacific region has aroused questions among analysts in the US, over the possible balancing role of India vis a vis China in the region. However, India's strategic partnership with the US and the EU highlights its recognition as an important partner; third, India's expanding set of networks with South East Asia aimed at enhancing trade and economic relations, and West Asia and Central Asia focused on bolstering and resolving its energy security; fourth, the engagement with Latin America, long ignored, and Africa, to actively pursue its energy needs can be identified. Hence, this has been a major force in guiding India's interest in such regions.

8. Findings are drawn from various studies. See in particular Srinivasan, 2006, Subacchi, 2007, Eslake, 2005. On major studies on China and India and the global economy see World Bank (a) 2007 and on China, India and Africa see World Bank (b) 2007. See Rownthorn, 2006 and Goldman Sachs, 2003 on forecasts of EG growth till 2050, UNCTAD, 2005 survey on the impact of the EG on the global economy and IMF, 2004 on China's integration into the world economy. On the mounting power of China and India see Roy, 2010, 2009 (a), and 2008 (b).

The EG have been asserting their prominence in the world economy in terms of their contribution to global GDP, trade and investment.[8] The financial crisis (2008) caused a drop in the rate of growth in the world and national economies including impacting on the capacity of the EG to pursue their economic goals (Table 1).Thus, China and India faced a sharp fall in their % rate of growth of GDP though it was positive: China's fell from 10.6% (1st quarter 2008) to 6.8% (4th quarter 2008) and subsequently 6.1% (1st quarter 2009). But gradually a rising trend emerged: 7.1% (2nd quarter 2009)and 8.9% (3rd quarter 2009); India's fell from 8.2% (2nd quarter 2008) to 4.8% (4th quarter 2008), and subsequently 4.1% (1st quarter 2009). Then a similar rising trend was identified:6% (2nd quarter 2009) and 6.7% (3rd quarter 2009) (Table1) while Indian finance estimates suggest over 7.5% towards the close of 2009. Essentially, the EG regained their hold on growth from the third quarter of 2009 and revive their pre-crisis growth and support global recovery. Indeed, the WTO Secretariat estimates show that China overtook Germany in 2009 as the world's largest exporter in 2009, with 10% of world exports, and second to US on the import side. Expansionary fiscal and monetary policies have aimed to boost domestic growth and re-engage with the international economy.

Historically, China and India have been major contributors to global output though this has fluctuated-through intensifying their demands for energy, raw materials and commodities. This could stimulate the exports of developing countries, improve their terms of trade and access to finance for development. China and India's % share of GDP since the beginning of the 20th century reveals their initial hold on the world economy, gradual decline, and subsequent revival:16.4 % (1913) declining to 8.7%(1950) and rising to 19.2 % (1998). But their share of income was below that of population, with a falling per capita income, and a rising population during the first half of the 20th century.[9]

China and India, and especially the former, have been opening up in recent years. Trade as a % of GDP has been 32% in China compared to 25% for India. This, however, should be seen against a backdrop of East and South Asian economies which have been more open: Malaysia (206%), Korea (Republic) (72%), Thailand (82%), Pakistan (36%), and Bangladesh (35%). Import duties as a % of

9. See Desai, 2003.
10. See Nayar, 2003.

imports, another relevant measure of opening up, have also been declining in China and India-lower in China (3%) compared to India (24%).[10] The mounting hold of these two countries in the world from the early 1990's onwards can be gauged (Tables 2-6)

(a) their share of GDP of world economies (%) shows an increase from 12.59% (1989-95) to 16.88% (1995-03) while their share in GDP growth of world (%) was 40.25% (1989-95) and 33.24% (1995-03) (Table 2-3).

(b) the increasing importance of FDI though less marked than the contribution of trade to GDP-China and India's share of net FDI inflow as % of GDP increased from 1.1.0% (1990) to 3.6% (2004). China's share was more marked rising from 1% (1990) to 2.8% (2004) in contrast to India's from 0.1% (1990) to 0.8% (2004). In both the increase in portfolio equity was less marked (Table 6).

China and India, the former being a recent member of the World Trade Organization (2001), could firmly influence global trade negotiations, possibly joining forces with India, and champion the rights of poor nations. They could establish a 'level playing field' in world trade. Their combined efforts could ensure that the Uruguay Round (1986-93) to accelerate trade liberalization can be enforced. They could pressurize the developed nations to fulfil their promise of opening up their markets to developing country agricultural and non agricultural exports. Indeed, the scope of the EG to play a major role in the world economy came to the fore after the financial crisis (2008). It reinforced the urgency of revamping international institutions on finance, trade and development and peace-the IMF, the World Bank, the WTO and the UN. It has intensified the need to shift emphasis from the rich G 8 countries to the G 20 (including China, India and Brazil).

Looking ahead it is forecasted that, taking US=100, per capita GDP in China and India will be equal to 63 and 45 respectively by 2050.[11] Both countries have, and in the future will have much larger populations than the USA. Despite their lower per capita incomes, both countries will rival or surpass the USA in terms of total production by 2050. It is estimated that total production in China will be 60 per cent larger than in the USA by 2050, whilst India and the USA will be about equal. A 2007 Goldman Sachs report forecast that "from 2007 to 2020, India's GDP per capita will quadruple," and that the

11. See Rowthorn, 2006.

Indian GDP will surpass that of the United States before 2050, but India "will remain a low-income country for several decades, with per capita incomes well below its other BRIC peers." Growth of China and India, moreover, will impact in the long run on structural change in developed countries which may face worsening terms of trade, and a fall in employment. But they may gain from the enhanced growth and purchasing power of the two countries.[12] This may enable developing regions to increase their growth through exporting cheaply produced labour intensive goods to developed regions.

Today's economic projections suggest that in less than a generation China and India will become the largest and third largest world economies, respectively in terms of purchasing power parity, and together they will account for 40% of world trade, a position they occupied a century ago. Demographic projections based on current populations-1.3 billion in China and 1.1 billion in India-suggest that within that same period the weight of the world economy will shift from today's developed nations onto the two emerging countries. In this context it could be boldly asserted that " the world's future is irrefutably tied to that of China and India."[13] Entrepreneurs, too, could ultimately play an important role in this transition and judicious ones are recognizing that the advent of the planet's two most populous countries on the world stage is not just a story of selling separately to 1.3 billion Chinese and 1.1 billion Indians but is about the myriad ways to celebrate the talent, ideas and aspirations of 2.4 billion people. Linking China, India and the West underpins the corporate success story-exemplified by General Electric-in interlocking China and India in corporate symbiosis. Just as China and India are learning to leverage each other so is GE in China leveraging GE in India and vice versa. Embracing both countries as partners provides one blueprint for the West's re-engagement with them.[14]

Structural Transformation

Integration of the EG into the world economy has been underscored by structural transformation through a shift from a 'closed' agricultural to an 'open' industrial and technological

12. See Rowthorn, 2006.
13. See Khanna, 2007, page 2.
14. See Khanna, 2007, page 27.

society. This has been driven by market forces based on liberalization and increasingly through strategic ties with each other and with developing regions-exemplified by Africa.

Liberalisation

Liberalisation has been the major vehicle for guiding the development of the EG with a firm belief in the market under different political systems- 'democratic' and 'authoritarian'-in the context of an open economy. This, however, has been subjected to doubts in the wake of the financial crisis which has aroused anxiety about the virtues of exposing the economy to external forces and the limits of 'free markets' in stimulating economic growth.

It is essential to understand the pre-liberalisation phase and the culmination of market forces to initiate economic change. China and India have evolved their policies under different political systems-the former adopting a 'centralized state directed' and the latter a 'democratic' structure. China's liberalization was initiated in 1978 while India's took off in 1991 with the latter being more 'open' and hence more exposed to global changes exemplified by financial shocks.

China's pre-liberalisation phase captures its modern history. With the fall of the Qing Dynasty in 1911 there was a phase of instability and disruption of economic activity. Under the Nanjing decade (1927-1937) China advanced several industries, in particular those related to the military, in an effort to catch up with the west and prepare for war with Japan. The Second Sino-Japanese War (1937-1945) and the following Chinese civil war caused the collapse of the Republic of China and formation of the People's Republic of China. The new ruler of China, Mao Zedong, initially promised to develop a "socialist alliance with petit-bourgois, workers, and nationalist bourgeois" but enacted collectivitization upon consolidation of this regime. This led to the success of the first five year plan but Mao's second five year plan, which included the Great Leap forward, had limited success. A new part faction who supported private plots eventually challenged Mao's economic policy. Mao's reluctance to give up power led to his launching the Cultural Revolution which seriously undermined the Chinese economy. After Mao's death, one of the most senior officials who had advocated private plots in the early 1960's, Deng Xiaoping, paved the way for gradual market reforms that

abolished the communes and collectivized industries of Mao, replacing them with the free market system. Deng's reforms are claimed to have vastly improved the standard of living of the Chinese people, the competitiveness of the Chinese economy, and enabled China to become one of the fastest growing and most important economies in the world. This has led to Deng being called "The Venerated Deng."[15]

On the domestic front, in the pre reform era in China, key economic indicators reveal that the savings level was high with significant capital formation (30%) and investment in infrastructure, irrigation and land development. Literacy and primary health care, too, were impressive with virtual elimination of landlessness. China also shed surplus labour- a move lacking in India. On the external front China's integration with the world economy has been advanced through its trade and FDI policies.

China's policies unfolded in the context of bold economic policies in the East Asia region between 1960-1990 emphasizing agricultural development, primary education, macroeconomic stability, firm public policies to support markets, and regional dynamism. Market based thrusts in agriculture, industry and services, state owned enterprises, and deregulation of product prices have underpinned its liberalization backed by measures to induce labour mobility, and formation of Special Economic Zones.

