

China, India and Beyond

Completing two years of existence, *IMI Konnect* has come up with this year's Winter Special Issue focusing on a very important topic, viz. the relationship between two neighbouring countries, China and India, thought to be the prospective economic giants in the days to come. As of 2013, the share of India and China in world GDP stands at 13.8% compared to the share of US at 22% (based on World Bank data). With the recent visit of Chinese President Mr. Xi Jinping to India, there are signs that both countries are anxious to play down mutual problems and are willing to emphasize prospects for economic co-operation instead.

IMI Kolkata has organized an International Conference on China and India recently to deliberate on issues related to cooperation, competition and development involving China, India and the region as a whole. This issue incorporates articles from some of the best of the minds in the country from academics and corporates and also includes some articles based on the extracts from the speeches of the experts who made the conference a great success with their wisdom and experience sharing.

In the article by Mr. Mani Sankar Mukherji (Sankar), the renowned writer is candid in sharing his interactions with the Chinese people at different phases of his life. He has described how the cultural exchange between India and China has started centuries ago and emphasized that there should be more intellectual interactions between the two countries in the form of discussions, books etc. to take the relationship forward.

In an interview Mr. Rajat M. Nag, former Managing Director General, Asian Development Bank has shared his views on topics ranging from the problems and prospects of the two economies and the South and South-East Asia as a whole, to the role of regional cooperation and economic policies in eradicating poverty and boosting economic development in Asia etc.

Dr. Soumya K. Ghosh, Chief Economist, SBI has discussed the pros and cons of the emergence of the proposed BRICS bank on the regional economic development in this part of Asia. He has provided an excellent background for setting up of the Development Bank. But, he also voices the legitimate concern about the disagreements and disputes which are very likely to arise at the basic level as there are lots of disparities among the BRICS countries themselves.

Another pertinent topic on the 'soft power' and the establishment of Confucius Institutes is discussed by Dr. Avijit Banerjee, HOD, Chinese Language and Culture, Visva-Bharati University. He elaborated on the different perspectives of experts and analysts in this context and what might be the effect of such Institutes in the near and distant future.

Prof. Abhirup Sarkar, Professor, Indian Statistical Institute, is very lucid in dealing with the thoughts of Tagore on cooperation. He has explained the different forms of cooperation that the world has seen over ages in different parts of this globe and compared them in terms of their merits and demerits. He concludes that Tagore had always placed moral development before economic development and was for cooperation in small schemes rather than at a state level.

From cultural exchange to the political and strategic relationship, Prof. Rabindra Sen, Professor, Jadavpur University, is quite open in discussing the challenges in Sino-Indian relationship in recent times as there have to be new ways of cooperation between the two countries to overcome several areas of conflict and reap the mutual benefits of economic complementarity.

With the hope that the articles will make the readers think and further induce discussion about the topic, I take the opportunity to make a series of announcements. *First*, we are delighted to invite articles from researchers and faculty members from academics for *IMI Konnect* on contemporary topics. *Second*, we are going to introduce a new feature called 'Practitioner's Perspective'. For that, we are inviting the corporate executives from Marketing, Finance, HR, Operations etc. to write for us by sharing their views and opinions on different topics pertaining to business. *Third*, we are also going to introduce another feature called 'Management Education' and invite articles related to any aspect of management education. Please refer to page 12 for detailed announcement on this.

With the aspiration of another volume of *IMI Konnect* with new features likely to trigger debates and discussions, I thank the readers for suggestions and appreciations. And, I wish you all a very happy and prosperous 2015 ahead!

Paramita Mukherjee

Editor, IMI Konnect

Indo-China Cultural Exchange for Disinterested Human Love

Mani Sankar Mukherji (Sankar)*

Chief Group Advisor (Corporate Relations), RP-Sanjiv Goenka Group & renowned writer

My first contact with China began when I was a child. On my way to school I fell, broke a tooth, and I was taken immediately to a nearby Chinese dentist's stall. He was very kind to me and that was the beginning of an enduring relationship. Later, I heard that Chinese dentists are far ahead of others and that the tooth brush is China's great gift to the world, while an ancient Indian dental surgeon designed the world's first instrument to extract tooth!!

I learnt from the headmaster of my school, Calcutta has the largest Chinese population in India and that there has been a formidable Chinese presence here even half a century before the battle of Plassey. By 1840, China was the second largest trading partner of Calcutta. Prince Dwarkanath Tagore at one time owned eleven China-going ships which were fastest in the world. But, it was not the Chinese trade but the early exchanges between the two great civilizations which fascinated me from my school days. It was later strengthened by the writings of a Chinese scholar Liang Chi Chao, whose assessment almost a century ago of the early Sino-Indian relationship is still the most memorable. According to him, "India and China are like twin brothers. Before most of the civilized races became active, we two brothers had already begun to study the great problems which concern the whole of mankind". Welcoming Rabindranath Tagore, Professor Liang Chi Chao mentioned that India taught China to embrace absolute freedom. Also the idea of pure love towards all living beings which eliminates all obsessions of jealousy, anger, impatience, and disgust - these teachings are contained in seven thousand volumes of Buddhist classics.

The Visitors

We all know a bit about Fa Hien who around 399 AD visited India. There is a reference of another Chinese pilgrim in Gandhar, but we do not know much about Indian pilgrim Prabhakar Mitra who visited China before Hiuen Tsang came to India and was honoured by the Chinese emperor. Two other great names are Kashyapa Matanga and Dharmaratna. Around 147 AD we come across the name of Lokokhsemo. We are thrilled by the life of Dharma Rakshak who mastered 36 languages. What is amazing is the trouble that the Indian and the Chinese scholars took to go to distant lands only to read and collect books. It is fascinating to read how the scholar

Dharmokhsemo set out on a long journey to China from Central India, because he could not lay his hand on the first ten chapters of an important publication called Mahaparinirvana Sutra.

