

Sino-Indian convergence drives world

By Kishore Mahbubani and
Girija Pande

The gloating was predictable. When China's stock markets crashed and when China devalued its currency, Western commentators, who had long resented China's continuing economic success, could not resist gloating over China's stumble.

Paul Krugman, the Nobel Prize winner in economics, triumphantly said about China, "the nation's rulers have no idea what they're doing." Really? Does anyone in the world truly believe that the Chinese leaders are clueless?

It has been clear for some time that the fast-growing Chinese economy needed to restructure to capture the next phase of growth. The current leadership is well aware of the challenges; and despite short-term challenges that inevitably come with such reforms, they are steadfast in their reform plans.

Not many countries would have the tough leadership required to take up such restructuring, yet the Chinese leadership has not flinched from the task. The fluctuations that we see in the Chinese financial markets are a reflection of determined restructuring at work. Unfortunately, the world at

large seems to have misunderstood these plans.

Nevertheless, the Economist story was valuable as it pointed to another equally important worry. It said that "emerging markets are vulnerable to a full-blown crisis." The Economist was right in highlighting this point.

Going forward, the emerging markets could rise together and fall together. And if they were to fall, they can no longer expect the big rescue packages of the past. The insecure populations of the EU and the US have no appetite to help the rest of the world, and certainly not the larger emerging markets, which are often seen as future threats. This is why it would be wise for the emerging economies to begin planning for worst-case scenarios. Given the fickleness of modern financial markets, exaggerated by computerized trading programs, we can expect to see more gyrations in equity, bond and currency markets.

There is no world leader of stature and vision today who is ready to lead a globally coordinated effort to calm global markets. Indeed, the Fed may even proceed with its long-scheduled rate hike, even though it could create global economic turmoil. And why would the Fed do this? Its only mandate is

to manage and protect the US economy. Therefore, it has no choice but to put US interests ahead of global interests, despite clear calls from the IMF to the contrary.

The leading emerging market economies, especially China and India, should announce that they are engaging in high-level economic dialogue to work toward greater coordination of macroeconomic policies. Put together, they constitute nearly \$12 trillion of GDP, two-thirds of the size of the current US economy.

Moreover, if they continue to grow in the next 10 years at a conservative compounded annual growth rate of 6.5 percent, they would double their GDP to \$24 trillion, adding another \$12 trillion to the world GDP by 2025.

Such coordination will of course not be easy. The political and economic interests of India and China are not yet aligned as those of the US and Canada and the EU members are. The pressures on the Chinese and Indian economies are also different. China's economy of \$10.36 trillion (2014) is far larger than that of India whose GDP is at \$2.07 trillion (2014). There will be difficulties as the former is export/manufacturing-led while the latter is consumption/services-led. But

The leading emerging market economies, especially China and India, should announce that they are engaging in high-level economic dialogue to work toward greater coordination of macroeconomic policies.

there could also be significant gains if they collaborate.

India has a \$1 trillion infrastructure deficit that needs to be bridged if its fast pace of growth is to continue. China can provide investment and assistance to resolve this deficit more efficiently and cheaply than any other country. Initiatives like this could be clear win-wins for both countries.

If high-level economic dialogue leads to bold moves toward significant economic cooperation, the markets will take note. All of this will require visionary long-term leadership.

If the emerging market economies try to deal with global economic turbulence individually, they could be easily buffeted by storms. Even the great Chinese economy has been

shaken. But if the emerging market economies, especially China and India, announce a policy of working together, the markets will react differently. They will see greater stability and predictability in emerging markets – especially if the two Asian giants speak with a common voice.

At the same time, it is also clear that the two countries which will eventually have the largest middle classes will be China and India. In 20 years or less, their combined middle class populations could be nearly 1.5 billion, almost double the current combined population of the EU and the US.

If China and India can loop ASEAN into their economic cooperation, they will also add in the third largest middle class population of Asia.

As long-term investors start to place their bets on Asia's future middle-class populations, the markets will react accordingly. And when that happens, the gloating of the Western pundits will finally end.