India's growth rate in the pre-liberalisation phase was relatively low-4%-5% per annum compared to East Asia's 7%-8% per annum. The level of a number of social indicators in India has been lower than in China and East Asia-savings, literacy and health care, coupled with the presence of significant landlessness, and marked poverty and inequality between and within regions, sectors and socio-economic groups. The phase unfolds the experience since India's independence (1947) against a backdrop of its colonial legacy. Its pre independence era was marked by near stagnation - aggregate real output during the first half of the 20th century of less than 2% per annum. The production structure remained virtually unchanged while the growth of modem manufacturing was probably neutralized by displacement of traditional crafts and was insignificant in terms of making impact on overall conditions. The economy was dominated at independence by agriculture with 85% living in

15. See Wikipedia, Economic History of Modern China, Wikipedia, http://en.wikipedia.org.

villages and depending on agriculture. In post independent India from the early 1950's to the late 1970's-the rate of growth of national income was 3.5% per annum with agriculture and industrial production of 2.7% and 6.1% respectively. There was a modest 1.1% per annum rise in per capita consumption. Between the mid 1960s to the mid 1970s there was a low 3.5% per annum or 'Hindu' rate of growth. There was a shift to a higher level of growth rates from the mid 1970s onwards. Over 1976-77 and 1986-87 there was a 4.4% rate of growth compared to 3.3% per annum over 1962-63-1975-76. The economy's relatively high performance in 1980's encouraged the Planning Commission to aim for 6% per annum in the Eighth Plan. There was a clear trend of a falling rate of industrial growth since the mid 1960s-from 7% (1950-1965) to 3.3% (1965-70) while over 1970-71 it was 4.8% but declined by 1.4% over 1979-80.

India's more 'closed' economy compared to China's offers insights into the virtues and limits of such a structure under changing global conditions. It started opening up gradually from the early 1990's with liberalization shaping domestic and external economic policies with a marked shift from state to market forces. The economic structure shows rising, though fluctuating, rates of growth-the 'Hindu rate of growth' (3%) in the mid 1960's in contrast to the 9% rate (2007). This has coexisted with high rates of growth over the same period in East Asia (till 1977) and its positive impact on development, in contrast to the Indian economy. Alongside, there has been a marked reduction in the contribution of the core sector, agriculture, to GDP along with a rise in that of services and industry. However, agriculture is still the major source of employment (60%) while the rate of growth of manufacturing and services has been unable to increase adequately and create more jobs. The contribution, too, of trade to GDP has been rising to about 30% (2006) with gradual steps to reduce the tariff and non tariff barriers to trade. The level of poverty, too, has been rapidly declining from over 50% in the early 1970's to about 22%) (2007).

Though the relatively 'closed' nature of the Indian economy has protected it from external shocks it has also deprived it of the benefits of external booms, the former being exemplified by the 'lost decade' of the 1980's and the East Asian economic 'post miracle' crisis years, the late 1990's, and the latter by the 'golden age' of the 1950's and 1960's. The Indian economy,

however, has been pursuing structural change since its independence in 1947. There has been a gradual reduction of the contribution of the major sector, agriculture, to GDP and increase in the contribution of manufacturing, trade and services within the context of limited dependence on trade. Agriculture, however, has continued to be the main source of employment as the slow rate of growth of industry has not been able to offer sufficient employment while services, too, have been employment inelastic in spite of high rates of growth. The level of poverty, too, has been reduced though it has to be curbed much more. The economy has also been cushioned against external shocks-exchange rate or oil price fluctuations-by high foreign exchange reserves. The critical question is the extent to which such an economy should 'open up' to boost growth while protecting its core domestic sectors and the interests of the poor.[16]

India's high growth rate (8% per annum) in the post liberalization phase and the future targets (9%-10%) are necessary but not sufficient to bring about radical transformation.. The structure of the economy has to be transformed. In this respect, though the % contribution of agriculture to GDP has been reduced to about 25% it still absorbs over 60% of the employed, while manufacturing and services contribute 28% and 55 % respectively to GDP. Over 62% of India's growth over 1990-2003 has been in services but it has been employment inelastic. Hence, the pace of industrialization has to be reinforced.

Though liberalisation has gradually opened up the economies of the EG this has been more marked in the case of China compared to India.

Liberalisation has been accompanied by a reduction in poverty in the EG though it will take time to bring about drastic changes. Poverty in China has been reduced to about 8% and in India to about 22% but both need to take firm steps to accelerate the quality of their poverty reduction programmes.

Comparison of China and India in terms of basic needs underlines sharp differences and similarities. China's relatively higher rate of growth compared to India has enabled it to sharply reduce the % of people below the poverty line (Table 7). However, inter regional and inter group inequalities in China

16. See WTO Trade Policy Review,WT/TPR/S/182, 18 April, 2007

have increased. Both need to persist with integration into the international economy to sustain growth. This should encompass incorporating the poor in the process, particularly in India, and reducing regional and inter-group disparities in China. Such goals are intertwined with maintaining peace within the respective regions. This is exemplified in India by efforts to minimize conflicts with neighbouring Pakistan, curbing terrorism from within and outside the state, resolving historical border disputes between India and China, and meeting the needs of dissatisfied groups within the state. In China it is essential to respect human rights.

Structural transformation in the EG was temporarily thwarted by the financial crisis (2008) but they have managed to initiate a revival of growth compared to developed and other developing nations. Moreover, this has re-focussed on the domestic economy with the state wielding a major role in boosting domestic demand through stimulus packages. This has spillover effects for growth in the rest of the world.

China's rate of GDP growth, trade and inflows of capital were initially adversely hit by the crisis. Migrants were badly affected. This aroused anxiety over possible social uprisings.

However, as seen earlier, stimulus packages helped it to regain its hold over economic growth from the close of 2009.

China's policies to cope with the financial crisis marked a shift from traditional export-led growth to domestic demand-oriented growth. This was a distinct change in its strategy enabling it to rebalance its economy between foreign trade and domestic demand. This is anticipated to be tough and a long-term process and calls for deepening investment and distribution reform to enable an institutional basis to facilitate transformation. A major concern was full employment which is crucial in improving income distribution and stimulating domestic consumption.[17]

The stimulus packages were worth about $ 586 billion and were put in place towards the close of 2008 for a two year period to boost domestic demand including key sectors-infrastructure, water, electricity, transportation, technological innovation and earthquake resuscitation. Major importance was given to agriculture and regulatory reform. Alongside, China had access

17. See paper by Fang et al, 2010 on growth and employment in China after the financial crisis (2008).

to reserves of $ 2 trillion which could enable long term investment in infrastructure and social welfare investments. This was accompanied by fiscal and capital market reforms in the banking sector to finance micro and small enterprises and services and the rural sector. It should be stated that fiscal policy in China reveals that government deficit was marginal.

There were also cuts in company taxation. Banks were encouraged to lend to project/rural development and investments, cuts in interest rates, measures to stimulate profits,and measures to influence relocation of a number of projects. The packages may not save China from the effects of the global financial slowdown but help protect it. Its 'top down' approach has supported the mobilization of resources and speeding implementation. This has relied more on consumption and services and less on investment and industry.ie health, education and social support networks. Its recent growth trends (8.9%) suggests that 2010 and beyond are bright bolstered by the hope of export growth likely to resume supported by its capacity to compete.

Essentially, large fiscal and monetary stimulus has supported a recovery in China's economy. Falling exports amidst the global recession have been a major drag on growth. In spite of this real GDP growth rose to 8.8% year on year in the third quarter on the back of the stimulus. Though most of the stimulus has shown up in infrastructure oriented government led investment, some has been consumption oriented and domestic demand growth has been broad based. Resurgent housing sales have started to feed through to construction activity. Investment in manufacturing is affected by spare capacity but consumption has held up well. The strong domestic demand has buoyant import volumes and the current account surplus may fall to 5.5% of GDP in 2009 even with import prices down sharply. The downturn has clearly affected the labour market but the impact has been smaller than expected and the trough may disappear.[18]

Future growth (ie 2010) is expected to remain robust but the composition could change. China is set on track to meet its GDP target (over 8%). China's export growth is likely to resume supported by strong fundamental competitiveness and the

18. See China Quarterly Update, November 2009.

recent depreciation of the nominal effective exchange rate, and net exports are likely to stop being a drag on growth. Real estate investment is also bound to be stronger. Rebalancing and getting more growth out of the domestic economy is advisable with more emphasis on consumption and services and less on investment and industry. China is expected to continue increasing its global market share in 2010 and beyond but in a more complex global environment.[19]

In India's case, contrary to fears expressed by some economists, an "Indian subprime crisis" was unlikely. However, the US subprime crisis does throw up useful lessons especially in relation to (i) the need to understand the macroeconomic effects of individual actions when all individual decisions move in the same direction; and (ii) the need to ensure closer supervision of non banking financial companies.[20]

India has confronted a lower rate of growth and a fall in trade as a result of the finance crisis (Table 1). Some indicators of slowdown in the economy are captured-the fall in car sales contracted by about 20% in December 2008 and manufacturing which had enjoyed nearly 10% growth rate for months in 2008 contracted 0.2% in October-December 2008, tourist arrivals fell by 6.3% for the first 11 months of 2009 but foreign earnings went up 5% (attributed to a drop in tourism to global slowdown, terrorist attacks and HIN1 pandemic).

