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DANCING WITH GIANTS: CHINA, INDIA,
AND THE GLOBAL ECONOMY

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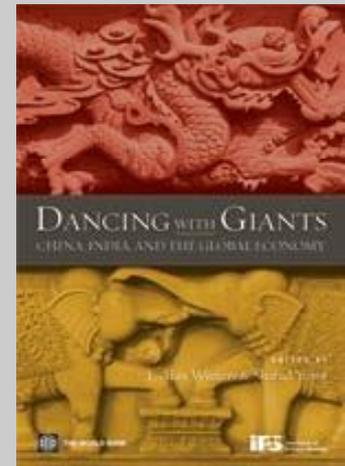
Introduction

The emergence of China and India - two fast-growing giants on the global economic stage - has been the subject of much discussion at international fora, business and policy circles. The same is true for scholars of the international trading system – knowledge about where these giants came from and suggestions about where they are going are equally important areas of research efforts. These two populous Asian giants account for 37.5 per cent of the world population and 6.4 per cent of global world output. The nearly 9 per cent annual rate of real per capita gross domestic product (GDP) growth that China has averaged over the last twenty five years is unprecedented; and with an average per capita GDP of nearly 4 per cent a year since 1981, India's take off seems less than spectacular only in comparison with that of China.

This growth has been accompanied by substantial reductions in the aggregate incidence of abject poverty measured in terms of income or consumptions in both countries. This has led to concerns about the distributional impacts of the growth processes in both countries on poor countries and developed economies and largely explains the interest of the World Bank and the Institute for Policy Studies (IPS), Singapore in the publication of the book in 2007.

Comments

The aim of the volume, as stated by the editors in the introductory chapter, is to “highlight some of the major implications of the giants’ growth for the



world economy and hence for other countries....it is about dancing with the giants without getting one's toes stepped on". The book examines the global implications of the growth of the two Asian giants: China and India. It takes a dispassionate and critical look at the two countries and asks questions about their growth: where is it occurring? Who is benefiting most? Is it sustainable? It provides a detailed framework and analysis of

the implications of the economic success of these two emerging markets for the rest of the world over the next 15 years.

The 272-page book employs economic models in the analysis and assessment of the emerging developments in the Chinese and India economies and the attendant impacts of their continuous growth up to 2020. It considers China's and India's interactions with the global trading and financial systems and their effects on the global commons, particularly with regard to climate. It further examines whether the giants' growth will be seriously constrained by weaknesses in governance, growing inequality, and environmental stresses.

The study further x-rays the impact of China growing at an annual average growth of 6.6 per cent and India at 5.5 per cent a year between 2005 and 2020, while the rest of the world averages 3.2 per cent annually. It equally provides a model of what the impact on the energy use and the emissions would be up to 2050.

The book explains the growth drivers of these two Asian giants' and posits that both of them will influence substantially the pace and nature of global economic dynamics. It analyses the influences on the rapid future development of these two countries and examines how their growth can impinge on other countries. Also, international trade, industrialisation, foreign investment and capital flows, and the implications of their broadening environmental footprints are considered. It discusses how the two countries have tackled poverty, inequality and governance issues and whether progress in these areas will be a key to rapid and stable growth.

The layout of the book follows a logical sequence. It is divided into six distinct parts with the first three parts focusing on the Giant's interactions with other countries

through the evolution of their industrial capability, their international trade, and the international financial system. Other chapters feature the possible constraints, and influences on their growth, while the final chapter examines energy and emissions.

Each of these parts is seasoned with expert touch, which, no doubt, enhances the understanding of how China and India are reshaping the global industrial landscape and the attendant impact on developing economies. The authors' explanations and use of words are unique, and quite convenient for experts in economics, banking and finance, to comprehend.

The key findings of the book include:

- ◆ China and India will become major players in the world economy alongside the others;
- ◆ Major effects on global markets and global commons are inevitable as the per capita production and consumption levels of the two emerging markets rise to those of the developed economies; the two emerging "giants" are not as dominant as many believe in some areas of international finance in spite of their rapid growth.

Other findings are:

- ◆ The growth in these two emerging markets presents opportunities for other developing countries to explore and;
- ◆ Other countries need to improve their investment climates and invest heavily on infrastructure and human resources to keep abreast of the developments in China and India.

A Critique of the Book

The book shies away quite oddly from detailing the trade policy-related aspects of the giants' impact on global integration. Not much was said about the analysis of either the countries' own trade policies nor the policies that other countries have pursued such as

the generalised system of trade preferences, the China-specific safeguard, non-market economy status under foreign use of anti-dumping, et cetera) that would affect their imports and exports.

On the whole, the book is relevant and will serve as a veritable source of information to economic scholars and trade specialists to better understand how the Indian and Chinese economies shape their development experiences in the financial sector of the economy and their attendant implications for trade policy decisions involving China and India as well.

While the contributors to the edited volume are economic scholars and researchers drawn from the World Bank and academia, the chapters are written at a fairly non-technical level so as to be digestible to a non-economist audience as well. This does not, however, imply that the volume lacks rigour or model-driven economic analysis.

It shows the immense value of World Bank research and without being simplistic; it makes a complex subject accessible and comprehensive. Its seven chapters, each authored by leading researchers in their fields, offer deep insight into the prospects for Chinese and Indian growth and its likely impact on the world economy. The analysis is thorough, apt and exhaustive.

The structure of the book is quite elegant; its methodology is quite appropriate given the targeted audience; the theoretical underpinning is comprehensive and the findings quite educative and useful.

It will definitely be a reference material for developing countries like Nigeria in exploring the opportunities which the developments in these emerging markets present. This also imposes on us the challenge of improving our moribund infrastructures and capacity building in different sectors of the economy. ■

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