

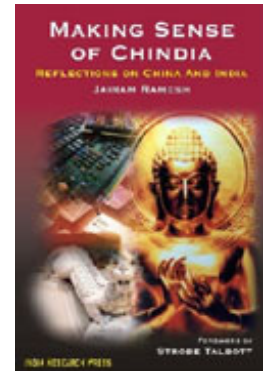


The Coming of the Asian Century: Reflections on China and India

Published : November 21, 2005 in [Knowledge@Wharton](#)

In the 20th century, China and India were largely seen as demographic behemoths but economic weaklings. Home, collectively, to some one third of humanity, both struggled with feeding and housing their populations and with entering the industrial age. That entrance was a long time coming, and both countries are still wrestling with issues of poverty and the growing pains inherent in industrialization.

Peering forward into the rapidly unfolding 21st century, however, both Americans and Europeans now have reason to wonder if the challenge of the coming years will be not how the advanced industrialized countries will contend with the poverty of these Asian giants, but whether or not, and how soon, China and India will come to be economically dominant players on the world stage. Already, China is commonly referred to as "the world's manufacturing platform." India, meanwhile, has become a hot spot for high tech outsourcing, from software development and call centers to the digital transmission of medical images read by lower-paid Indian radiologists and beamed back to hospitals in Europe and the United States.



This is a single/personal use copy of Knowledge@Wharton. For multiple copies, custom reprints, e-prints, posters or plaques, please contact PARS International: reprints@parsiintl.com P. (212) 221-9595 x407.

One of the primary points Jairam Ramesh emphasizes in his new collection of previously published columns, *Making Sense of Chindia: Reflections on China and India* (India Research Press) is that the "rise" of these countries, in many ways, should be understood less as a new development and more as a re-emergence. "At the beginning of the 18th century," he writes, "China and India certainly dominated the world and not just demographically." This statement precedes a chart which compares the distribution of world income, on a percentage basis, based on purchasing power parity. The chart, which divides the world into China, India, Europe, the United States, Japan, and Russia, looks at the years 1700, 1820, 1890, 1952, 1978, and 1995. Its figures are drawn from *Chinese Economic Performance in the Long Run*, a 1998 publication from the Organisation for Economic Co-operation and Development (OECD).

The chart shows China with 23.1% of world income, and India with 22.6% in 1700, and the two mostly declining from there -- with an up tick from 1978 to 1995, during which China moved up from 5.0% to 10.9% and India moved up from 3.4% to 4.6%. Many of the essays in this collection deal with questions of how both countries can move forward economically, and examine things from both an intra-Asian and an international perspective, paying particular attention to how developments in Asia may impact or be impacted by the United States.

Currently a member of the Indian Parliament representing Andhra Pradesh in the Rajya Sabha, and secretary of the All India Congress Committee's Economic Affairs Department, Ramesh has had a long career both in and out of government. His father taught civil engineering at the Indian Institute of Technology at Powai, where Ramesh ultimately studied mechanical engineering as an undergraduate. He traveled to the United States in 1975, where he earned a master of science degree in public management at Carnegie-Mellon University in Pittsburgh. From there, he entered a PhD program at the Massachusetts Institute of Technology, but dropped out to take a job at the World Bank in 1978.

One of the strengths of this collection is that, on a diverse range of topics, Ramesh demonstrates an admirable balance of reasonable concern for national self-interest along with a keen sensitivity to the nuances of international political and economic imperatives. Both perspectives include a sometimes acerbic disdain for exercises in national ego. All of these characteristics are clear in his piece on the

potential for a burgeoning China-India Space Race entitled, "No Space Race Please."

"After China's very recent achievement," he writes, "the pressure on us, self-imposed entirely, will be very great. Plans for sending an unmanned spacecraft to the moon by 2006/07 have been announced and the Prime Minister has gone one step further and given Kennedy-like expression to the dream of an Indian on the moon in a decade's time. It would be a disaster if we fell into this 'me too' race. There is simply no need to feel defensive about our own space programme. This has been an outstanding technological and managerial accomplishment and has had tremendous developmental impacts in diverse fields. These have to be sustained and expanded, not frittered away in the pursuit of some false sense of national pride and prestige."