Keynesian thinking has influenced India's policies to boost growth to ensure that the level of investment is in line with aggregate demand and full employment. India initiated three stimulus packages with liquidity injections of 7% of GDP in response to slowdown in demand though its system in contrast to China's suggests slow procedures and inability to respond with direct cash transfers.. It is estimated that the government infused Rs 2,20,000 crores into the economy through stimulus measures between December 2008 and February 2009. This resulted in fiscal deficit accounting for 6.8% of GDP. As explained earlier, from the close of 2009 India's rate of growth showing a rising trend. But there is anxiety over sops eating into development budgets. These may be curbed as the economy recovers.

Basically, the government injected capital to increase

19. See China Quarterly Update, November 2009.
20. See Banerjee, 2010.

liquidity and increased government expenditure though deficit financing aroused much concern. The rate of inflation increased due to a rise in food inflation and it is argued that the stimulus package may have met its goals. Packages may have been tightened and fiscal deficit curbed through cutbacks in fiscal Infrastructure/government expenditure.

As explained earlier, from the close of 2009 India's rate of growth showing a rising trend.

Though real GDP growth and major sectors showed signs of slipping the stimulus packages–government and Reserve Bank of India-have had desired effects. India's auto industry which had declined heavily recorded positive growth of 0.71% in total valuation while in fiscal 2008-9 services and manufacturing, sectors and exports recorded reasonable growth and high investment rates.

India's stimulus packages should be seen against a backdrop of its mounting exports and imports share to GDP (more than 50% increase over 1997-98 and 2007-8 and 21.2% to 34.2%)while the role of external transactions have increased from 46.8% to 117.4% over the last 10 years. Corporate borrowings from external sources have also increased (2007-8) with India receiving capital inflows to the extent of 9% of GDP. Though equity markets have registered steep decline the wealth impact on domestic residents was limited since only a small number of Indians participated in equity markets.

Stimulation of exports was supported by the state. Since October 2008 it took steps by providing interest rate subsidy, helping with mortgage diversification and restoring tax refunds. Recent figures/experience suggests that India has resumed its trend of a relatively high growth rate (7.9% in 2009) (quarter July-September 2009) and the hope of boosting this further to 8%-9% over 2010-2011. FDI flows have recovered and industries have been doing well though agricultural growth has lagged behind. Hence, India's future prospects seen to be positive though the global economy is likely to enable its ability to sustain this trend. The core sectors, tourism, the export sector and FDI indicate a positive turn in the economy. In November 2009 it was found that the core sector expanded by 5.3% in line with recovery in industrial production against a meager growth of 0.8% growth in 2008. Overall the trend suggests that industry is performing better than in 2008 and is on a recovery path. The six core industries contributed 26.7% to industrial production which grew 10.8% in October 2009. Export performance in November 2009 shows positive double digit % growth after 13 months of continuous decline. Export slide suggests that exports fell to 6.6% in October 2009-a far cry from recession and high decline of 39.2% in May 2009 and indicated a recovery in merchandise demand in major world markets. Since October 2008 exports of handicrafts, leather, yarns and jewellery, electronics and engineering goods fell though rate was slower. Jute, carpets, coal and other ores including processed minerals continued to suffer. Exports of plastics, pharmaceuticals and petroleum products turned around.

FDI inflows during 2008-09 were $ 25 billion and it is projected that the figure could reach $ 35 billion during 2009-10. An UNCTAD report suggested that India would become one of the top five most attractive destinations for foreign investment in the world economy during the next two years.

The agricultural sector has posed the major problem-there has been a steady decline in the growth rate of investment in agriculture over the past quarter of a century, the consequent fall in per capita food output over the same period and factors that may limit the possibilities if imports of food grains and other food products in the long run.

Overall, however, India coped well with the financial crisis and held on to a growth rate which was second fastest in the world. It is felt that a rebound in manufacturing could overcome the impact of the global recession and the growth rate expectation of 8% in this fiscal. Fresh global financial shocks, however, may disturb recovery-recession and demand contraction in developed economies are adverse for export growth.

Though liberalization has paved the way for high rates of growth and reduction of overall poverty in China and India there are varying levels of concern over the future of their political economy-the intensification of inequality and the ensuing social and political tensions as well as mounting internal dissensions stemming from the demands of diverse groups, and intense anxiety over increasing inequality, labour and human rights. This can be identified between regions, the rural and the urban sector and socio-economic groups, as well as the threat from minority groups who have been demanding more autonomy. In India the recognition of bureaucratic hurdles in thwarting development programmes and the threats

from without and within have bedevilled the state while in China there is much anxiety over terrorism from within and criticisms over its alleged abuse of human rights.

Strategies

The EG have been evolving strategic ties with each other and with developing regions to enhance structural transformation. This unfolds intensifying mutual cooperation in spite of 'old' and 'new' tensions, and, forging closer links with Africa.[21]

China-India Ties

Mutual cooperation between China and India could enhance their goal of structural transformation. This requires combining their experience to enhance their vision of development by overcoming obstacles stemming from 'old' and 'new' tensions-the former due to territorial disputes and the latter arising from new rivalries over economic and political influence at the regional and the international level, competition over resources (eg. energy), and desire to shape global affairs. This is embedded in the frame of a triangular interaction between China, India and the US which is subject to realignment and shifting political loyalties. It is essential to overcome the obstacles through diplomatic dialogue and measures which emphasise the shared interests of China and India to pave the way for economic exchange and collective action on perennial international problems- global trade negotiations, financial flows, the environment, terrorism, and nuclear disarmament. Critically, in the long run the mounting power of China and India in the world economy provides a unique opportunity to re-shape national and global destinies with a shift in power from developed to developing nations. This may threaten the power of major developed nations-epitomized by the US-who may block and frustrate moves to bring about changes to the world order. Hence, such opposition has to be thwarted through international action.

The relationship between China and India can be traced to the early part of the first millennium AD when contact along the emerging Silk Road led to an exchange of items and ideas

21. China and India have also been bolstering links with other South Asian countries while pursuing their historic association with the US, EU and other developed nations.

between South Asia and China. Both could draw on their historical links to intensify their goals of development. India introduced Buddhism to China while China exported silk porcelain; bamboo products and other commodities to India. The exchange of pilgrims, explorers, and traders grew during China's Tang dynasty (618-907 AD) and continued until the onset of the Moghul Empire in India in the 16th century. India redirected its focus towards the Middle East.

The crux of the exchange relationship between China and India centres on the scope of boosting the shared goals of growth and sustaining development in spite of possible obstacles stemming from historical tensions and conflicts over territorial disputes and actual or perceived rivalries over competition for resources (eg.energy) and regional and global power. This should be seen in the frame of a triangular interaction between China, India and the US. The relationship between China and India can be seen in terms of convergence or divergence of interests. This is critical for boosting growth in both nations and its spillover effects on other regions. In recent years China and India are experiencing a period of high growth and grappling with complex social challenges. India, in particular, has increasingly looked to China as an economic model to emulate, especially given its achievements on poverty reduction, urban development, and attracting foreign investment.

Both nations are struggling to define their role in the world in the context of their new found influence on the global economy and global affairs. China and India want to enhance their power and sustain their influence in their own regions. They desire to emerge as major international players alongside the US while at the same time retaining their hold over their own economies.[22] China challenges the validity of the colonial era boundary agreement involving Tibet which it considers a local government without treaty making authority. After their brief border conflict in 1962 relations between the two nations became tense along the disputed territory from several decades. But border relations began to improve as the overall bilateral relationship began to show improvement in the late 1980's and since the 1990's both sides have agreed to keep working on the border issue. Both appointed special representatives in 2003 to resolve the border issue. The same year, China recognized India's hold over Sikkim as a quid

22. See Mitchell and B, 2007.

pro quid for India's restrictions of Tibet as part of China.

Triangular interaction between China, India and the US has influenced policies pursued by each. Washington and New Delhi share normative values such as democracy and strategic interests exemplified by terrorism while Beijing's ties with both are motivated by contingent rather than structural interests. The US seeks to align with a major democracy in a region which is assuming increasing importance for its global strategic interests: terrorism, energy security and a rising China. India seeks its growing links as an avenue to enhanced power status; in the nuclear sphere this may also enable Indian legitimacy and recognition. But it does want to be seen in a role of countering China.[23]

The triangular relationship is a dynamic one and captures the forces galvanizing the policies of China and India towards each other. From the early 1960's onwards China drew close to Pakistan as India fell increasingly under the influence of the Soviet Union, worsening the Sino-Soviet rift and that between China and India. Changes in Cold War strategic conditions, underscored by the death of Mao Tse Tung in China and the rise of an Indian government that sought to distance itself from the Soviet Union, led to a cooling of relations. China and India joint declaration in 2003 laid down the principles for improving bilateral relations. They participated in 2005 in their first bilateral strategic dialogues and subsequently the two declared '2006 to be a Friendship Year' marked by many political, economic, military, and cultural events. President Hu Jintao's visit to India in November 2006 stressed the positive features of China-India ties. India's own focus on domestic development may stimulate its interest in building positive ties with China.[24]

Intensifying economic ties between China and India has gradually gained prominence over the past decade and in the long term can bolster their growth. Both will impact on geopolitics in the region as well as US interests in Asia.[25] They have been increasingly cooperating on trade and have closely aligned on multilateral issues such as climate change. But this may be undermined by long standing border disputes; China's relations with Pakistan, and suspicions in relation to each other's strategic

23. See Jing Dong Yuan, 2007.
24. See Mitchell and Bajpaee, 2007.
25. See Foreign Affairs citing Sumit Ganguly.

goals. But the nations need to be more transparent about their military expansion to avoid potential conflict. They have been modernizing their militaries and are increasingly competing with each other in their search for energy and resources to sustain their growing economies. On global issues, particularly trade and climatic change, both can join forces against developed countries. The rise of China and India has long term implications for the US. The US does not want one dominant power in Asia and has reached out to Delhi (ie India) while also pursuing stronger relations with Beijing. This role of a geopolitical balance will require careful and deft diplomacy.[26]

Bilateral trade was $ 260 million in 1990; by 2006 it approached $ 25 billion, making China India's second largest trading partner though India was China's tenth largest partner. In July 2006 China's only direct trade link with India was reopened after 44 years along the Nathu La Pass on the border between India's Sikkim State and China's Tibet autonomous region. Both states have pledged to increase bilateral trade to $ 40 billion by 2010. With bilateral trade surging by more than 30% annually since 2004, China may soon overtake the US as India's leading textile partner. Yet, the growth in bilateral trade is no longer than China's growing trade with other countries and regions. China accounts for 5% of India's total trade volume while India accounts for a mere 0.8% of China's trade.

