

Review: “Chindia will benefit the world”

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[China](#), [india](#), [economy](#)

Within a generation, China and India, or “Chindia”, will be more influential and bigger economically than the U.S. or Western Europe. They will also spearhead a regional free trade agreement that will help develop all of Asia.

“The United States will continue to lead, but it will have to learn to listen and cooperate as an equal, not only with China, its major creditor, but also with India,” concludes prominent Canadian economist Wendy Dobson. Her latest book, “Gravity Shift”, contains some surprises about fast-growing Chindia, including the fact that China’s growth will begin to slow in a generation due to an aging population.

She forecasts that the key Asian players will remain committed to globalization and the peaceful development of Asia. “Second, they will be seeking a common purpose and a shared strategy,” she writes. “The U.S. economy will be down, but not out. It will be slower growing, as taxpayers foot the bill for rescuing the economy from financial collapse. But the U.S. dollar will still be the reserve currency. The United States will still be the global policeman.” Washington’s super-security role will provide the U.S. will enormous trade and diplomatic leverage in Asia and elsewhere but the world will become multi-polar.

Challenges remain

Chindia both face huge challenges in surmounting the problems created by their two “lopsided economies.” China’s growth to date has been based on exports, investments, little consumption and extensive environmental damage. India’s labor market rigidities are its main challenge. While China is dramatically larger than India, however, she says that current enlightened Indian strategies may almost close that gap in a generation. Naturally, all bets would be off in the event of rampant protectionism, another meltdown or social unrest in either country, she says.

New world order

She describes how the financial meltdown, and creation of the G20, has set a new course for development of the world economy and trading system. Her research outlines the creation of this new international economic architecture that will steer both political and policy agendas for the future.

Traditional institutions, such as the IMF and World Bank, will be handed new roles and there is total agreement on the part of nations that collaboration and cooperation are the only viable path forward politically.

Ms. Dobson is currently the director of the Institute for International Business at the Rotman School of Management, University of Toronto. She ran the C.D. Howe Institute for a number of

years, has served as a top-ranked civil servant and devoted much of her most recent research to emerging markets, notably China.

Her conclusion that the gravity will shift to Chindia within one generation is, based on extrapolation, but also marks a return to their places in history. In 1300, China had 100 million, or one-third, of the world's population and remained the largest economy and India the second largest until 1820 when Western Europe overtook them. By 2030, according to a forecast she publishes by British economist Angus Maddison, China will be largest followed by the U.S., Western Europe, India and Japan. The rest of the world will grow in size to roughly 70% of total global output.

Her book is a well-written analysis of Chindia's path thus far, its projected growth and potential pitfalls. It's a refreshing read as to where the world is headed without the usual ideological, paranoic or pessimistic filters that many western analysts rely on when looking at Asia's development.

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