Through Latika Lahiri's pioneering English translation we know quite a lot about the Indian pilgrimage of 56 Chinese monks, but it is a pity that we still do not know much of I-Ming who from his youth dreamt of visiting India. From his remarkable book we know of the Chinese scholar Huychin Tsing who spent 10 years in Nalanda and came to Bengal at Tamralipta, now Tamluk in 685 AD. He has left behind a moving account of his visit to

India. The world also knows too little about the Bengali scholar Atisha Dipankar who headed the famed Vikramshila University now in Bangladesh. To resolve Vikramshila's financial difficulties he accepted an invitation to visit China. Atisha is a legend still remembered across the border, but not much in Bengal.

Bengal Connection

Bengal's fascination for China has remained very high across centuries. Rabindranath Tagore visiting China 90 years ago needs a special mention. At the invitation of the University of Beijing, Tagore visited China. He addressed a gathering of Chinese students by mentioning that India in the past sent his best emissaries to China; opening up the road was the aim of his country - not for money, not for power but to reach the hearts of the people of a distant land "for disinterested human love and for nothing else". The 1924 visit of Rabindranath Tagore to China aroused a lot of interest in both the countries.

It is a source of great delight that there is a renewed desire to exchange thoughts between two great civilisations. Now there is a new desire to share more information and come closer. There should be more exchange of visitors, more discussions, and more readable books reaching the people about India and China. In the words of my mentor Mr. Noel Barwell, a Calcutta-based British lawyer, "Some countries have no past - obsessed with the present they don't know what is in store in the future. Some countries have only the past, they do not know what to do now and later. And then there are India and China who have a glorious past and a worthwhile present, they can rightfully look forward to a great future".



There should be more exchange of visitors, more discussions and more readable books reaching the people about India and China.

*The article is based on extracts from the author's keynote speech at the China-India international conference at IMI Kolkata held on October 18, 2014.

On China, India and Beyond

Rajat M. Nag

Former Managing Director General, Asian Development Bank (ADB)

In conversation with team *IMI Konnect*

Mr. Rajat M. Nag who is currently a Distinguished Fellow at India's National Council of Applied Economic Research, Delhi and also a Senior Fellow at the Emerging Markets Forum, a think tank based in Washington DC candidly shares his strategic and operational insights on the growth, prospects and challenges facing Asian economies and expresses optimism about a transformed Asia in the years to come.

IMI Konnect: *From the perspectives of a finance professional turned policy maker, how do you perceive the development prospect of the economies in the Asian region? How has it changed over the last 40 years?*

RN: The last 40 years for Asia has been transformational with very good progress on both economic and social fronts. In 1970, 1 in every 2 Asians was poor defined as an earning of a dollar a day, now it is less than 1 in 5, which is a significant achievement. The social indicators like life expectancy, literacy rates have also improved. Asians today are richer, healthier, more educated and live longer.

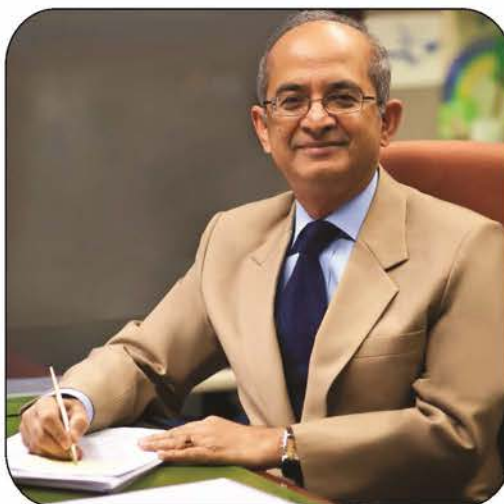
However, Asia still suffers from serious deprivations. About 600 million people in Asia still have no access to clean water; about 1.7 billion people live without access to improved sanitation. The situation in South Asia is even worse. Maternal mortality rates, though declining, still remains high at over 200 mothers losing their lives for every 100,000 live births in this region. Infant mortality rates, again though declining, is still at about 45 per 1000 live births.

Thus, in spite of significant economic progress, social deprivations remain high in Asia, particularly in South Asia. Inequality is also on the rise. It is not at all uncommon in Asia that next to the glistening towers of Mumbai, or Jakarta or Manila, one sees urban slums and squalor. Asia still remains a continent of sharp contrast. Two thirds of the world's poor are still in Asia.

Having said that, I am very optimistic about the growth prospects of Asia. I believe that this could indeed be the Asian century, but we must not assume that it is given; there are many challenges Asia has to face and overcome. The Asian Century is plausible but not pre-ordained.

IMI Konnect: *It is alleged that regional integration initiatives in different parts of Asia have progressed unevenly, e.g. East Asia is more integrated than the other parts. What is your view on that?*

RN: The integration story in Asia has certainly been very uneven;



unfortunately, South Asia remains much less integrated than East Asia. The supply chains and production networks are much more integrated in East Asia. Intra-regional trade in East Asia, for example, is about 55% of its total trade, compared to only around 5% in South Asia.

I believe this reflects the pragmatism of the East Asians who are willing and able to undertake cross border trade, encourage greater connectivity and pursue sub regional cooperation activities even when they have many unresolved political issues to contend with.

I believe they are more willing and able to recognize the potential of win-win possibilities in greater regional cooperation. I recall that even while the Indo-China war was not quite over, countries in the Greater Mekong Sub region¹ responded very positively and with a show of foresight and statesmanship to an ADB initiative of a regional co-operation program. The result has been a very successful program of greater connectivity, greater trade and cooperation in the GMS over the past two decades.

IMI Konnect: *How do you assess the progress of SAARC? What are the issues and challenges?*

RN: Progress of SAARC has been very disappointing. Bilateral issues always keep getting in the way of multilateral cooperation. The fundamental issue is the trust deficit. I believe there is significant scope of much greater cooperation in the region by allowing greater and freer movement of goods and services across the borders and the sooner the better.