Kishore Mahbubani is dean and professor in the Practice of Public Policy of the Lee Kuan Yew School of Public Policy at the National University of Singapore. Girija Pande is executive chairman, Apex Avalon Consulting Pte. Ltd. opinion@globaltimes.com.cn

Reunions offer small spot of hope amid clouds on Korean Peninsula

By Lü Chao

A recent silver lining emerged amid the clouds on the Korean Peninsula when North and South Korea agreed on another round of reunions for family members separated by the Korean War (1950-53), more than one and a half years after the last set of meetings, which were held in February 2014.

However, given the current standoff, which has included the reinforcement of the border for quite some time and an exchange of threats last month, a couple of reunions or meetings are far from a breakthrough in the chilled relations and can hardly solve anything.

Pyongyang has been hoping that Seoul could lift the sanctions imposed since May 24, 2010, the Blue House's ban on all trade and investment with the North, and resume tourism to Mount Kumgang. Yet these two items have not even been placed on the negotiation table for the moment. This indicates there is no fundamental change on the Peninsula, and the upcoming reunion is no more

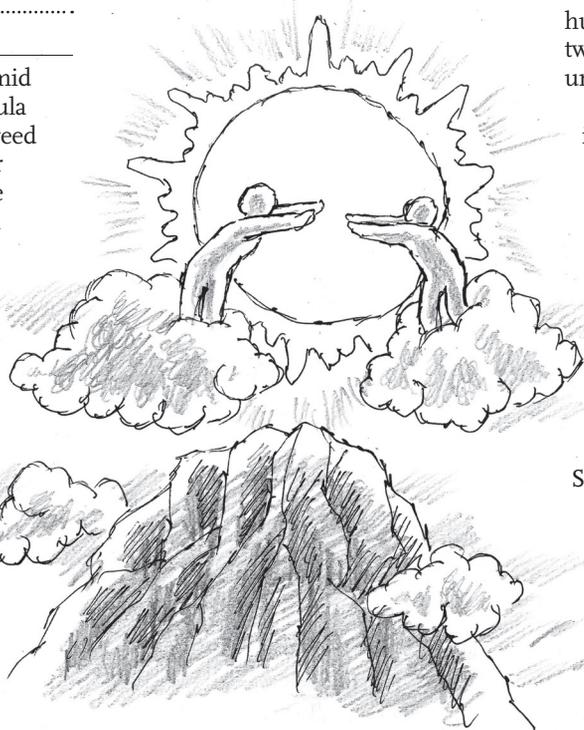


Illustration: Peter C. Espina/GT

than a symbolic reconciliation.

But it is a good start at least. Reuniting divided families is a compassionate move, which has long been placed under scrutiny of the international community. By starting from arranging

humanitarian meetings like this, the two sides can gradually enhance mutual understanding.

Now that after the problem of family reunion has been resolved, the next step will be harder. Compared with lifting sanctions, it might be relatively easier for the two to make some progress over resuming the Mount Kumgang tour program.

Yet that will prove to be a big step. Before that, both Pyongyang and Seoul have a long way to go.

The two will keep driving hard bargains with each other. South Korea has asked the North to investigate the fatal shooting of a South Korean tourist at the Mount Kumgang resort, and that Pyongyang must protect the safety of South Korean tourists' lives and properties.

However, North Korea has been insisting that its soldier who opened fire had done nothing wrong without providing any official apology, which South Korea finds it hard to accept. Besides, the North will raise details, including how to deal with the losses of closing the resort for all these years.

Judging from present prospects, to be frank, it will be very difficult to

realize even this small item, let alone achieving reconciliation. Above all, there is no mutual trust between the two.

The North Korean media is filled with anger and assaults toward the South nowadays, asking its citizens to be vigilant against Seoul's conspiracies. The Blue House, on the other hand, does not trust any compromises that Pyongyang offers. The possibility of a flare-up of tension between the two neighboring countries still remains.

Therefore, both of the nations should first of all show a more sincere attitude toward reconciliation, in order to defuse the current tension. High-level talks are the most effective way. Take last month, for example, where the border crisis was quickly resolved as a result of dialogues between senior officials from the two sides.

Overall, the situation on the Peninsula still remains complicated. But given the upcoming family reunions, there is still hope.

The author is a professor with the Liaoning Academy of Social Sciences. opinion@globaltimes.com.cn