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India and China Are Poised to Share Defining Moment

By SOMINI SENGUPTA and HOWARD W. FRENCH

NEW DELHI, April 9 - Wen Jiabao, prime minister of China, began a four-day visit to India on Saturday just as the two countries - a third of humanity - are coming into their own at the same moment, with the potential for a dynamic shift in the world's politics and economy.

The impact on the global balance of power, the competition for resources and the health of the planet is causing many analysts and political leaders to sit up and take notice.

"Both countries have waited 3,000 years for this moment," said Gurcharan Das, the former chief executive of Procter & Gamble India and now an author.

Onetime rivals who went to war in 1962, India and China today find their economies growing at a remarkable clip. Both have a giant appetite for energy. Both are hungry for new markets. And both, it seems, are now gingerly testing the possibilities of doing business together.

It is not an accident that Mr. Wen began his visit not here in the capital but in Bangalore, the southern high-tech hub whose phenomenal rise China has eyed.

Trade is booming between them, especially as seen from the Indian side: after the United States, China is now its second largest trade partner, and it is growing by a giant 30 percent each year to an estimated \$14 billion this year.

For the United States and the rest of the world, the effects of the sudden awakening of the Asian giants could be profound. In the years ahead, it may mean more downward pressure on wages, the outsourcing of more jobs, greater competition for investment and higher prices for scarce resources.

Indeed, Beijing's overtures toward India, though clearly made with the economic opportunities in mind, are also being contemplated with a keen awareness of China's rivalry with the United States.

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Washington has also courted New Delhi, lately promising to help make it a major world power.

India and China say they will push hard to resolve a decades-old border dispute. There is talk of a free trade agreement as well as joint oil exploration and purchases of commercial airliners. China may even endorse India's bid to become a permanent member of the United Nations Security Council, or at least strongly hint at its support.

But Stephen P. Cohen, a senior fellow at the Brookings Institution, says relations could become difficult.

"As long as their relationship remains trade, economic ties, cultural, even kibitzing with the U.S., that is fine," Mr. Cohen said, "but as soon as you get some confrontation, on the border, Chinese goods flooding into India, or an incident at sea, or in Tibet or Nepal, then things quickly become much more nationalistic and complicated."

Indeed, competition is as much the byword as cooperation. The day after Mr. Wen arrives here, work is set to begin on India's first Indian-built aircraft carrier.

China is increasingly on people's minds here, both as a model to be learned from and a cautionary tale. From boardrooms to think tanks to op-ed pages, Indians speak often nowadays of matching their neighbor's success and power, or as some now dare suggest, surpassing it.

"Reinventing the silk route" was the headline of a column on Tuesday on the op-ed page of The Economic Times, a financial daily. The latest edition of Business World, a weekly, asked on its cover: "India and China: What can they do together?"

The short answer is more and more. Chinese-made toys, toasters and televisions have proliferated across the Indian marketplace. On any given day, a shopper at Chandni Chowk market in Delhi can pick up a Ganesha idol, or electric versions of the traditional oil lamps, or water pistols used to splash passers-by during the spring festival of Holi - all made in China.

India exports raw materials for China's booming construction industry, largely ore, iron and plastic, and its pharmaceutical companies have begun producing drugs for the Chinese market.

Indian software services companies, too, have set up shop in China for development and customer support. At least one Indian company, Zensar Technologies, has set up a joint venture with a Chinese firm and is bidding on a large e-government contract in one Chinese province.

NIIT, the Indian technology education firm that began training Chinese software developers in 1998, today has 100 training centers in 23 provinces across China. For Indian software, said Vijay Thadani, a founder of NIIT, China is the next big thing.

"There's an excitement with setting up a Chinese operation," Mr. Thadani said. "There is an enigma attached."

The India-China dalliance is perhaps most critical when it comes to satisfying both countries' incredible appetites for energy. Clearly, China and India already compete over finite sources of oil and gas. Mani Shankar Aiyar, India's petroleum minister, insisted that China and India would have to join hands.

In Sudan, he noted, the Chinese are building a refinery; the Indians are building a pipeline. The Indian state-owned oil company is also now producing oil in Sudan in cooperation with the Chinese state-

owned oil company.

"We are both in quest of energy security. Why should that make us rivals?" Mr. Aiyar argued.