IMI Konnect: *Do you feel that India joining that league of Factory Asia would be a good step forward to achieve economic integration?*

RN: Certainly, I think Prime Minister Modi's thought about "Make in India" and building India as the global manufacturing hub and Governor Rajan's comment about India aiming to enter the coveted

Continued on page 7

¹ Myanmar, Thailand, Laos, Cambodia, Vietnam and the Province of Yunan in China

BRICS Development Bank: Complementary to the Existing International Monetary Architecture, Not a Conflicting One

Soumya Kanti Ghosh

Chief Economic Adviser, State Bank of India

In the Sixth BRICS Summit, the Fortaleza Declaration announced the signing of the agreement establishing the New Development Bank (NDB), with the purpose of mobilizing resources for infrastructure and sustainable development projects in BRICS. The formation of NDB is a calculated measure to align the existing international monetary architecture to present realities. The share of advanced economies (G7) in global output was 56% in 1980. The share of emerging market and developing economies combined during the same time was 31%.

With the economic development in the current system, it became apparent that there are emerging market economies that are as important as industrialized ones. Reforms in Global Monetary Governance system have centered on the IMF in post crisis period. Developing countries' allegation of centralized power with Industrial Economies (IEs) in the executive board of IMF and most of the decisions in favour of developed economies have driven reform initiatives in the board. However, the matters relating to quotas as well as the voting requirements have now taken the center stage. Reform in IMF executive board was discussed in London Summit in April 2009 and in Pittsburgh in September 2009. However, the 14th General Review of Quota did not meet the expectations of EME in November 2010. It only helped developing countries to have some marginal allocation in quota. Industrialized economies lost 2.8% of combined quota from 60.5% in April 2008 to 57.7% in 2010 [Table-1].

Table 1: Quota and Voting share within IMF

Economy	Total IMF Quota (%)	Voting Share (%)
Industrialized	60.52	57.88
Emerging market	19.78	19.01

Source: IMF

China and India together contributed 50.5% of world GDP (GDP being computed in 1990 dollars and in purchasing power parity (PPP) terms) in 1000 AD according to Maddison's calculations. By 1600, that share had gone up to 51.4%, with China accounting for 29% and India 22.4% of world GDP. A hundred years later, China's GDP had fallen but India's went up to 24.4% of world output. The share of China and India combined in world GDP was 47% in 1700, 29% in 1870. Both Asian economies are expected to regain their glory of 1870s by 2019 and possibly of 1700s by 2030.

In contrast, the present International Monetary System which was the outcome of World War II is completely out of line. The quota based International Monetary Fund (IMF) system does not reflect ground realities. If GDP PPP is used in quota calculation formula many emerging markets will gain enormously. If GDP PPP is used the top 10 countries will include – US, China, Japan, India, Germany, Russia, UK, France, Brazil and Italy. This aspect of lopsided tilt towards industrialized countries disappointed BRICS and prolonged delay in implementation of the 2010 IMF reforms have negatively impacted on the IMF's legitimacy, credibility and effectiveness.



NDB is a response to the failed reforms at the IMF and World Bank as developing countries like China and India cannot increase their influence within those institutions. However, it should be kept in mind that the BRICS bank is not currently challenging the international liberal economic order.

Some of the gainers were US, Japan, Spain and Italy. However, India gained 0.31% quota. China gained the maximum of 2.4% points over the April 2008 level followed by Brazil of 0.53% points, India of 0.31% points, and Mexico of 0.35% points. Russia gained only marginally whereas Saudi Arabia had some erosion in its share. However, it is worth noting that despite being the second largest economy in the world and a major contributor to global growth, it has been given third place in the quota shares in the IMF. India, yet another emerging country with the second highest contribution to global growth occupies the eighth position in the overall IMF quota share. The US still retains the veto power on crucial issues such as the quota dispensation.

Economic development have resulted in gradual shift in power to some of the developing countries. Today, the BRICS account for nearly 30% of global GDP, 35% of total international reserves, 25% of total land area and around 42% of the world's population [Table - 2]. However, despite their economic weight, the



Table 2: IMF Quota and Voting Right vis-a-vis contribution to Global GDP

	(%) Share to Global GDP (PPP current US)	IMF Quota (% of total)	IMF Voting Right (% of total)
USA	16.5	17.7	16.8
China	15.9	4.0	3.8
India	6.6	2.4	2.3
Japan	4.5	6.6	6.2
Germany	3.4	0.1	5.8
Russia	3.4	2.5	2.4
Brazil	3.0	1.8	1.7
UK	2.3	4.5	4.3
Saudi Arabia	1.5	2.9	2.8

Source IMF, World Bank

BRICS have a major power gap in global economic governance. Their representation, voting power, participation in management in the Bretton Woods institutions (IMF, World Bank, WTO, and IFC) and others like the BIS, displays a major deficit of 'voice' and influence. The IMF's voting reforms approved in 2010, ratified by more than three-quarters of the Fund's member governments are still missing ratification by the US.

The BRICS initiatives were born out of mounting frustration among emerging countries that even a modest restructuring of the governing structures of the Bretton Woods institutions, to reflect their growing economic profile, was being resisted. The commitment made in 2010 at the G20 to enlarge their stake in the IMF remains unfulfilled while the restructuring of the World Bank is yet to be taken up.

The NDB will have an initial authorized capital of US\$ 100 billion. The initial subscribed capital shall be of US\$ 50 billion, equally shared among founding members. The first chair of the Board of Governors shall be from Russia. The first chair of the Board of Directors shall be from Brazil. The first President of the Bank shall be from India. The headquarters of the Bank shall be located in Shanghai. The New Development Bank Africa Regional Center shall be established in South Africa concurrently with the headquarters.

