

Preface

I HAVE HAD THE PRIVILEGE of working on China and India for over 30 years, first as an economist at the World Bank for more than 25 years and then as a professor at Georgetown's School of Foreign Service for the last 6 years. During this period, I have visited each country more than 30 times and followed how they have transformed themselves from the most populous poor developing countries to major powers which are changing the global system. Their transformation has been spectacular. As will be developed in the book, the different speeds of their transformation and how far they have progressed are the result of their development strategies and the capabilities of their governments and populations.

In China, it has been largely because of a very shrewd government strategy that has managed an incredible shift from a state-controlled economy to a largely market-driven economy that is the most globally integrated large economy in the world in its participation in world trade. It is the more classic export-led development strategy based on exploiting its comparative advantage based on low labor cost. As a result, it has become a strong manufacturing center for the world.

In India, it has been largely because of a very dynamic private sector that has managed to become internationally competitive, initially in spite of government policy, although in the last 20 years government policy has become progressively more supportive. Its rapid growth is more recent and is due to a large extent to how its private sector has been able to exploit the potential of the information revolution—more specifically, the ability to provide services at a distance. As a result, it has become a global center for information-enabled services.

There is much that can be learned about development strategy from the experience of these two countries. Initially, I set out to write about this. However, with the advent of the 2008–2009 global economic crisis, I realized that the most interesting story was how important these two countries had become and how they were changing the world. As I focused on their relationship with the global system, I found that it was critical to understand more about the nature of that system and its evolution. This led me to look into how economic power shifted and the relationship between countries changed as that power shifted. This reinforced my appreciation of the important role of technological innovation and technological catch-up in economic development. It also led me to focus on the role of tertiary education and knowledge as elements critical to swift economic growth.

Studying the evolution of the global economic system also made me aware of the strong geopolitical elements of the relationships between major countries and the many ways they manifested themselves from trade to finance to technology to security and to global governance. It also helped me see that environmental sustainability was a new element which we have recognized as a binding constraint only more recently.

Combining the study of past power shifts with the new binding constraint of the world's ability to cope with increased carbon emissions that are the by-product of economic development and the very swift development of China and India, I became concerned about the economic stability and environmental sustainability of the global system. The result is this book.

It puts the rapid growth of China and India in the context of our very complex and increasingly interdependent world. It also does some simple extrapolations on their expected future growth. The conclusion, based on the review of historical experience of power shifts, the new binding constraint of the environment, and the gaps in the existing global governance system, is that the current system is unsustainable. We are heading toward major frictions. Managing these tensions is going to be a very big challenge that will take a lot of political leadership among the great powers and more willingness to adjust domestic interests for better longer-term global welfare. This will not be easy, but it must be done. I hope that this book will help to create a greater awareness of what is at stake and an understanding of why some of these issues need to be tackled now.