

## **THE RISE OF INDIA AND CHINA: GLOBAL IMPACT, GLOBAL OPPORTUNITY**

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If the second half of the 20<sup>th</sup> century was permeated by ideological struggles (e.g., Communism vs. Capitalism, the Vietnam War), it is my strong belief that markets and economic interests will be the overarching drivers of the first half of the 21<sup>st</sup> century. In a world where market power reigns supreme, it will be the economies of the reigning superpower, the US, and the emerging superpowers, India and China, that will have the greatest impact on our globalizing world.

While there will certainly be conflicts and confrontations along the way, it is also my belief that the inter-relationships of these three countries will have positive and often unexpected benefits. There is certainly reason to fear that this situation could devolve into a “clash of civilizations,” as Samuel Huntington described in his same-titled book. But, unlike the globalization of the 1800s when the British established a truly worldwide network of military and economic influence through a colonial system, this time there is a more even balance of power because the aging, and in many cases shrinking, populations of the developed countries will not be able to sustain their well-being without the human resources and growth markets of the developing countries. This topic is explored in-depth in a book I recently co-authored with Dr. Raj Sisodia, “Tectonic Shift: Geo-Economic Realignment in Globalizing Markets” (Sage, 2006).

In this new context, the rise of India and China will have significant economic impact, especially on the US. It will therefore be very important to analyze how the US will respond to the rise of India and China, and how India and China will adapt to their roles as world influencers. One of the missions of the India, China and America (ICA) Institute is to advocate more research-based understanding of this trilateral relationship, as well as advocate mutual cooperation, especially in the flow of trade between the three markets.

As we look to the future, there are many concrete signs that a cooperative environment is already developing. Despite a long history of mistrust, China and India are beginning to forge strong economic ties. Trade between the two countries, which was less than \$200 million five years ago, has grown to more than \$14 billion and will likely be more than \$50 billion in another 5 years. Indian companies are already investing in China, as well as locating manufacturing operations there (e.g., software and bulk drugs). There are also indications that India is opening up to much greater Chinese investment, especially in infrastructure projects. The optimism for this relationship is so great that one of the major economic advisors to the Indian government, Jairam Ramesh, wrote a book called “Making

Sense of Chindia,” which examines the huge potential for trade and other forms of exchange that exist between the two countries.

Similarly, mutual cooperation has begun between the US and India. US corporations have outsourced a major amount of call-center operations and IT development to India, and are now at the beginning of a wave of investment in R&D facilities in the country. In a major breakthrough that portends a much greater level of cooperation, the two countries reached an agreement in March 2006 on a sweeping agenda for economic and scientific cooperation, set a three-year target to double their trade and reached an understanding on implementation of a July 1995 civil nuclear co-operation agreement that will allow the US government and private companies to supply nuclear technologies and fuel to India.

The only area where a similar cooperative mindset hasn't yet happened is between the US and China. Although US companies have certainly been major investors in China's startling growth, a tremendous amount of inexpensive goods from China have flowed mostly unimpeded into the US, and China is one of the largest holders of US government financial equities, there is still a high level of economic, diplomatic and military mistrust and fear between the countries.

My hope and expectation is that India, China and the US will set aside their remaining past differences to expand their economic and geopolitical cooperative efforts. This is something that should be encouraged by policy research institutes, NGOs, businesses, industries and citizens, both inside and outside of the three countries. If successful, we will have provided an opportunity for historic cooperation to alleviate poverty and subsistence economy in the world, just as we cooperated to eradicate polio and small pox.