A BRICS Contingent Reserve Arrangement (CRA) with an initial size of US\$ 100 billion is also created with \$41 billion from China, \$5 billion from South Africa and \$18 billion each from the others. This precautionary arrangement will help countries forestall short-term liquidity pressures owing to QE tapering, promote further BRICS cooperation, strengthen the global financial safety net and complement existing international arrangements. The Agreement is a framework for the provision of liquidity through

currency swaps in response to actual or potential short-term balance of payments pressures. BRICS have also signed Memorandum of Understanding on Cooperation among BRICS Export Credit and Guarantees Agencies that will improve the support environment for increasing trade opportunities among BRICS nations. Potential for BRICS insurance and reinsurance markets to pool capacities are also being explored. Thus the arrangements in future will create trade settlement arrangement in local currencies, boost the more lucrative South-South trade and create alternate reserve system thereby reducing the dominance of dollar. The idea of promoting infrastructure is one of the ways to deploy the vast dollar reserves in BRICS nations away from US treasuries.

However, the BRICS have little in common. The unequal global influence and conflicting interests of each of the five BRICS countries seemingly give rise to lots of concerns about the feasibility of the bank. The Chinese economy is 28 times the size of South Africa's (not part of Goldman's original grouping). Income per person in India is one-tenth that in Russia. Such disparities will make it hard to agree on even basic principles, like whom (other than themselves) to lend money on what terms or what counts as "sustainable development" as it took the Bretton Woods institutions decades to sort it all out, far from satisfactorily and they are dominated by like-minded liberal democracies.

Many say NDB is a direct challenge to the global order led by the West. NDB is a response to the failed reforms at the IMF and World Bank as developing countries like China and India cannot increase their influence within those institutions. However, it should be kept in mind that the BRICS bank is not currently challenging the international liberal economic order. In fact, China and India are the two greatest beneficiaries of an open liberal economic order and thus the NDB should try to push the IMF and World Bank to be more open.

Ultimately the competition between the NDB and the IMF and World Bank should be about efficiency rather than a struggle between liberal vs. alternative economic philosophies. In this sense, there is a strong complementary relationship between the NDB, the IMF and the World Bank. The West, the IMF and the World Bank should not view the NDB as a threat to their domination of the global economic order. The new NDB is unlikely to replace the IMF and World Bank in the near future as the latter will still remain powerful players in the global economic order. The most likely relationship between the two is a complementary relationship rather than a conflicting one. That said, in the long run the competition between the two will intensify and the final outcome will depend on the balance of power between the two blocs: the developing world and the developed world. Hence, the new financial institutions put in place by the BRICS countries will alter the global financial landscape but not irreversibly. Nevertheless, the emergence of an alternative source of financing with norms different from those followed by the established institutions will alter the global financial landscape.

Confucius Institutes and Chinese Soft Power in Southeast Asia

*Avijit Banerjee**

Associate Professor-Chinese, Visva-Bharati University

The Confucius Institutes have been established by the Chinese government which operates them in collaboration with foreign universities and educational institutions in order to promote understanding of the Chinese language and culture. In recent years several Confucius Institutes and Confucius Classrooms have been set up in about 104 countries and regions. These developments gave rise to a series of fundamental questions like what are the Confucius Institutes? What are their purposes? How have they been able to grow so quickly? Are Confucius Institutes instruments of China's soft power? This article will look into the growth of Confucius Institutes and China's Soft Power initiative in Southeast Asia.

Soft power refers to a nation winning influence abroad by persuasion and appeal rather than by threats or military force. China is steadily increasing its support for cultural exchanges, sending doctors and teachers to work abroad, welcoming students from other countries to study in China, and paying for Chinese-language programs abroad. Experts say Beijing is trying to convince the world of its peaceful intentions, secure the resources it needs to continue its soaring economic growth, and isolate Taiwan. In China, soft power has become one of the most frequently used phrases among political leaders, leading academics, and journalists. What is most striking is the importance that Chinese leaders unequivocally assign to softpower in China's international political strategy. Some believe that the Confucius Institute should be regarded as a tool of cultural diplomacy with Chinese characteristics and its purpose is to enhance China's soft power. Some analysts are of the opinion that the main activities of these institutions, including various levels of language learning, a variety of cultural activities such as exhibitions, film screenings and a variety of civil dialogue are not too much involved in the ideological propaganda of the Chinese government, but concerned about the propagation and culture, and to enhance China's international image.

From the point of view of organizational forms, the Confucius Institute and Spain's Instituto Cervantes, Germany's Goethe Institute, British Council, Alliance Française are not entirely similar. Confucius Institutes are not fully funded by the national government; the Confucius Institutes are China's single management or co-management with local partners. Some believe that in some countries

due to fears of Chinese culture expansion, there is a lot of hesitation to open Confucius Institutes. The rapid development of the Confucius Institute also had an impact on a number of countries and especially on China's neighbours. Some Indian scholars pointed out that the Confucius Institutes in India, are regarded as more far-reaching strategic objectives. In their eyes, the volunteers of the Confucius Institute are "civil diplomats" of the Chinese government. In addition to the activities, organizational forms, some foreign scholars also tried to establish contact between the Confucius Institute and Chinese foreign economic activity.

Increased Chinese involvement in Southeast Asia has been viewed by many as aggressive and deliberately detrimental to US interests. Some fear that the Chinese are displacing American influence with traditional allies, but this might be a misreading of China's intentions. It is more appropriate to interpret Chinese actions in Southeast Asia as traditional great power behaviour. The recent push by the Chinese government to spread the Chinese language is viewed by many in the West as one indication of a more fundamental challenge to American influence in Southeast Asia. There is little doubt that China views this effort as part of its global economic expansion and a means to gain recognition of its rising power status. In Southeast Asia, Chinese culture, cuisine, calligraphy, cinema, curios, art, acupuncture, herbal medicine, and fashion fads have all emerged in regional culture. Young people in the region are fascinated by Chinese culture, as seen in films, pop music, and television, even though those trends may have originated in Hong Kong or Taiwan.

