THE RISE OF CHINA AND INDIA:
IMPLICATIONS FOR DEVELOPING COUNTRIES

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Abstract

The object of this essay is to analyse the economic implications of the rise of China and India for the developing world. The structure of the paper is as follows. First, it sketches a profile of China and India in the world economy. In doing so, it provides a historical perspective of the past, a snapshot picture of the present and an extrapolated scenario of the future. Second, it asks whether these two Asian giants could be the new engines of growth for developing countries in the wider context of the world economy. In addressing this question at a macro level, it explores the possible impact of rapid economic growth in China and India on developing countries, which could be complementary or competitive, direct and indirect, and, on balance, positive or negative. Third, it attempts an assessment at a more disaggregated level. For this purpose, it considers the main channels of transmission: international trade, international investment, international finance, and international migration. Fourth, it discusses the possible influence of China and India on institutions and rules in the global context, which are important determinants of policy space for developing countries. The mechanisms for such influence obviously extend beyond economics into politics, and range from bilateralism through plurilateralism to multilateralism.