One of the ongoing questions threaded throughout this collection is the "why them and not us?" conundrum. Here too, Ramesh is blunt. In a piece entitled, "Different Beds, Same Dreams," he takes up -- and answers -- this question head on: "There is no mystery to why China has taken off in such a stunning manner [compared to India]. It has followed very pragmatic policies exemplified in Deng's famous aphorism: What does it matter if the cat is black or white as long as it catches mice? Unlike India, it has not had restrictive labour laws or policies like that of reservations for the small-scale sector. It has not strangulated its textile industry or crippled manufacturing by fiscal policy like we have. It has invested more. And it has exported (and imported more)...."

As elsewhere, Ramesh's thinking here mirrors the Congress Party's turn away from its founding principals, from Nehru's commitment to a mixed economy with strong socialist elements, which became more rigid under the rule of his daughter, Indira Gandhi. Ramesh clearly lines up with current Indian Prime Minister Manmohan Singh, who, in the mid 1990s, as finance minister in the government of Narasimha Rao, initiated a policy of economic liberalization that began to turn India more toward open markets. Clearly this is a process Ramesh sees as ongoing, but not yet moving forward with sufficient speed.

That emphasis on economic liberalization is reiterated in a column which focuses on trade issues between India and the United States entitled, "Blue Collar, White Collar: China and India Are Raising Fears in America as Job Losses There Mount."

"India is also beginning to draw flak," Ramesh writes, "perhaps not as much as China as yet but it is under attack nevertheless. The growing American fear is that as 'blue collar' manufacturing jobs are being lost to China, 'white collar' service jobs are being lost to India." In response, he cites recent research from the McKinsey Global Institute. "The study shows," he writes, "that of the full \$1.45-1.47 of value created globally from offshoring \$1 of U.S. labour cost, the U.S. alone captures \$1.12-1.14, while receiving countries like India capture, on average, just 33 cents."

Rather than withdrawing in the face of criticism, he counsels that India should open up *more* to trade with the United States, on both the import and the export side, and that this engagement should be further expanded by Indian companies taking the opportunities available to purchase and resuscitate bankrupt American companies in the manufacturing sector. He cites auto parts, textile, and engineering companies as possibilities. Investing in the U.S. economy and in the creation -- or salvation -- of American jobs, he argues, would go some distance both to counterbalance and to allay American concerns about the job losses ascribed to outsourcing.

For Domestic or Foreign Consumption?

Though the issues the book covers are timely and important, its format presents a number of stumbling blocks for readers, particularly those not intimately familiar with Indian history and culture. While India Research Press has distributors in both the United States and the United Kingdom, the book seems more slanted for an internal Indian audience. Ramesh and his publisher take for granted, for example: that a reader will know that *Panditiji* is an affectionate nickname for Jawaharlal Nehru, India's first Prime

Minister; that simply referring to "1962" will conjure the events of the India-China War which took place that year; that such acronyms as IFS (Indian Foreign Service) or NRI (Non-Resident Indian) are familiar the world over. It would have been useful, for foreign distribution, to at least provide a glossary.

The book also suffers from the fact that the essays, originally newspaper columns -- which appear to come from three Indian publications: *Dainik Bhaskar*, *The Telegraph*, and *The Times of India* -- have not been reformatted for this collection. Thus, there are unanchored references to what has happened "recently," or "last week," or what is to happen "next month." Without even the cue of dates of publication for each piece, it is difficult for a reader to keep all of this information in proper context and chronology. There are also more than a few recurring ideas, images, statistics and characters which pop up too often: Paramount in the latter category is Zheng He, an oft mentioned Chinese Muslim eunuch admiral who headed a Chinese fleet which reached the Malabar coast of India in the early 15th century (some have argued he reached America, before Columbus, as well). The first and second references to Zheng He are interesting; the third and fourth are simply repetitious.

The quickly evolving economic and cultural changes in Asia are vivid history in the making; Ramesh's arguments and ruminations are nuanced and interesting. They deserve a larger audience; but this larger audience also deserves a more cleanly edited and clearly focused collection.

Knowledge@Wharton Summer Reading Collection

Summer Reading Special

A special offer for Knowledge@Wharton readers from Wharton School Publishing



» Click here for more information



This is a single/personal use copy of Knowledge@Wharton. For multiple copies, custom reprints, e-prints, posters or plaques, please contact PARS International: reprints@parsintl.com P. (212) 221-9595 x407.