The Confucius Institutes may be evidence that the Chinese Communist Party understands the importance of public opinion in many countries, and are best viewed as part of an international marketing campaign predominantly aimed at the West. To the extent that these efforts are aimed at Southeast Asia, it would appear that the message is directed at elite segments of domestic populations and Chinese diaspora communities. By increasing cultural understanding, China hopes to curtail the ease with which it is labelled a predatory outsider. This is inherent in the concept of soft power. Promoting the "good" parts of Chinese culture and history softens the blow of realpolitik decisions. While China certainly benefits from



* HOD-Chinese Language & Culture (Cheena Bhavana)



eroding US influence, the promotion of Chinese language abroad is more of a public relations campaign aimed at countering the daily stream of criticism it is subject to. Similarly it would like the world to focus more on its rich cultural history rather than its environmental and human rights records.

For China, in particular, the core of soft power is the promotion of Chinese culture and language. In Southeast Asia, Institutes are sites for cultural transmission, intercultural exchange, and Chinese learning, conveying China's soft power resources to its ASEAN neighbours. The Confucius Institute also employs at least three kinds of soft power resources. First, the very notion of Confucius Institute is to nurture a worldwide cordial atmosphere conducive to Chinese learning. Language learning is associated with Chinese art, cinema, cuisine, fashion, and lifestyle. The pop culture itself may forge a pro-China ambiance (i.e. the fervour extending from Chinese language learning to supporting the 2008 Beijing Olympic Games), and reinforce the influence of Chinese soft power. Second, the Institute also provides a "Chinese Bridge Fund," sponsoring college student exchange program and supporting the research and development of overseas Chinese education. These funding programs and activities intensify Beijing's international cultural attractiveness and magnify the influence of its soft power at the grassroots level. Third, since 2004, China has dispatched more than 2000 volunteers and teachers to various countries to work on Chinese education abroad in such ASEAN states as Indonesia, Lao, Philippines, Singapore, Thailand

and Vietnam. These "civil diplomats" become vital human resources to wield cultural and social influence in the region.

Conclusion

Beijing has reiterated the politically neutral stance of the Confucius Institutes. However, political and ideological strings are evident in organizational governance, and relevant activities and publications. The establishment of Confucius Institutes and hundreds of volunteers in Southeast Asia is also decided in accordance with cultural intimacy and political amity. China has made great efforts toward its neighbours in Southeast Asia to increase its cultural centrality in the region. China has excellent potential to pursue a multi-track approach to issues of vital interest, its profitable economic relationship with the nations of Southeast Asia, and its propensity to use soft power as a way of spreading its influence. It is reasonable that the "China passion" intensified by Confucius Institutes and relevant projects will lay a foundation for the perception of a "benign China" and foster an even closer relationship between China and the countries of South East Asia.

References

1. Thomas Lum et al, "Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World," CRS Report for Congress (2008)
2. Joshua Kurlantzick, "China's Charm: Implications of Chinese Soft Power," Carnegie Endowment for International Peace Policy Brief, No. 47 (2006).
3. <http://www.sina.com.cn> 2003年09月03日



INTERVIEW

Continued from page 3

Factory Asia league is very appropriate and valid. India needs to have a large manufacturing base to be able to support its young and growing labour force. India has a very young population and a growing labour force but this demographic dividend may become a demographic curse if we do not have employment opportunities with an expanded manufacturing base. We would also, of course, have to very significantly improve the quality and enhance the quantity of our infrastructure in the country through better connectivity of roads, railways and ports.

IMI Konnect: *What is your assessment about the role of BIMSTEC or BCIM economic corridor in free trade agreement in the Southern Asia?*

RN: These are extremely important. Better connectivity is critical to improve trade. The proposed BCIM is an extremely important initiative particularly as South Asia needs to get better connected physically to the eastern part of the continent. Myanmar's opening up is a very positive development. This also opens up transport corridors

from India, through Bangladesh, Myanmar into Thailand, and further into the ASEAN region.

IMI Konnect: *How do you compare the economic development of China and India in a nutshell?*

RN: China has performed much better than us. It is the world's second largest economy that has a much larger manufacturing base with very significant investments in infrastructure for the last 30 years. India has performed well too but has slowed in recent years, though it is picking up again. Both the countries have been major drivers of growth in the world, but India still faces some severe challenges, particularly on the infrastructure deficit in the country and good governance.

Our young population is potentially a major asset. But, we have to aggressively pursue better human capital development by emphasizing the quality (rather than only the quantity) of our education system and appropriate skills development for the young generation so that our potential demographic dividend can be fully exploited.

Selfishness and Economic Wellbeing: Some Thoughts of Tagore on Cooperation

*Abhirup Sarkar**

Professor, Indian Statistical Institute

In the context of regional integration, competition and cooperation both play equally important roles. When we talk about the economic wellbeing of individuals, the question is whether we should choose competition or cooperation, or a combination of the two. What should be the optimal choice?

In the mainstream economics thinking, we assume that the economic agents, viz. the consumers, the producers and so on, are all selfish and they make choices on the basis of their self-interest. This does not mean that human beings are really selfish, but as far as economic decisions are concerned they are mostly selfish, they may be not so selfish in other walks of life. Later on this selfish behaviour of individuals was justified by economic theory. But, interestingly, though all individuals act in a very very selfish manner, the result is not a chaos, but harmony; they would exchange their goods and services, they would carry on their economic activities harmoniously and peacefully in their own self-interest. This is a rather surprising result, but this is one of the main postulates of Mainstream Economics. It is the self-interest that will drive them to achieve harmony, to achieve Pareto Efficiency, that is, the best one could achieve and which cannot be improved upon. This is called the fundamental theorem of Welfare Economics. However, this efficiency is achieved provided each economic agent is small and does not have a control over the market. Instead, if a small set of people have some kind of monopoly power, then this theorem and the associated results do not hold.