China's trade surplus with India is just over $ 4 billion. India aims to move the trade relationship towards higher value added products; India's exports to China are primarily national resources, such as iron ore and other minerals, whereas China's exports to India are primarily electronic goods, pharmaceutical products, and processed metals. Despite official rhetoric's on the complimentarity of China's hardware and manufacturing industries and India's software and services-sector expertise, however, cooperation has been limited to date.

Removing economic and political obstacles is essential to stimulate China-India cooperation. This could be spearheaded through dialogues and visits. The Chinese President Hu Jintao's visit to Delhi (November 2006) was a significant move in initiating a platform on development, peace and stability in Asia and the world. This was underscored by the Chinese President. He perceived the relationship between China and India as being

26. See Foreign Affairs citing Sumit Ganguly.

between 'old and close brothers' citing the vision of Rabindranath Tagore the Nobel Indian poet. The President's visit culminated in a pledge to double trade between the two nations to $ 40 billion by 2010. This contrasts with $ 250 million in the 1990's. They could meet each other's needs. India could fulfil China's growing appetite for raw materials (iron ore, steel and plastics) fuelling its massive manufacturing sector. China in turn could furnish manufacturing expertise and investment for Indian infrastructure. Indian critics of Chinese policies have expressed concern over the lack of transparency exemplified by their high level of subsidies. They are also anxious over the sharply increasing Indian imports from China of clothes, electronic goods and even fireworks. The Chinese have responded by highlighting India's blocking of their investments in ports and telecommunications. This has been justified by India on grounds of security. Overall, though, as the Chinese President reaffirmed, the relationship between China and India was "an opportunity and not a threat." This could pave the way for cooperation between China and India and enhance the nature and pace of globalisation.

Mutual learning, too, from their exposure to development could enhance structural transformation in both nations. China's industrialization has been impressive: high domestic savings rate, marked progress in building infrastructure, surging foreign investment, and a vast reservoir of hardworking low cost labour. It has been argued that China remains a better environment for most manufacturing than India but China has been deficient in most areas-especially retailing, distribution and professional services (eg. accountancy, medicine, consulting).India's development has been impressive marked in the services sector, and a highly skilled workforce in the scientific, technical, managerial, and professional arenas, information technology, English language proficiency and significantly positive responses from private enterprises to economic reform and globalisation. India, it has been claimed, is 5-7 years ahead of China in the software sector through its IT sector has been held back by weak infrastructure, high administrative and regulatory barriers to business as usual as well as limited ability to attract foreign investment. India can help China expand its base of ICT skills and participate in the global knowledge economy while Indian international companies can move into higher end segments-project management, systems integration, design, R and D. China's cities such as Shanghai can offer ICT investors more advanced infrastructure (roads, highways, airports, land line, internet and mobile connectivity).

On the international front, too, China and India, in the framework of BRIC countries (Brazil, Russia, India and China), could wield much influence in re-formulating international policies-exemplified by trade and environment. Indeed, the world is expecting BRIC to be the movers of the global economy in the not too distant future. Both nations tried to inject a sense of realism into international trade organization (WTO) negotiations. Chinese Premier Wen Jinbao saw greater coordination between Beijing and New Delhi on multilateral trade issues to ensure a "fair, just and rational "global trade regime." China desires a balance between the interests of developed and developing countries taking into account the level of development of the developing country (according to Wen). He argued that both China and India were important developing members of the WTO and that China was ready to join India and coordinate throughout the new round of WTO negotiations so as to ensure a result that is more beneficial to the developing countries. According to Wen the governments and enterprises of the two countries should step up exchanges, enhance mutual understanding and promote mechanically beneficial cooperation.[27]

Looking ahead economic cooperation between India and China could bolster their economic power in spite of differing positions on politics and international affairs. The recent financial crisis has re-kindled the interest of policy makers in both in focusing on how to collaborate on economic measures which can enhance their development while minimizing dependence on developed nations. This requires relegating to the background past animosities over territorial disputes and shaping measures which can sustain their shared economic and political aims. The international community, too, needs to foster and facilitate stable and sustainable development of China and India. Over time this may prove to be "the major arbiters of all our futures."[28]

China-India relations have achieved major progress over the last decade but 'old' and 'new' obstacles have to be overcome. This impinges on their scope of initiating a more balanced world order. Unresolved territorial disputes, mutual suspicions, and

27. See The World Trade Review.
28. See Lynn,2006.

growing rivalry in the areas of energy, regional influence, and realignment of great power relations, if not properly managed, could block the rising Asian giants from the opportunity to cooperate. This could inhibit their potential as the engines of growth and pillars of stability in Asian and beyond. Taking these factors into account there is a need for sustained effort at the highest political level to translate many of the blueprints for progress into reality. China and India need to tackle the intractable territorial dispute, mutual suspicions and new rivalries, China's relationship with Pakistan, and ultimately the emerging China-India-US strategic triangle.[29]

EG-Africa ties

The EG have been trying to extend their influence in developing regions.[30] This is illustrated by their growing ties with Africa through flows of trade and investment underscored by a shift from politics to economic development.[31]

EG-Africa ties are embedded in the frame of globalizing Africa. It has been open but with unequal bargaining power vis a vis developed countries. Commodity exports have dominated with imports of manufactured goods, falling terms of trade, low levels of FDI, declining aid, dependence on developed countries and limited inter regional trade and investment. On the domestic front, the major sector has been agriculture, with limited industrialization, extensive rural and urban poverty and unemployment. Such obstacles have been intensified by poor governance and inter and intra regional conflicts. Economic diversification[32] could be a major instrument-through economies of scale and access to wider markets and a shift from raw materials to processed and manufactured goods. Essentially, it has to evolve effective measures to boost its growth. Over 1980-2000 Africa's growth was

29. See Jing Dong Yuan, 2007.
30. This is exemplified by India bolstering links with Asian countries through its 'Look East' policy which centres on establishing closer economic ties with South East Asian countries.
31. Draws on the author's lectures in Kolkata, Manchester and Sweden.See Roy,2010, 2009 (a) and 2008 (b). Norberg, 2008 cites and emphasises Roy's theme of the rising power of China and India and Africa's response to it to curb poverty. On African globalization see Gibb et al (editors), 2002.
32. UNECA,2007.
33. UNECA, 2005.

limited with an average annual growth rate of 1.1%.[33] However, this has been rising in recent years though with fluctuations: 5.7% (2006), 5.3 % (2005), and 5.2 % (2004) with marked regional variations. The rate (2006) was below developing Asia (8.7%) and the Millennium Development Goals target (7%) to curb poverty. Dependence on primary commodities has been prominent-production, exports and growth-with exposure to external shocks.[34] High levels of poverty (46%), unemployment (10.9 %) and 'working poor' (56%)-those whose income is below the 'poverty line'-prevail.[35]

Unfortunately, growth has been temporarily setback by the financial crisis inducing two negative external shocks. The first is a financial shock with the availability of credit declining and the cost of international credit increasing; the second is a shock relating to the demand for and price of exports as most Africa's important markets went into recession and commodity prices collapsed-an economic crisis. The IMF's early forecasts revised Africa's economic growth forecasts for 2009 down from 5% in October 2008 to 3.5% in January 2009 and to 1.7% in April 2009. Subsequently, it was further revised to 2.4% for 2009.[36] More recent findings based on the IMF suggest that the actual % growth rate in Africa in 2009 was about 2% and that it was expected that this would be about 4.5% in 2010. This was helped by IMF's commitment of $ 3.6 billion to Africa at zero interest rates-three times more than in 2008. Moreover, Africa's pre-crisis policies-strengthened budget positions, reduced debt burdens, control of inflation, and reserves helped it to withstand the crisis.[37]

Africa's relationship with the EG unfolds against a backdrop of the comparative experience of the latter in confronting similar obstacles-the low levels of 'human development'-poverty, income inequality, low literacy, poor health and status of women coexisting with political tensions (Table 8).[38]

The EG-Africa economic exchange holds much promise of inducing the latter's development. Flows of trade and investment have been increasing sharply in recent years though barriers have to be overcome-tariff, non tariff and trade escalation. In the short term

34. UNECA, 2007.
35 UNECA, 2005. Data refers to 2003.
36. See United Nations University, Policy Brief, by Wider, 2009.
37. See allafrica.com report 'Africa Needs to rebuild economic defences-IMF' 8 March 2010.
38. See Bonnett, Whitehouse and Associates, No date and also Gupta, 2008.

these may not radically change the existing African production and trade structures but there is hope in the medium-long term. This makes it essential to investigate the nature of complimentarity, competitiveness and diversification of trade and investment.[39] China and India's new found interest in trade and investment with Africa furnishes significant opportunities for the latter's growth and integration into the global economy. Both nations have long histories of international commerce which can be traced to the 'Silk Road.' China's trade and investment emerged several decades back with most of the early investments in infrastructure (railways) at the start of Africa's post colonial era. India, too, had strong national links with Africa through trade and investment particularly in East Africa with significant Indian communities.

