

Dancing with Giants: China, India and the Global Economy

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From the ranks of high-level policymaking to water cooler conversations over the fears of labor offshoring or the safety of children's toys, China and India are a major topic of discussion and debate around the world. The same is true for scholars of the international trading system – knowledge about where these *giants* came from and questions about where they are going are increasingly important areas of research. From this perspective, *Dancing with Giants* is a volume that presents a self-contained, accessible economic account of the recent rise of China and India as well as some economic projections and global implications for their futures.

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." Given this goal and the book's relatively short length (272 pages), the topics covered by the seven chapter volume are very comprehensive. They include the relative importance of the manufacturing and industrial sectors, the external (trade-based) winners and losers in the global economy associated with China's and India's growth, the extent and structure of the two countries' international financial market integration, the environmental impacts of each economy's decision on how to fuel its underlying growth through the use of various forms of energy, the relationship between economic growth and inequality within China and India, and the underlying characteristics (and implications) of each country's economic governance.

One analytical theme that unifies the chapters is the focus on other *developing* countries. The authors have been charged with not only examining the Chinese and Indian historical experience and projecting their futures, but also generating insights and implications for other poor countries. Along the dimension of the "toes getting stepped on" metaphor provided by the title, the authors examine questions like, as China and India move into the future, what are the problem (negative) and possibility (positive) externalities most likely to affect my country? For example, in the chapters on industrial activity and trade, the authors discuss how changes in China's (and India's) trade patterns and the mix of their imports and exports (and connectivity to global production networks) is likely to impact the industrial activity and trading patterns of other local countries.

Second, a number of the authors also take their analysis in a complementary direction by examining the implications of Indian and Chinese policy choices and whether there are also important policy *lessons* that other developing countries may learn from these experiences as they go through similar

stages of economic development. For example, the chapter on economic governance and growth is careful to point out the limitations of policy insights for other developing countries that do not necessarily enjoy the same size (market potential) to be able to overcome what are seemingly mediocre values of assessed governance for China and India during their recent high growth periods.

While there is substantial heterogeneity of topics across chapters, the approach and structure of each chapter appears to follow a relatively common template. This adds a coherence to the volume that is lacking from many other similarly situated collections of research. First, each chapter surveys the relevant research literature thus a) framing the questions of foremost interest, and b) putting into context the evidence on the determinants of particular economic outcomes that motivate the chapter's topic. Each survey section also typically features a sufficiently detailed discussion of primary source data highlighting the main message of the existing research through figures or tables of summary statistics.

Most of the chapters then proceed to a more structured analysis, relying on a formal economic model to provide projections as to the range of plausible future (usually defined as the next 15 years) Chinese and India outcomes. The predictions range from those based on econometric regression models that use historical data to those based on more complex simulation exercises that use computable general equilibrium (and similar) types of models and knowledge of elasticities of substitution between various economic relationships. For example, the chapter on energy and the environment examines uses a simulation model to provide projections of pollution (e.g., particulate emissions) given various paths of future Chinese and Indian growth, and whether these countries proceed under a "business as usual" approach versus a scenario in which they allow for technology upgrading and a portion of GDP growth to be spent on reducing emissions.

Finally, the authors of each chapter then return from their examination of the historical evidence and projections to a discussion of policy implications. They typically consider both how different policy choices affect the likelihood of one projected outcome over another, as well as the trade-offs that arise along the way from choosing one particular policy over another.

While the major contributors to the edited volume are economist 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 rigor or model-driven economic analysis. In fact, the approach is quite the contrary, as the analysis of most chapters draws frequently from quite sophisticated economic models (whose technical details can be found elsewhere), and where the authors walk through model projections under different future scenarios.

Finally, the authors are also typically quite careful on stating the limitations of the implications of their analysis, taking care to state explicitly what questions their approach cannot necessarily answer that might nevertheless be of interest, and also where the answers provided by their analysis just are statistically unclear. The result is an excellent introduction to the questions and topics and a first reference book – i.e., like much good economic research, it illustrates tradeoffs and does not read as a piece of advocacy except so as to demand the recognition of such tradeoffs.

Given the readership of the *World Trade Review*, I should make clear that this is *not* a volume about trade policy nor is it even exclusively about international trade. While there is the appropriate amount of analysis of the latter found in chapters 2 and 3, the book contains little analysis of trade policy – whether at the national level, or through the pursuit of preferential trade agreements or these countries' experiences with multilateralism at the WTO. While there is contextual reference, of course, to both India's major unilateral liberalization in the 1990s and China's accession into the WTO in 2001, this book deliberately shies away from detailing the trade policy-related aspects of the *giants'* impact on global integration – i.e., there is little systematic analysis of either the countries' own trade policies nor the policies that other countries have pursued (e.g., the Generalized System of Preferences, the China-specific safeguard, non-market economy status under foreign use of antidumping, etc.) that would affect their imports and exports. Furthermore, any discussion that would link trade policies to economic outcomes would require at least another volume of equivalent size.

This should not, however, be interpreted as a criticism of the volume, given its stated aim and objectives. Furthermore, there are compelling arguments that it is useful for trade specialists to better understand how the areas of the Indian and Chinese economies covered by this volume (e.g., governance, environment, inequality) shape their development experiences, as they surely have implications for trade policy decisions involving China and India as well.

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