However, in reality the assumptions of this theorem are violated in the sense that in the real world some people are more powerful than others and so, in a market there are big players who are calling the shots. Therefore, we do not necessarily get the efficient outcome. There are two important observations. First, if agents are large, some people have monopoly power, competition and selfishness together do not yield the best results. Second, if there exists a lot of inequality initially then the results do not hold. We need

some kind of redistribution to achieve efficiency. This is the second fundamental theorem which says any desirable outcome can be achieved in a competitive set up provided the initial distributions are right.

In other words if we have two things, viz. monopoly and too much inequality, then it would jeopardize the functioning of the free capitalist economy and we do not necessarily get the best outcome. What are the consequences of inequality? There are two problems.

First, if we have inequality, that is too much income in the hands of the very few and most people are not earning much, the general demand for goods and services will be low. For example, in the US, for about two decades income distribution was getting more and more skewed and as a result the market on which the US economy thrives became smaller and smaller. Second, the micro-economic consequence of inequality is the inequality in information. Some large institutions like the banks and other financial institutions have a lot more information than others. These two taken together led to the recent economic crisis. Basically it is human greed, selfishness along with inequality and huge power relations between the powerful and the small that led to the crisis.

Now, we will also look at the other extreme, i.e. the socialist experiment. In the Soviet Union the assumption was that it is not the individuals but the classes that were the crucial decision making units. It questioned the capitalist system and initially the Soviet economy had a huge success. There was growth of output and substantial technological progress and even during the great depression of the '30s when the free capitalist world had entered a deep recession the Soviet economy was insulated from that. But later on it was realized that this growth was based on growth of inputs like more and more capital formation, but not so much growth of productivity. This is a point first mentioned by Paul Krugman in a very famous paper in the context of the Asian miracle. What he stressed was that for long run growth we need to have a growth of



Interestingly, though all individuals act in a very very selfish manner, the result is not a chaos, but harmony; they would exchange their goods and services, they would carry on their economic activities harmoniously and peacefully in their own self-interest. This is a rather surprising result, but this is one of the main postulates of Mainstream Economics.

* Chairman, 4th State Finance Commission, West Bengal and Vice Chairman, West Bengal Industrial Development Corporation Limited (WBIDC). This article is based on the extracts from the valedictory lecture in the China-India international conference held at IMI Kolkata on October 18, 2014.



productivity rather than deepening of capital. The reason is that there is a limit up to which you can increase capital accumulation and the savings ratio and once that limit is reached growth is going to stop unless we have an increase in productivity and efficiency. That is exactly what happened in the soviet regime. And of course there was a massive problem of incentives that led to inefficiency and low productivity. Moreover, in a cooperative system everyone thought that everyone else would do the work and if one gets paid whether one delivers or not, then of course there would be an incentive problem which the soviet economy did face. Again, there was huge inequality between the party boss and the ordinary workers. So even the socialist system in the Soviet Union did not work very well and ultimately broke down.

Soviet experiment revealed that humans are selfish and responded to individual incentives. There was a huge incentive problem and because of the lack of incentives, things did not work and it is the greed at the top which led to the failure. At one extreme there was the capitalist system which entered into recession or crisis because of human greed and on the other extreme there is the Soviet experiment which finally broke down also because of human greed.

Hence, it is the selfishness which is the root of all problems.

In this context, it is pertinent to discuss the thoughts of Rabindranath Tagore, especially his thoughts on cooperation. How we overcome the human greed is the big question. Like Gandhi, Tagore also believed that it is moral development that should precede economic development. Irrespective of whether it is a socialist system or the capitalist system, we need to have moral development which is the basis of cooperation for Tagore. He taught a lot about cooperation and, more specifically, about cooperatives. According to him, first we should have moral development and then we should go for cooperation. Tagore in his writings on the Soviet Union, said that the soviet experiment was a model of cooperation but imposed from above and it did not come from the grass root level. When Tagore visited the Soviet Union in 1930 he was overwhelmed by the soviet experiment, particularly by the fact that the Soviet Union was a country where there was education for all, both for the poor and the rich. This was not so in the rest of the world. He also mentioned in his writings that farmer families going to operas after their day's work is something unimaginable in the rest of Europe. Even the so-called collectivization program of Stalin also caught his fancy. He

thought it was a very good endeavour.

But he made a few observations too, back in the 1930s. He observed that in this whole system the individual was completely ignored and it was always the collective; there was no role for the individual, which he thought was not acceptable. Now to him, Bolshevism was probably the appropriate medicine for the-then European society where there were a lot of feudal elements, lot of inequality and so on. However, if the patient has to be permanently on a medicine it does not tell a lot about the patient. The permanent cure to Tagore was the return from the collective to the individual.

So he fundamentally believed in the individual. This is the difference between his form of cooperation and the kind of cooperation of socialism that he had seen in the Soviet Union. One can compare the thoughts of Tagore and Marx here. Both were concerned with inequality and thought that it is the worst thing in the world. And like Karl Marx, Tagore also believed that this inequality cannot be simply removed by competition or even through the market. We have to do something else. For Marx, the solution was socialism where the individual had no role to play. But for Tagore the solution was cooperation where individual was the supreme entity.

Like Gandhi, Tagore also believed that it is moral development that should precede economic development. Irrespective of whether it is a socialist system or the capitalist system, we need to have moral development which is the basis of cooperation for Tagore. It is the individual that is at the centre of Tagorean schemes. Tagore always talked about communities rather than a state. He was thinking of small schemes and small doses of cooperation in small villages where everyone knows everyone else.