The growing ties between the EG and Africa are captured in the nature of flows of trade and investment between the two regions in the pre and post financial crisis (2008) era.[40]

Since 2000 there has been a massive increase in Africa-Asia trade and investment flows. Today, Asia receives about 27% of Africa's exports in contrast to only about 14% in 2000. This volume is approximately at par with Africa's exports to US and EU over 2000-2005: 32 % and 29%, respectively. Despite this growth, Africa's growth of exports still remains relatively small from the Asian angle. Africa's exports to Asia account for only 1.6% of Asian global imports. However, Asia's exports to Africa are growing very rapidly-about 18% per annum –which is higher than to any other region including EU.

The shifting trends in Africa-Asia trade emerge in the context of the historical bias in exports and imports-comprising African exports of primary and resource based goods (eg. food, beverages and crude materials) and imports of capital and manufactured goods.

Africa's exports are essentially (a) primary products (oil

39. This draws on major World Bank report 'Africa's Silk Road.' See World Bank (b), 2007.
40. In terms of foreign aid, and in particular Chinese, over the last two decades, aid has been channeled towards Asia itself. But some 44% of Chinese overall assistance to developing countries of US $ 1.8 billion went to Africa. This, however, is not significant as a share of overall development assistance to Africa. But the aid could increase in the future to support Chinese trade and investment policies. India is likely to pursue a similar route.

and metal products) (b) minerals, fuels and lubricants accounting for 24.9% of total exports in 1996 rising to 67.3% in 2004 and (c) primary and minerals and crude materials share increasing from 75.2% in 1996 to 86.1% in 2004. African imports, in particular from China, show a marked increase from US $ 895 million in 1996 to US $ 7.3 billion in 2005-a rise of 712%. China's share of African imports increased from 2.5% (1996) to 7.4% (2005) with final manufactured goods comprising 92.1% of imports in 1996 and 94.6% of imports in 2005.

Asia's exports-largely manufactured goods-have grown sharply in African markets. Some of them are intermediate inputs for products assembled in Africa and shifted out to third markets-EU and US-or capital goods (machinery) and equipment for African manufacturing sectors themselves. There is also a sizable amount of African imports of consumer durables from Asia which compete with Africa's domestically produced products.

Primary and resource based goods have dominated African exports to Asia and this is inevitable due to the significant rise in demand of China and India to meet their own growth targets. This is more pronounced in the case of China. Thus, Africa's exports to Asia comprised oil and natural gas accounting for 12% of Africa's total exports to China while leading non-oil mineral and products were gold, silver, platinum, iron, aluminum, iron ore, copper and pearls. China had bilateral trade and investment agreements in 2005 with 75% of African countries and expressed interest in negotiating the establishment of free trade zones with the region. Indeed, it has overtaken the UK as Africa's third most important trading partner (after US and France). However, Africa accounts for only 2% of China's external trade while China –Africa trade is only 40% of US-Africa trade.

FDI flows, too, between Asia and Africa have been increasing rapidly but the volume is more modest than trade. Investment is dominated by the flows of Chinese and Indian FDI in Africa though there is some African FDI in China and India. In mid 2006, the stock of Chinese FDI to Africa is estimated to be $ 1.18 billion.

The vast majority of Chinese and Indian FDI inflows to Africa over the past decade has been capital intensive and

concentrated in extractive industries. This, however, has not made a major impact on employment creation, though, in the last few years, they have begun to diversify into many other sectors-apparel, agro processing, power generation, road construction, tourism and telecommunications. Chinese and Indian FDI in Africa is also diversifying geographically. Chinese FDI could furnish finance for African infrastructure and industry specially in fragile states. This could stimulate employment. FDI could enable access to appropriate capital goods and technology transfer and ease integration of African nations into the global value chain. India's investment and project work in Africa has been growing including in a range of manufactures-chemicals and pharmaceuticals, iron and steel, textiles, mining, infrastructure, transport, banking and retail. Trade usually follows such flows. India's role as an investor and as a source of civil and other engineering countries has been intensifying in Africa. India has also set up a pan African e-network (IT) to link 53 African countries to Indian universities and hospitals.[41]

FDI, however, could displace existing producers and have limited 'spin off' effects if the linkages are poor. This is the case with investments in the extractive sectors. There may also be competition for FDI with African countries being unable to offer significant incentives. Hence Africa could be excluded from such flows.[42]

The EG-Africa exchange relationship took a dip after the financial crisis but in the long term it is expected that the pre-crisis trends will re-surface.

The China-Africa relationship declined in terms of trade and

41. On IT's role in the economy see Roy, 2005, chapter 3.

42. This included investment of US 70 million in Zimbabwe (1996-2000), investment by the Tata Group in Zambia,Tanzania, Malawi and Ghana in sectors such as automotive, and as an assembler in South Africa and Zambia in the near future (steel, hotels, engineering works, food and beverages, services, telematics), plants by Mittal Steel, the world's largest producer in Algeria and South Africa. The Indian State oil company ONGC also invested in Libya,Sudan,Cote d'Ivorie and Egypt, while State owned companies (RITES and IRCON) supported infrastructure and engineering. Credit has also been supplied by EXIM (Export and Import Bank of India) to enable Indian companies to export into many African markets and fund projects in agriculture, transport, power and manufacturing. See Gupta, 2008.

cutbacks in investments in some countries but the underlying drive to boost China's ties with Africa were emphasized. Trade between China and Africa surpassed the US $ 100 billion mark reaching a high US $ 107 billion with trade between the two growing from 2000 by 3.5% per annum. However, the financial crisis started to adversely affect trade volumes between the two with the first half of 2009 showing a decline in trade by 30.5% though it is estimated that FDI has increased by up to 81%.. This has been caused by a combination of factors. Africa mainly exports raw materials such as copper, platinum, iron ore, timber, nickel, diamonds, gold and oil to China and in turn China invests in crucial industries such as science and technology and infrastructure, and provides soft loans and grants. Due to the economic crisis prices of raw materials have been adversely impacted resulting in a sharp decline. Prices of minerals such as copper and nickel have dropped by up to 80%. The sudden drop in resource prices has been a contributing factor to the 30% decline in trade. Moreover, the financial crisis has negatively affected credit to finance imports and exports. China's extractive industries have significantly slowed down production and a decline in her demand for natural resources for her extractive industries.

However, Xing Houyuan, Director of multinational business at China's Academy of International Trade and Economic Cooperation, vehemently stated that in terms of investments in the long term there is little likelihood of a pullback by China as companies will not give up investment plans because of the short term. But it has been stated that China will continue to have a vigorous aid programme and Chinese companies will continue to invest as much as possible in Africa because it is 'win win solution.' In the long run the goal is to ensure that China returns to 3.5% per annum and this continues to increase.

India attempted to persist after the crisis with its vigorous pre-crisis trade and investment thrust based on partnership. But there were firm measures to ensure that India could tap Africa's markets for energy intensive products and exploration of relevant sources and expansion of exports including agricultural and non agricultural goods. The long term goal was to boost India-Africa trade against a backdrop of China's move to pursue an equally vigorous policy in Africa. Despite rhetorics analysts suggest that African countries were in a relatively weaker bargaining position vis a vis the Indian state and companies exploring trade and investment opportunities in Africa.

India's trade with Africa soared from $ 967 million in 1991 to $ 35 billion in 2008 but still remains way behind China's almost $ 100 billion. India has called for a doubling of India-Africa bilateral trade to the level of $ 70 billion over the next five years continuing the growth trajectory that began in 2001-01 when trade was a mere $ 3 billion and shot up to $ 36 billion in 2007-8. In April 2008 India announced duty free tariff preferential scheme for 49 least developed countries (LDC's) which has benefited 33 African countries. In spite of the economic slowdown India planned a range of projects in agriculture, small industry, mining, information and communication technology, oil pipelines, chemical industry, power generation and transmission. India's External Affairs Minister, Pranab Mukerjee, stated in March 2009 at the 5th CII-Exim Bank Conclave on India-Africa project Partnership 2009 firmly stated that despite the global economic downturn India would continue to fulfil its commitments towards Africa made at the India-Africa Summit in April 2008. There is also interest in Africa's agricultural land and oilfields though this has aroused controversy on the extent to which it will benefit African farmers.

Flows of EG-Africa trade and investment have been inhibited by some forces -tariff and non tariff and trade escalation-with adverse impact on access to markets. These need to be lifted to accelerate African growth. Asian countries impose higher import tariff rates on imports from Africa compared to those from US and EU. Among Asian countries, the tariff rates of China and India on African products are high specially for agricultural products. African countries, too, have many high tariffs on Asian imports. Tariff escalation, too, in Asian markets is another major obstacle. This discourages the export of higher value added processed products from Africa and specially some of its leading exports to China and India-coffee, cocoa beans, and cashews. Most African countries lack the institutional capacity and resources to enforce the necessary standards. This adversely affects the ability of domestic producers to penetrate export markets in Asia. In the long run it is essential to investigate more fully the nature of complimentarity, competitiveness and diversification of trade and investment.