The speculation was not always so. In 1959, John F. Kennedy spoke of the importance of what he saw as a contest between these giants, casting their rivalry as one "for the leadership of the East, for the respect of all Asia, for the opportunity to demonstrate whose way of life is better."

Not least, the two nations pursued famously divergent paths: for India, democracy and belated economic reforms since the 1990's; for China, a Communist system that began reforms in 1979, unleashing rapid economic growth.

But for much of the last half century that contest was a dud. China nearly self-destructed during the Cultural Revolution of the 1960's, and India wasted decades on policies that left its economy closed and stagnant while hundreds of millions of its people were mired in poverty.

Today, their simultaneous emergence has few comparisons in modern history, economists say. According to the World Bank, their combined growth can be credited with cutting the share of the world's population living in extreme poverty to 20 percent in 2001 from 40 percent two decades earlier.

Despite India's rapid growth, however, China's development enjoys a good 15-year head start, and the gap shows no signs of narrowing. Indians worry openly whether a consensus for growth can be sustained with the kind of single-mindedness that has helped propel China.

There is constant talk these days of turning Mumbai, the southern commercial metropolis formerly known as Bombay, into a new Shanghai, China's most glitteringly modern city.

More to the point may be Bangalore, India's booming capital of telephone call centers and high-tech software. Growth there has been menaced by political delays that have stalled construction of a new airport for seven years. Shanghai, on the other hand, built one of the world's most spectacular airports in three years.

Such contrasts have left some Indians to remark, sometimes despairingly, about a "democracy price" that slows development. At the same time, Indians almost invariably say they would have it no other way.

"I'm often approached by friends returning impressed from China, saying how our airports in Bombay and Delhi can't compare," said G. P. Deshpande, a longtime China scholar at Jawaharlal Nehru University in Delhi. "When I tell them that these things come in a package, that you don't just get the new airports, and I describe the package, though, they say no thank you."

The package Mr. Deshpande alludes to is strict authoritarianism, which allows the local and central governments in China to rezone entire districts without so much as a hearing, to pollute city and countryside without having to face public objections and to conduct large-scale social engineering, often disastrously, but with similarly little question.

For their part, mainstream Chinese intellectuals talk of India's advantages in democratic governance. For all of China's apparent strengths today, they say, future success may depend on democratic reform.

"If China learns its lessons from India, it can succeed in democratizing in the future," said Pang

Yongzhing, a professor of international relations at Nankai University in Tianjin.

"India is a far more diverse country," he said, "a place with the second largest Muslim population in the world, and lots of ethnic minorities, and yet it organizes regular elections without conflict. China is 90 percent Han, so if India can conduct elections, so can China."

Chinese have also begun openly to question the kind of growth their authoritarianism has spawned.

"We are using too many raw materials to sustain this growth," said Pan Yue, China's environment minister, in a recent interview with the German magazine Der Spiegel. "To produce goods worth \$10,000, for example, we need seven times more resources than Japan, nearly six times more than the United States and, perhaps most embarrassing, nearly three times more than India."

"Things can't, nor should they, be allowed to go on like that," he said.

Others worry about China's seeming addiction to large investment, which leads to huge waste and steep cyclical downturns, a shaky financial system imperiled by a huge burden of nonperforming loans, and rampant official corruption.

"In India there is a lot more room to move around," said Zhang Jun, director of the China Center for Economic Studies at Fudan University in Shanghai. "Their capital markets are good, their banking sector is better than in China, and there is entrepreneurialism everywhere in India, along with well-protected intellectual property rights. All of these are things that China lacks."

Pressed for a prediction, Mr. Zhang said he saw the two countries' positions converging within 15 or 20 years, by which time they may rank as the two largest economies in the world, if still far below the United States and other top economies in terms of per capita wealth.

How they get there, and the examples they set along the way, may hold important lessons for other developing nations, on global peace, human rights and democratization.

"If China continues to grow and grow, people will inevitably begin to think this is proof of the validity of their system, and that would be very bad for all of Asia," said Subramanian Swamy, president of India's Janata Party and former minister of law, commerce and justice.

"On the contrary, if India continues to emerge, taking a seat on the Security Council, it will have a tremendous impact for the good," he said. "As far as exporting democracy, it is only a matter of time before India gets the self-confidence to begin doing this."