Tagore thought that first the individual has to be morally transformed and only then one can talk about cooperation between individuals. It is the individual that is at the centre of Tagorean schemes. Tagore was very open to modern technology and modern methods of marketing. Marx was skeptical about them, and so was Gandhi. Marx thought that machines would reduce or replace employment. Tagore thought they would enhance employment possibilities and living standards.

Tagore talked of individualistic solution, transformation of an individual mind and then cooperation. So cooperation should be preceded by moral development and should be on a small scale where people know one another. Tagore always talked about communities rather than a state. States were too big. He talked about village communities or societies where cooperation can start. His writings on cooperation provide us with a feeling that he was never in favour of a massive scheme. He was thinking of small schemes and small doses of cooperation in small villages where everyone knows everyone else. So Vivekananda, Mahatma Gandhi, Tagore - all of them thought of moral development that has to precede material development. For Tagore, it had to start with the individual and end with the individual.

China and India: Challenges in taking the Relationship Forward

Rabindra Sen*

Professor, Jadavpur University

What sort of a relationship do India and China look forward to having in future? The question is particularly important given the fact that Sino-Indian ties continue to suffer from a trust deficit. India eyes a rising and increasingly assertive China with a high degree of concern. India nevertheless considers China as a 'foreign policy priority' and views the partnership as crucial for Asia's emergence as the political and economic centre of the new international order. Prime Minister Narendra Modi too wants China as a partner in India's development, negating the assumptions that his government would be less accommodating toward Beijing than its predecessor [Chellaney].

China too recognises India's growing importance and attaches considerable importance to ties with New Delhi [News From China, Embassy of the People's Republic of China, New Delhi, March 2013, p.4]. At the same time, the two countries have had to contend with problems in their relationship. Frequent border stand-offs and other recent events have led to a further thickening and darkening of the clouds on the Sino-Indian horizon.

India had established diplomatic relations with the People's Republic of China on April 1, 1950, becoming the first non-communist country to do so. Friendship, however, soon gave way to confrontation and the two countries were involved in a war in 1962. Decades after relations were normalised, the territorial dispute between the two nations still remains unresolved. During his visit to India in November 2006 marking the culmination of the Year of Friendship celebrations, President Hu Jintao declared that the two countries were "not rivals or competitors but partners for mutual benefit". The two countries have cooperated on numerous issues, but the Sino-Indian relationship has continued to remain in the shadow of mistrust.

While India is wary of China's growing ties with its neighbours, especially the special relationship with Pakistan, and expanding presence in the Indian Ocean, China is suspicious of New Delhi's strategic partnership with the US and its implications for China's security. Beijing suspects that the US is looking to forge a new alignment of forces in the Asia Pacific region to undercut Chinese position and influence. Statements by American officials that the relationship with India as a 'priority' for Washington and the Obama administration's view that the relationship is 'one of the defining partnerships of the 21st century for the United States' [Rajghatta] have been taken quite seriously by Beijing in view of its own assessments of the new American 'pivot to Asia' strategy. India has

tried to reassure China, but the Chinese fears remain.

Notwithstanding the Indian security concerns arising out of China's rapidly increasing economic and military might, the importance of China in the eyes of India and the world has only increased. It may be noted, for example, that China has overtaken the United States of America as India's largest trade partner.

Will distrust continue to be the final word in Sino-Indian relations? Although mutual suspicions will remain and influence their policies, the economic costs of tensions and flare-ups are too transparent and compelling, and naturally there are great pressures on both sides to exercise self-restraint instead of engaging in unbridled brinkmanship. New Delhi would not want to adopt a confrontationist stance against Beijing.

In the unfolding power play in the Asia-Pacific region, India especially would be ever vigilant and cautious not to be used in any other power's strategy aimed solely at countering China. If China is much stronger today, it has become even more important and necessary for countries the world over including India to deal with China and somehow manage the vital relationship.



He Fan, Deputy Director at the Institute of World Economics and Politics, Chinese Academy of Social Sciences, has rightly pointed out that nobody knows exactly what China's policy of building 'new big power relations' will mean for Sino-Indian relations. But would it be too unrealistic to call upon the two Asian giants to take a long term view of their interests and strive for a relationship guided more by each other's stakes than anything else? No matter how difficult it is to predict the future trajectory of the complex but enormously important relationship, the best way to predict, as Alan Kay said, is to invent it.

References

Chellaney, Brahma, 'Modi takes Indian diplomacy to the big leagues', <http://asia.nikkei.com/Politics-Economy/International-Relations/Modi-takes-Indian-diplomacy-to-the-big-leagues>

He Fan, 'When China meets India', <http://www.eastasiaforum.org/2013/06/03/when-china-meets-india/>

Rajghatta, Chidanand 2012, 'Panetta to push India to partnership', *The Times of India*, 25 May.

Sen, Rabindra 2014, 'Rising China and India-Japan Ties', in G. Jayachandra Reddy (ed.), *India-Japan Relations: Culture, Religion & Regional Integration*, UGC Centre for Southeast Asian & Pacific Studies, Sri Venkateswara University, Tirupati, pp. 184-200.

* Ex-Coordinator, Centre of Advanced Study (CAS), Phase I Programme, Department of International Relations, Jadavpur University



IMI Kolkata holds International Conference

IMI Kolkata organized an international conference on “China, India and Beyond: Understanding Cooperation, Competition and Development” in collaboration with Sichuan Academy of Social Sciences, (SASS), China on October 18, 2014. SASS is an important think tank of the Government of People's Republic of China continuously engaged in policy making activities related to international relations in Asia.

Inaugural Speech

The importance of China and India in world economic growth is increasing day by day. Welcoming an august gathering of delegates from China and India, academicians, media and dignitaries, Dr. Arindam Banik, Director, IMI Kolkata, mentioned that language has been a major barrier to the extension of relationship between China and India. He added that the study of the rural organization in China would be beneficial for India and the findings from such seminars and workshops would enormously help in policy making.