The exchange relationship has been underpinned by a shift in the EG thinking towards Africa from politics to economics-encapsulated in dialogues, promises and interventions and exemplified by the Beijing (2006) and Delhi (2008) summits. This emphasis is expected to be restored in the aftermath of the financial crisis. China's thinking on Africa has shifted emphasis from the political, encompassing nationalist movements to challenge colonization, to development. Relations evolved over the last 5 decades and three separate periods.[43] The climax of China-Africa diplomatic ties was the China-Africa Beijing Summit (November 2006) focused on co-operation and mutual development-its vision captured in the Africa Policy Paper (2006).[44] China has recognized that the consequences of the crisis were particularly critical for Africa and reaffirmed its support for the latter.[45]

India's thinking on Africa in the post cold war era was shaped by five 'Mantras' (chants)-economic co-operation, engaging the PIO's (Persons of Indian Origin), preventing and combating terrorism, preserving peace, and assisting the African defence forces.[46] Its links with Africa can be traced to the pre-colonial period with subsequent developments in the colonial and the post colonial era. This was firmly rooted in migration and commerce in the 18th century.[47] Trade and other economic relations between India and Africa 'existed long before colonialism.' After independence (1947) Nehru laid the basis of India's Africa policy.[48] The future will tell if Gandhi's[49] proclamation will prevail-" the commerce between India and Africa will be of ideas and services, not of manufactured goods against raw materials after the fashion of western exploiters."[50] The culmination of India-Africa ties was the India-Africa Delhi

43. See Looy, 2006.
44. See Ministry of Foreign Affairs of the People's Republic of China, Beijing,2006. China has been intensifying its ties with Africa through various forums including China-Africa Cooperation Forum and China-Africa Business Summit.
45. Based on the FOCAC November 2009 meeting.
46. Beri, 2003.
47. Arbab, 2008.
48. See Beri, 2003 and Arbab, 2008. Also see Campbell and Chaulia, 2008.
49. See Beri, 2003, p 272.
50. See Beri, 2003, page 222-3.
51. On the history of trade and WTO Agreements and India's efforts to usher in 'fair' trade for developing nations through trade negotiations see Roy, 2009 (b); on Africa and WTO and the crucial agricultural negotiations see Roy, 2003. At the July 2008 WTO Geneva meeting India and China refused to accept the terms of the US and developed countries to open up the developing country agricultural sector. This was due to lack of adequate safeguards to protect their farmers from any surge in food imports. The talks broke down.

April (2008) Summit. Its prominence was highlighted by the participation of 14 African countries. The aim was to reinforce firm partnership in core areas-trade,[51] energy and cooperation on global issues such as the UN reforms, terrorism and climate change.[52] But India's interests were aptly stated by the Indian Petroleum Minister Murli Deora: " Africa is pivotal to our energy security and we have decided to have a sustained engagement with them."[53] India's determination to persist with its ties with Africa after the financial crisis suggests that its basic pre-crisis approach is likely to be sustained.

Policy responses to tackle the challenges and opportunities stemming from the EG-Africa relationship require interlocking of national, regional and international action in the context of globalizing Africa. Indeed, it could join forces with the new rising powers –embodied in .BRIC- to confront the policies of developed nations.

Insights

The EG show much potential in terms of their development and their interlocking with the rest of the world offers promise of lifting the livelihoods of the poor in other developing nations. Above all the EG could pave the way in the long run for a rebalancing of the unequal global power structure biased in favour of developed nations. However, the EG are likely to be primarily motivated by their own strategic vision encompassing their economic and political ambitions. Hence other developing nations have to harness their strategies to establish strong bargaining power with the EG. This calls for such nations combining forces and using existing regional and international institutions to bolster their demands. At the same time it is envisaged that the EG could elicit the support of developing nations and progressive social forces to reshape the nature of flows-trade, investment, and aid-and global peace. This requires the EG capturing more power in the international Bretton Woods institutions and reforming them drastically to tilt the balance in favour of developing nations. This is bound to arouse new tensions and conflicts and so the path to reordering the global political economy is likely to be tough, uncertain, and challenging.

The EG have tried to pursue their goals of structural

52. See Srinivasan, 2008.
53. See India Today, 3 December 2007

transformation by closely relating their domestic and external economic structure based on a cautious approach which can ensure they control their core developmental policies albeit within different political contexts. This has placed emphasis, in varying ways in the two nations, on boosting domestic demand while gradually opening up the economy to external forces such that impulses from the latter were transmitted to the domestic sector with minimal risk. Implicitly this means that the full benefits of a boom may not be felt by these economies but at the same time they are unlikely to feel the full impact of adverse external changes. This was exemplified by the financial crisis (2008) which initially severely hit developed nations and subsequently other developing nations which were more open. Hence, the cautious approach of the EG safeguarded them against the downfall in global growth as they could simply intensify their thrust on the domestic sector to pursue growth though at a more subdued level. The state, moreover, in the EG was a major player in reviving growth through expansionary monetary and fiscal policies and reducing dependence on the external sector to boost demand, growth and employment though they were not immune to the adverse effects of the global crisis. Hence, blanket proposals on globalisation to fully open up national economies and place excessive emphasis on the market is fraught with pitfalls for national economic growth. Indeed, the capacity of the EG to catch up with their pre-crisis growth reveals its positive spillover effects on other countries stemming from the pulling power of the EG.

In the long term domestic socio-economic and political factors due to tensions and conflicts over inequality, levels of poverty, and disenchantment with administration and the distribution of power at grassroots levels, need to be confronted and overcome through more democratic institutions. At the same time it is critical to grapple with re-shaping global policies which can encapsulate collective arrangements to establish genuine global governance through radical reforms of the key Bretton Woods institutions. This can ensure that measures on finance, trade and development can protect the majority of nations and their poor citizens from international recessions and slumps while enhancing their living standards. These pose urgent conceptual and policy challenges on the capacity of nations to embrace a global order while exercising hold over their national sovereignty. This is a tall order which is likely to be uneven as the levels of development among nations reveal sharp variations and hence it is essential to adjust in line

with national norms.

On the political front the strategic policies of nations such as the EG are likely to be governed by their own economic and political ambitions in tandem with that of the existing dominant powers. Hence, to move beyond the rhetorics of bilateral, regional and global cooperation it is essential, especially for poor developing nations (as in Africa), to collaborate and coordinate other nations, institutions and supporting social forces, to establish more equal inter-nation and inter-regional economic exchange. This can lift the overall levels of global development. However, the scope of the new 'global powers' such as the EG and other BRIC nations to combine with like minded but less powerful developing nations to champion for a more balanced and just global political economy should be ushered in. This could revamp the unsatisfactory state of trade, finance, investment, development and the environment and curb political tensions. No doubt this will have to cope with opposition from the existing global powers in the developed nations. But in the long run a rebalancing of such powers can be envisaged.

Table 1

World Trade and GDP: Q1, 2007 –Q3,2009 (all figures are Y-o-Y growth rate (%)

	2007				2008				2009		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
World* GDP	3.8	3.6	3.8	3.7	3.6	2.9	1.7	-1.0	-3.4	-3.2	-2.0
World # :											
Export of Goods & Services	6.6	5.9	7.2	6.6	6.9	5.9	2.9	-5.8	-15.4	-15.5	-11.5
Imports of Goods & Services	6.6	5.0	6.3	5.6	5.8	4.2	2.3	-4.5	-15.6	-17.3	-14.0
USA GDP	1.4	1.9	2.7	2.5	2.0	1.6	0.0	-1.9	-3.3	-3.8	-2.3

	2007				2008				2009		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Exports of Goods & Services	7.0	6.6	11.0	10.2	9.3	11.0	5.4	-3.4	-11.6	-15.0	-11.2
Imports of Goods & Services	3.3	2.0	1.7	-0.9	-0.8	-1.9	-3.3	-6.8	-16.2	-18.5	-14.9
OECD :											
GDP	2.8	2.6	2.8	2.7	2.4	1.7	0.4	-2.1	-4.7	-4.6	-3.4
Exports of Goods & Services	6.6	5.8	7.6	6.4	6.7	5.6	2.5	-6.0	-15.8	-15.9	-11.7
Imports of Goods & Services	5.5	4.3	5.8	4.9	4.5	2.7	0.6	-5.6	-15.4	-16.7	-13.1
Euro Area:											
GDP	3.4	2.7	2.7	2.1	2.2	1.4	0.4	-1.8	-5.0	-4.8	-4.1
Exports of Goods & Services	7.5	6.5	7.2	4.2	5.5	3.8	1.0	-6.9	-16.8	-17.4	-13.9
Imports of Goods & Services	6.6	5.7	6.2	3.5	4.2	2.4	0.7	-4.1	-12.8	-14.4	-12.1
India :											
GDP	10.3	9.3	9.2	9.5	8.8	8.2	7.8	4.8	4.1	6.0	6.7
Exports of Goods & Services	11.4	1.9	1.6	10.3	14.7	25.6	24.3	7.1	-0.8	-10.9	-15.0
Imports of Goods & Services	18.5	1.1	-1.7	8.7	25.2	27.4	35.3	21.7	-5.7	-21.2	-29.8
China:											
GDP	11.1	11.9	11.5	11.2	10.6	10.1	9.0	6.8	6.1	7.1	8.9

Source : Mihir Rakshit, paper presented on the financial crisis at the international seminar on the Global Economic Crisis and its impact on India, Department of Economics, Jadavpur University, Kolkata, India, January 7-8, 2010 (based on individual country National Accounts Office &/or Central Bank's website: OECD website, IMF website,The Economist)

*Estimated from GDP growth rates of OECD & BRIC countries. These countries together comprise 87.3% & 86.3% of world GDP in 2007 & 2008. In 2009 they are estimated to account for 86.4% of world GDP according to IMF's projections (April 2009).

estimated by same method noted above except for that here China is excluded due to non availability of its quarterly (real) export, import growth. Without China these countries represent 69 & 67.9 % of world export & 72.4 and 71.5% of world import in 2007 & 2008 respectively.

Table 2

Share of China and India in GDP of World (%) (110 Economies)

	1985-95	1995-03
China	7.64	10.91
India	4.95	5.97
China and India	12.59	16.88

Source: T.N.Srinivasan, 'China, India and the World Economy,' Working Paper No.286, Stanford Centre for International Development, July 2006. Reprinted in the Economic and Political Weekly, 26 August, 2006.

