



CHINA AND INDIA WHISPER NO MORE

Coming to the rescue of the Western economy

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Information overload or not, China and India are here to stay as economic powerhouses. It's no longer a question of "Will China and India drive the global economy?" The fact is, they are already doing so. Never before has the world economy been dependent on developing economies. The pattern has always been that the rich countries are the global economic locomotives; China and India, while very powerful, nevertheless also remain, on a per capita basis, poor. We look briefly at the implications, must-dos and don'ts. Be ready. They're pumping up the volume.

A recent article in the Economist magazine stated: 'If China can keep flying high, it will help keep the world economy safe'. That's quite a statement. Clearly, we are sailing through uncharted water. It would not be too bold a statement to say that the fate of the world's economy now hinges not just on America, but also on China's economic fitness. At least over the next two years.

This view is confirmed by Jeffrey Immelt, Chairman of GE, who announced in an interview with the FT at the end of last year that "China and India would shield GE from the US downturn. And with the US and European banking crisis in full devastating swing, China (along with the Sovereign Wealth Funds of other emerging markets in Asia and the Middle East) is looked to by the financial behemoths of this world – Citigroup, Merrill, Lynch, J.P Morgan, etc – for salvation. In his visit to Beijing, UK Prime Minister Gordon Brown urged the Chinese to prioritise the City of London as an investment destination for their \$200 billion sovereign wealth fund.

What a distance the world economy has travelled in the last ten years! In 1997 there was the Asian financial crisis when international institutions were called upon to bail out insolvent Asian banks and treasuries! China and India were shielded from the fracas, but the region suffered a jolt. Some pundits saw this as a setback to the so-called emerging "Pacific Century". In 2008 Asia is rescuing the Western economies!

Developments are happening at such bewildering speed, it is extremely difficult to keep track, let alone be able to understand well what are the causes, driving forces and trends of the Chinese and Indian global economic juggernauts.

The problem is not "information". We are being bombarded with information about China and to a possibly lesser extent India. Obtaining the information is therefore no longer the issue. The point is going to be: what do we do with it? How do we convert this information into knowledge? And then, once we have the knowledge, how do we take action to ensure that what we do is part of a strategic vision?

The first thing we must do is get serious. Delve deeper. Forget shallow information and stereotyping. Do your homework and do it well. If we are going to cohabit, and believe us, we will, we have to understand what China is. How it got there. What it wants and where it's likely to take us. The momentum is already growing.

The historical dynamics are especially important to understand. Because of their past relations with the West over two centuries of exploitation and humiliation – the Chinese and Indian combined GDPs plunged from some 50% of global GDP in 1820 to 8% in 1950 –

the Chinese and Indians undoubtedly carry wounds. Wouldn't you? This is not to say they are out to seek revenge. This is not the case and what is most remarkable about the resurgence of these two Asian giants is their desire for collaboration – even though it may be now a collaboration that is set not just in Western terms!

This is an important element of where Western homework is required. To that end Western managers could do far worse than read the works of Prakash Tandon: *Punjabi Century*, *Beyond Punjab* and *Return to Punjab*. Tandon was the first Indian to be made a manager (in 1937) in the Indian operations of Unilever and a couple of decades later to be its first Indian Chairman. He paints a fascinating backcloth of the Indian environment and relations with Britain (as a country) and with Britons (as individuals) in the decade leading up to and the decades after Independence. It is fascinating reading. We have travelled far since then; Indians and Chinese, however, are well aware of where we have come from; for the most part Westerners are not, or only very dimly aware.

So we need to stay on alert. We must get the information we need to get a sense of future developments and challenges, but in order to know that, we also need to understand the past and the present. The information, therefore, needs to be converted into real knowledge of the countries.

Once this knowledge is acquired, then we must do something about it. Just as the information is converted into knowledge, the challenges must be converted into opportunities. And the opportunities are vast.

There is no doubt that understanding China and seizing the opportunities, present particular difficulties. Not only is there China's highly complex past, but the present is not much easier. Not only is this the first time in history that the world economy depends on developing countries, but one of which, to boot, is communist! What that actually means in the case of China is possibly one of history's greatest enigmas. And it also illustrates China's contrasting perspectives. Look at Beijing, where you see the portrait of Mao Zedong at Tiananmen and next to the Forbidden City the mysterious fortress-like headquarters of the CCP in Zhongnanhai. Look at Shanghai, Guangzhou, Tianjin, and the multiple big second-tier cities – and also in certain quarters of Beijing – and you see a very different picture. An entrepreneurial drive has overtaken China the likes of which has not been seen since the industrial revolution.

Go to the countryside, whether China or India, and you see yet another picture. There are hundreds of millions of peasants, many below the poverty threshold, toiling in pre-modern conditions.

Confused? Good!

Take on the information and try to understand, WITHOUT running to rapid and simplistic conclusions.

And also be careful about yet another thing! Don't underestimate size the size and diversity of the two countries. In fact they are more like continents than countries, There are lots of "Chinas", as there are lots of "Indias". They are huge market clusters, but

composed of often quite different regional characteristics. The diversity is at least as great, if not more so, than in Europe, from Lithuania to Portugal. You would laugh at anyone judging the entire European market from, say, Eindhoven. Well don't make the same mistake when you are in Mumbai or Guangzhou. Understand the differences. The specializations. The differentiation. Don't try everything at once. The numbers and volumes will astound you.

In assessing these economies, bear in mind that they have come a very long way in a very short amount of time. China in particular has broken all records. Both are expected to continue growing at about 8% for India and 10% for China. This will mean, obviously, more change. If you get stuck into present stereotypes, you will be quickly surpassed.

In respect to China, beware of focusing just on cheap goods. This is rapidly becoming history. We are moving well beyond China as the factory of the world. Think next dimension. Think innovation. Research. Renovation.

Finally: beware. Ignorance and arrogance will be your downfall. Globalization for the last several centuries has been a Western script set to a Western tune. This is no longer the case. Complacency will leave you trailing. So get in the know. Understand. Take action. Get on board. The train is leaving.

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