The Chief Guest, Mr. Wang Xuefeng, Consul General at the Consulate General of the People's Republic of China in Kolkata focused on the two key words - cooperation and development. He shared an interesting anecdote about how the method of producing white sugar in China became very popular with the Indians who started calling it “Chini”, the name given to the inhabitants of this wonderful neighbouring country. He mentioned Chinese President Xi Jinping's landmark visit to India as a clear message of strengthening cooperation and constructing closer development partnership. The visit confirmed China's investment of \$20 billion in India in the coming five years, its plans to build two



International Conference
on
China, India and Beyond :
Understanding Cooperation, Competition and Development

18th October, 2014

industrial parks, upgrade railways and stations, give more market access to Indian products, accelerate the construction of BCIM economic corridor and strengthen cooperation in various other fields viz culture, education, tourism, media and broadcasting. There is great potential and bright prospect of these exchanges between the two.

Chinese President Xi Jinping's landmark visit to India provides a clear message of strengthening cooperation and constructing closer development partnership

-Mr. Wang Xuefeng

* * * * *

The study of the rural organization in China would be beneficial for India

-Dr. Arindam Banik

* * * * *

The cooperation between these two countries can create a stable, peaceful and prosperous Asia as their common interests are far more than their conflicts

-Mr. Xiang Baoyun

Mr. Xiang Baoyun, Vice President & Director of Center for Indian Studies, SASS stated that the history of mutual exchange between two countries dates back to more than a thousand years. He stated that cooperation between these two countries can create a stable, peaceful and prosperous Asia as their common interests are far more than their conflicts.

Mr. Mani Sankar Mukherji (Sankar), the eminent writer from Bengal, in his keynote address shared a number of stories that speaks about how India-China cultural exchange has fascinated him over the years. Excerpts from his speech are contained in the article in Page 2.

Dr. Tirthankar Nag, Dean (Academics), IMI Kolkata stated that through this conference IMI Kolkata is in a process of extending the cooperation between China and India to the world at large.

Papers Presented

Researchers and Academicians from SASS, China, IIM Shillong, Jadavpur University, Visva-Bharati University, IIFT Kolkata and other institutes across India presented their research findings on varied areas like trade, health sector, comparison of CSR activities, development of tourism etc.

Continued on page 12

Continued from page 11

Panel discussion

Mr. Vinod Kumar, Executive Director, New Initiative (Power Generation), CESC Limited, stated that the Chinese have been very keen in developing their markets abroad. China can be cited as an example of a fast transformation from a centralized socialist economy to an open market economy. The biggest strengths of the companies in China have been their professionalism and customer oriented approach. Dr. Avijit Banerjee, Associate Professor-Chinese & HOD, Chinese Language & Culture (Cheena Bhavana) Visva-Bharati University, gave an account of the history of the cultural exchange between China and India. Dr. Rabindra Sen, Professor and Ex-coordinator, Centre of Advanced Study (Phase 1) Programme, Department of International Relations, Jadavpur University argued that a relationship to be strong needs understanding between each

The biggest strengths of the companies in China have been their professionalism and customer oriented approach

- Mr. Vinod Kumar

other as misunderstanding leads to problems. A goal for every country therefore would be like stating policies in a clear manner so that it is understood and accepted by the other. Dr. Arindam Banik stated that as he visited some remotest village in China he found that there is lot more for India to learn from China specifically in the field of manufacturing and rural development.

Valedictory Lecture

Dr. Abhirup Sarkar, Professor of Economics, Indian Statistical Institute provided an insightful deliberation during

the valedictory session of the conference. He shared some thoughts of Tagore on cooperation in the pursuit of economic well-being and how it is different from Marx's view on cooperation. The article in pages 8 & 9 incorporates excerpts from his speech. The conference did provide a platform for academicians and policymakers for sharing ideas and discussions and was appreciated by all.



ANNOUNCEMENT

Call for Articles for *IMI Konnect*

IMI Konnect is an open access Scholarly Magazine published every month from International Management Institute Kolkata, with ISSN No. 2321-9378. It started its journey in December, 2012. It publishes original research articles by scholars in the field of management and firsthand perspectives from business thinkers and practitioners on contemporary issues. *IMI Konnect* provides an intellectual platform for the national and international scholars and the industry experts to discuss and debate their opinions and thus contribute to the knowledge of management. It also publishes interviews with eminent personalities in the field of business. The publication caters to academicians and practitioners in corporate and government organizations and departments.

Themes

The issues are themed on Marketing, Finance, Organisational Behaviour & Human Resources (OB & HR), Information Technology & Operations (IT & Operations), Economics and Strategy, Management Education apart from special themes in two special issues every year. For past issues of *IMI Konnect*, visit <http://www.imi-k.edu.in/index.php/imi-konnect/>.

We are inviting original articles from academicians as well as practitioners for *IMI Konnect* on any of the aforementioned areas. We are also inviting articles for the next Special Issue themed "From Start-up to a Successful Business". The articles will go through a review process before publication.

Instructions for Authors

The article should be non-technical and should be of around 700 - 800 words (very short) or around 1500 - 1600 words (short). It should be typed in MS Word in Times New Roman 12 with paragraph spacing 1.5. Figures and simple, small Tables can be incorporated. There should not be any notations or equations. Full forms of each abbreviation should be mentioned at first instance. Upto eight references can be included in the article. Limited number of short footnotes may also be included if necessary.

Send your manuscript along with your name, designation, institutional affiliation, email ID and contact number to the editorial office at imikonnct@imi-k.edu.in mentioning the area viz. Marketing, Finance, OB & HR, Economics, Strategy, IT & Operations, Management Education and Others.