Table 3

Share in GDP Growth of World (%)

	1989-95	1995-03
China	30.30	22.58
India	9.95	10.66
China and India	40.25	33.24

Source : T.N. Srinivasan, July 2006.

Table 4

Share of China and India in World Trade (%)

World Exports	1980		1990		2004	
	China	India	China	India	China	India
Manufacturing	0.8	0.5	1.9	0.5	8.3	0.9
1. Iron & Steel	0.3	0.1	1.2	0.2	5.2	1.6
2. Chemicals	0.8	0.3	1.3	0.4	2.7	0.7
2.1 Pharmaceuticals			1.6	1.2	1.3	1.0
3. Office machines & Telecom equip	0.1	n.a	1.0	0.8	15.2	0.6
4. Auto parts	0.0	0.0	0.1	0.1	0.7	0.1
5. Textiles	4.6	2.4	6.9	2.1	17.2	4.0
6. Clothing	4.0	1.7	8.9	2.3	24.0	2.9
Commercial Services					2.9	1.9
1. Transports					n.a	n.a
2. Travel					4.1	n.a
3. Other					2.4	3.1

World Imports	1980		1990		2004	
	China	India	China	India	China	India
Manufacturing	1.1	0.5	1.7	0.5	6.3	0.8
1. Iron & Steel	2.7	1.0	2.5	1.0	8.2	1.0
2. Chemicals	2.0	n.a	2.2	n.a	6.5	n.a
2.1 Pharmaceuticals			0.9	na	0.8	na
3. Office machines & telecom equip	0.6	0.2	1.3	0.3	11.2	0.5
4. Auto parts	0.6	0.0	0.6	0.1	1.7	0
5. Textiles	1.9	na	4.9	0.2	7.4	0.6
6. Clothing	0.1	0.0	0.0	0.0	0.6	0.0
II. Commercial Services			2.5	2.1	3.4	2.0
1. Transports					4.2	2.2
2. Travel					3	2.4
3. Other					3	2.1

n.a = not available

Source: Based on WTO cited by Srinivasan, July 2006

Table 5

Measures of Integration with the World Economy

(% of total)		1983	1994	2004
Share in GDP of Exports of Goods & Services	China	n.a	18	34
	India	n.a	7	19
Share in GDP of Imports of Goods & Services	China	n.a	16	31
	India	n.a	9	23
Share in World Merchandise Exports	China	1.2	2.8	6.7
	India	0.5	0.6	0.8
Share in World Merchandise Imports	China	1.1	2.6	6.1
	India	0.7	0.6	1.1
Country Share in World Exports of Commercial Services	China	n.a	1.6	2.9
	India	n.a	0.6	1.9
Country Share in World Imports of Commercial Services	China	n.a	1.5	3.4
	India	n.a	0.8	2.0

Source : Based on World Bank and WTO cited by T.N.Srinivasan, July 2006

Note : n.a = not available

Table 6

Foreign Capital Flows –FDI-China and India

	1990		2004	
	China	India	China	India
Private Capital Flows ($ millions)	8107	1843	73,829	17,852
of which : FDI	3487	237	54,936	5,335
Portfolio, Bonds	-48	147	3,690	3,722
Portfolio, Equity	0	0	10,923	8,835
Banking & Trade related	4668	1459	4,280	40
Gross Private Capital Flows as % of GDP	2.5	0.8	10.0	5.9
Net FDI Inflows as % of GDP	1.0	0.1	2.8	0.8
Net FDI Outflows	0.2	0.0	0.1	0.2

Source: Based on World Bank cited by T.N. Srinivasan, July 2006.

Table 7

India-China Basic Comparison

	India		China	
	Year	Amount	Year	Amount
GNI per capita	2005	$720	2005	$1,740
GDP Growth annual (%)	2000	4%	2000	8.4%
	2004	8.5%	2004	10.1%
	2005	8.5%	2005	9.9%
Savings (1999)(Gross Domestic Savings as % of GDP)				
	1999	29%	1999	40%
Sectoral Contribution (%)				
Agriculture (value added (% of GDP)	2000	23.7	2000	14.8
	2004	19.4	2004	13.1
	2005	18.6	/	/
Industry (value added % of GDP)	2000	26.3	2000	45.9
	2004	27.3	2004	46.2
	2005	27.6	/	/
Services (value) Added (% of GDP)	2000	50	2000	39.3
	2004	53.2	2004	40.7

	India		China	
	Year	Amount	Year	Amount
	2005	53.8	/	/
Trade (as % of GDP) (merchandise)				
	2000	20.4	2000	39.6
	2004	24.9	2004	59.8
	2005	28.2	2005	63.8
FDI (net inflows (current US $)	2000	3.6 billion	2000	38.4 billion
	2004	5.3 billion	2004	54.9 billion
FDI (as % of GDP)	1990-2004 0.10% of GDP to 0.8% of GDP		2004 GDP	2.80% of
FDI per capita Est	2005	$ 14	Est 2005	$ 183
Poverty (% below 1 $ a day)	2005	26	2005	12
	1995-2003	34.2	1995-2003	16.6
Gini Coefficient				
Rural	1997-98	0.40	1999	0.34
Urban	1997 -98	0.42	1999	0.29
Life Expectancy	2002	63	2002	71
Adult Literacy Rate (female (%)	2003	45	2003	87
Under 5 mortality Per 1000	2003	87	2003	37
Under 5 malnutrition (%)	1995 -2003	45.8	1995-2003	12.1

Source: Compiled from various sources (eg including World Bank India Data Profile and China Data Profile).

Table 8

India and Sub Saharan Africa: Select Social and Human Development Indicators

	Botswana	Ghana	Nigeria	South Africa	Uganda	India
Population below Income Poverty line (%)						
$ 1 day (1990-2005)	28	44.8	70.8	10.7	/	34.1
$ 2 day (1990-2005)	55.5	78.5	92.4	34.1	/	80.5
National Poverty Line (1990-2004)	/	39.5	34.1	/	37.7	28.6
Inequality measures Richest 10% to Poorest 10%	43	14.1	17.8	33.1	16.6	8.6
Gini Index	60.5	40.8	43.7	57.8	45.7	36.8
Children under Wt < Age 5 (%) (1996-2005)	13	22	29	12	23	47
Infant Mortality Rate/ 1000 Live Births						
Poorest 20%	/	75	133	62	106	97
Richest 20%	/	64	52	17	60	38
Maternal Deaths (1,00,000 Live Births 2000)	100	540	800	230	880	540
Adult Literacy Rate (% aged 15 and over (1995-2005)						
Female	81.8	49.8	60.1	80.9	57. 7	47.8
Male	80.4	66.4	78.2	84.1	76.8	73.4
Parliament Seats Held by Women (% of total)	11.1	10.9	/	32.8	29.8	9.0

Source: Data draws on Malghan, D and Swaminathan, H, 'Material and moral foundations of India's Africa policy,' Economic and Political Weekly, May 10, 2008, table on page 23. The row and columns have been rearranged in this table.

SELECT REFERENCES

Allafrica.com, 'Africa Needs to rebuild economic defences-IMF,' http:africa.com, 8 March 2010.

Acharya, A, India-China relations: towards a 'second vision,' Economic and Political Weekly, 26 January 2008.

Alexander, D, 'The impact of the global financial crisis on the world's poorest countries,' Global Policy, London School of Economics and Political Science, vol. 1, Issue 1, January 2010.

Allafrica, 'Africa:Sino-Africa trade volumes slump, ' at http://allafrica.com

Amin, S, 'The new scramble for Africa : the roles of China and India," Public Lecture, Nordic Africa Institute, Uppsala, 22-23 September 2008.

Arbab, F, ' India's growing ties with Africa,' unpublished paper, Institute of Strategic Studies, Islamabad, Pakistan, 2008.

Banerjee, A, 'India's Economic Agenda in the Backdrop of the Global Economic Crisis,' Lecture at the International Seminar on the Global Economic Crisis and its impact on India,' Department of Economics, Jadavpur University,Kolkata,India, January 7-8, 2010.

Bardhan, P, ' Crouching Tiger, Lumbering Elephant: a China-India comparison,' University of California, unpublished paper. No date.

Ben Thirkell-White, ' Dealing with the banks: populism and the public interest in the global financial crisis.' International Affairs, 85:4, 2009

Beri, R, 'India's Africa's policy in the Post Cold War era,' Strategic Analysis, April-June 2003.

Bhaduri, A, 'Predatory Growth,' unpublished paper, Jawaharlal Nehru University, Delhi, India, 2008.

Biva, S, 'India's role in the Emerging World Order,' FES, Dialogue on Globalisation, Briefing Paper, 4 March, 2007.

Bonnett, D, Whitehouse and Associates, 'An old partner, a new competitor,' Trades Journal, vol. 76, www.mbendi.com/whitehouse.

Breslin, S, ' Power and production::rethinking China's global economic role,' Review of International Studies, 31, 2005.

BBC, 'Stocks surge after China's stimulus,' BBC News, downloaded on 10,11.2008 http:/newsvote.bbc.co.uk

BBC, ' China's economic growth slows' BBC News, downloaded 22.1. 2009 http:/newsvote.bbc.co.uk

Brown, K, Review Article, 'Chinese capitalism at the crossroads,'

International Affairs, 85:4, 2009.

Campbell, H and Chaulia, S, 'Summit should strengthen Pillar of India-Africa Partnership.' The Statesman, 8 April 2008.

Chand, M, ' India, China go their own way in Africa,' 2008, website www.indiawrites.org.

China Quarterly Update, November 2009.

China Quarterly Update, March 2009.

Council on Foreign Relations, 'Financial crisis may worsen poverty in China,India,' 20 November 2008

Council on Foreign Relations, Note on comments on China and India cooperation by Sumit Ganguly,

Desai, M, 'India and China. An Essay in comparative political economy,' paper for IMF conference on India/China, Delhi, India, 2003.

Dutta, B, 'The year that was,' The Telegraph, Calcutta, 14 January 2010.

Economic and Political Weekly, ' India in Africa,' Economic and Political Weekly, 19 December, 2009.

Economic and Political Weekly, 'Dealing with the crisis in India,' 8 November 2008.

Eslake, S, 2005, 'China and India in the world economy,' paper presented to the International Conference of Commercial Bank Economists, Brazil, 7 July 2005.

Fang, C, Dewen, W and Huachu, Z, ' Employment effectiveness of China's economic stimulus package,' China and World Economy, vol.18, No.1, 2010.

Ghosh, D.N, 'Partnership or rivalry in a globalizing world,' Economic and Political Weekly, 25 December, 2004.

Gibb, R et al (editors), Globalisation, African Recovery and the New African Initiative, SAIIA, South African Institute of International Affairs, 2002.

Giessmann, H.J, ' New powers for global change. China's role in the Emerging World Order,' FES Briefing Paper, Friedrich-Ebert-Stiftung, Berlin, 13 October 2006.

Goldman Sachs, 'Dreaming with BRIC's: The Path to 2050, Global Economics Paper No 99, October 2003.

Gupta, S, 'Reach out to Africa,' Times of India, 18 March, 2008.

Haifang, L. 'Continuities, Readjustments and New Explorations. A Deep Reading of the Fourth FOCAC Action Plan, 2009.

Hurrell, A, ;Hegemony, liberalism and global order:what space for would be great powers?' International Affairs, 82, 1, 2006.

IMF, World Economic Outlook.Database, October 2009.

IMF, China's Integration into the World Economy. Prospects and Challenges, IMF, Washington, 2004.

India Today, 3 December 2007.

Jha, R, 'The global financial crisis and short run prospects in India,' East Asia Forum posted on 8 May 2009 at http://www.eastasiaforum.org

Keet, D, 'Practical and political, tactical and strategic perspectives for Africa's engagement with China,' paper presented at 'China-India-Africa relations: new strategic encounters,' international conference, Nordic Africa Institute, Uppsala, 22-23 September 2008.

Khanna, T, Billions Entrepreneurs. How China and India are Reshaping Their Futures and Year, Harvard Business School Press, Boston, USA, 2007.

Lynn, G.G.H, ' China and India: Towards greater cooperation and exchange,' China: An International Journal, 4,2, September 2006.

Looy, J, 'Africa and China's strategic partnership,' African Studies Centre, Leiden, paper presented at 'Afrikadag' organized by the Evert Vermeer Stichting, Hague, 22 April 2006.

Malghan, D and Swaminathan, H, 'Material and moral foundations of India's Africa policy,' Economic and Political Weekly, 10 May, 2008.

Mazumdar, B, 'India to triple trade with Africa,' at http://www.mg.co.za

Mazumdar,B, 'India to triple trade with Africa,' at http://www.mg.co.za

Mbiriri, R, ' China-Africa trade declines:What are the implications?.' At http://www,consultancyafrica.com.

Ministry of Foreign Affairs of the People's Republic of China, Chinese Government Issues, Africa Policy, 2006.

Mitchell, D.J and Bajpaee,C, 'China and India' Centre for Strategic and International Studies, Peterson Institute, USA, 2007.

Nayar, B.R, 'Economic globalization and its advance: from shallow to deep integration,' Economic and Political Weekly, 8 November, 2003.ewtrack India, 'New era emerges with 'Duty free scheme' at Indo-African summit,' NI Wire,New Delhi, 9 April, 2008.

Norberg, C, 'Introduction,' in Africa in Search of Alternatives, Annual Report, Nordic Africa Institute, Uppsala, Sweden, September 2008.

Palshikar,S, Review, 'India and China:Comparative Perspectives,' of book 'Crossing a Bridge of dreams:50 Years of India-China,' edited by G.P.Deshpande and Alka Acharya, Tulika, New Delhi, 2001, Economic and Political Weekly, 21 December, 2002.

Patnaik, P, ' On the political economy of economic liberalization,; Social

Scientist, 13 (July-August), 7-8 No's, 1985.

Rakshit, M, Data on financial crisis presented at International Seminar on the Global Economic Crisis and its impact on India, Department of Economics, Jadavpur University,Kolkata,India, January 7-8, 2010.

Rao, H, ' Rural transformation in China and India.A Post Reform comparison,' Economic and Political Weekly, 13 August, 2005.

Rowthorn, R, 'The renaissance of China and India: Implications for the advanced economies,' Economics Faculty, Faculty of Cambridge, 2006. Published as an UNCTAD Discussion Paper No.182, October 2006.

Roy, S, 'Globalisation, China and the changing world: challenges,' paper presented at National Seminar on 'China and the Contemporary World,' Department of International Relations, Jadavpur University, Kolkata, India, 4-5 March 2010.

Roy, S, 'Globalisation, and the 'Emerging Giants'-China and India-and development:challenges,' School of Social Sciences, University of Manchester, UK, April 2009 (a) .

Roy, S, ' Globalisation, trade and development: India in a comparative frame, ' Occasional Paper, School of International Relations and Strategic Studies, Jadavpur University, Kolkata, India, 2009 (b).

Roy, S, ' Globalisation and the current economic crisis,' Paper presented at joint Society for Global and National Affairs and MAKAIS, Kolkata,India, 21 November 2008 (a)

Roy, S, ' The 'Emerging Giants'-China and India-and African development,' Lecture, under 'China and India in Africa:New Strategic Encounters,' Public Events, The Nordic Africa Institute, Uppsala, Sweden, 22-23 September 2008 (see 'Filmed Events,' Video Files on China and India in Africa at http://nai.uu.sc) and lecture given under 'China and India in Africa' programme, Gothenberg International Bookfair, Gothenberg, Sweden, 26 September, 2008 (b).

Roy, S, ' The food crisis: national and global challenges,' IDS, Sussex University, ELDIS website http://www.eldis.org, April 2008 (c).

Roy, S, 'Capitalism, globalisation and trade: Review Essay, World Affairs, Journal of International Issues, vol.11, no1, Spring 2007.

Roy, S, 'Globalization and the ' 'Emerging Giants'- India and China-challenges,' Special Lecture, the Open University, Kolkata, India, 17 February 2006.

Roy, S, 'China and India: the 'Emerging Giants' and Africa: a Note,' Jadavpur Journal of International Relations, vol.10, 2005-6.Also available on IDS, Sussex University, ELDIS Website http://www.eldis.org

Roy, S, Globalisation, ICT and Developing Nations:Challenges in the Information Age, Sage, 2005.

Roy, S, 'Africa and the WTO Agreements in agriculture,' Working Paper, UN Economic Commission for Africa, Addis Ababa, Ethiopia, 2003.

Roy, S, Agriculture and Technology in Developing Countries: India and Nigeria, Sage, 1990.

Sally, R, 'China's trade policies and integration into the world economy,' unpublished paper, London School of Economics, No Date.

Singer, H and Roy, S, Economic Progress and Prospects in the Third World: Lessons of Development Experience, Edward Elgar, UK and USA, 1993.

Skidelsky, R, Keynes:The Return of the Master, Penguin, ?

Sharma, A.B. 'India calls to boost trade with Africa to $ 70 bn,' at http://www.financialexpress.com

Srinivasan, T,N, 'China, India and the World Economy,' Working Paper No.286, Stanford Centre for International Development, July 2006. Reprinted in the Economic and Political Weekly, 26 August, 2006.

Srinivasan, G, ' Indo-Africa meet likely to boost bilateral ties,' The Hindu Business Line, website, April 2008.

Subacchi, P, et al 'China and India in the changing global economic order,' unpublished paper, Chatham House, London, January 2007.

The New York Times, 'China in Africa for the long haul,' at http://www.nytimes.com

The World Trade Review, 'Trade negotiations. Brazil, China, India should lead WTO parleys,' 16-31 May 2007.

Times of India, April 2, 2008.

Times of India, ' Food value. India and Africa can become the granaries of the world,' Editorial, 9 April, 2008.

UNCTAD, Trade and Development Report, United Nations, 2005.

UNCTAD, Trade and Development Report, 2009

UNECA, Economic Report on Africa, Addis Ababa, Ethiopia, 2009.

UNECA, Economic Report for Africa, Addis Ababa, Ethiopia, 2007.

UNECA, Economic Report for Africa, Addis Ababa, Ethiopia,2005.

United Nations University, Policy Brief, by Augustin Kwasi Fosu and Wim Naude, World Institute for Development Economics Research, 2009.

Vines, A and Sidiropolous,E, ' 'Quiet' India could offer lessons to

Continent,' Guest Column, 6 April, 2008, AllAfrica.com.

Xinhua (a) , 'First India-Africa Forum Summit opens,' reported by Xinhua, April 2008, www.chinaview.cn

Xinhua (b), ' India-Africa summit concluded in New Delhi,' 9 April, 2008, www.xinhuanet.com

Wikipedia, 'Economic history of modern China,' at http://en.wikipedia.org

World Bank, Finance:Fact Sheet World Bank 2009 at http://www.worldbank.org

World Bank (a) Dancing With Giants. China, India and the Global Economy, Washington, 2007.

World Bank (b) Africa's Silk Road: China and India's New Economic Frontier, Washington, 2007

WTO, WTO Secretariat, Geneva, 2010.

Yuan,Jing-Dong, 'The Dragon and the Elephant:Chinese-Indian relations in the 21st Century,' The Washington Quarterly, Summer 2007.