Globalization and its Impact on China and India in the Twenty First Century

By

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Declaration

I hereby declare that this thesis is the result of my individual research and that it has not been submitted concurrently to any other university for any other degree.

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This thesis is submitted in partial fulfillment of the requirement of the degree of Doctoral of Philosophy in International Relations by Rana Eijaz Ahmad (Ph.D scholar of International Relations).

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I dedicate this research work
to my parents and my beloved wife cum friend

Abida Eijaz
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Abstract

This thesis examines the impact of globalization on China and India, specifically focusing on economic, political and social domains and environmental issues. The method adopted for studying the impact of globalization is primarily descriptive and based on qualitative analysis. Since a visit to India could not be undertaken because of visa restrictions. The empirical analysis is confined to China only. The past, present and future of the socio-political and economic domains’ of the two countries under discussion are studied in depth to assess the impact of globalization in the twenty first century. The impact is determined in the first thirty to fifty years of the century and prediction is made for the whole century. The findings of the thesis are that it is generally believed by the political scientists, journalists, and analysts that China is emerging as an economic giant and India is following suit. The only disadvantage of globalization can be seen, to be the threat posed to their social systems. At the end it is suggested that the lessons of the impact of globalization on China and India should be learnt by the neighbouring states including Pakistan.

The thesis also studies the utility of ‘system capabilities’ in a political system employed by the leadership, as the efficiency level of the system capabilities determines the level of development of a country. The status of ‘system capabilities’ is more important in the socio-political and economic growth of a country rather than the form of government. In China the leadership is utilizing the ‘system capabilities’ more efficiently as compared to India. This is explained by the difference in the nature of governance in the two entities.
Introduction

This thesis explores the impact of globalization on China and India in three areas of human activity, economic, political, and social along with environmental concerns.

The thesis revolves around the main hypothesis; globalization is making an impact on China and India but these countries also affect the globalization process. It is a two way process. First, it shows two causal relationships between globalization and China and India. Second, the response of a political system (in the case of China and India) is shaped primarily by its ‘system capabilities.’ This attribute determines the nature of the impact of globalization on a country and how the latter affects the globalization in return.

After undertaking the review of major literature on the subject, outlining the methodologies adopted for the study, generalizes the statements on the nature and direction of the present work, the first chapter examines the theoretical dimensions of globalization its scope, different tools and models. The secondary sources are used to see the impact of globalization on the socio-political and economic domains of China and India. It gives us valuable information regarding the impact of globalization in the countries under discussion and vice versa.

In the second chapter, China is taken up as a case study. This research is based on ethnography that deals with the established phenomenon of society and attempts to unearth relationships of different variables. These belong to economic, political, cultural, and environmental domains.

India is a case study in the third chapter. The researcher met a number of Indian scholars and researchers during international conferences in America and Pakistan and discussed with them the impact of globalization on India. The inferences drawn from these discussions have been included in the study as a primary source.
China and India are compared in the fourth chapter through qualitative analysis relying on the material in the previous chapters. Primary and secondary sources are combined with archival sources used for supporting the arguments regarding the impact of globalization on China and India.

The fifth chapter presents the conclusions of the study and offers suggestions, and draws lessons that can be useful for other countries coping with different impacts of globalization.

In Pakistan, this research is important, as no significant research has been done so far to measure the impact of globalization on China and India in the twenty first century. Therefore, it is the researcher’s original contribution in social sciences. It will help the students of political science, economics, and international relations for further research.

Across the territorial boundaries of states, globalization is an increased interconnectedness of the goods, services and peoples in economic, political, and social domains. Globalization is a set of interconnected phenomena, which deal with economic, political, social and environmental aspects of human life. There are varying tools of economic globalization such as MNCs, IFIs, WTO, marketing and advertisement, which have been working in increased interconnectedness owing to the communication revolution, which occurred after the Second World War. The tools of political globalization are authority\(^1\) and legitimacy\(^2\) of the government. The tools of social globalization are health, education, cultural values, family ties etc. The communication revolution has charged the phenomenon of globalization in the twenty first century. In its theoretical framework, globalization holds great promise for the developing countries; although everything may not be viable for everyone. A detailed discussion on suitability of globalization for the South\(^3\) will follow later.
James H. Mittelman underscores that “globalization is not a single, unified phenomenon, but a syndrome of processes and activities.” It is a multifaceted and interdisciplinary phenomenon that acts with all its dimensions and deeply affects human activities. He further says that the word “syndrome” assigns a blueprint of interconnected characteristics of the human circumstances, more particularly within the global political economy. It (syndrome) has no concern with the medical term related to indication of a disease, as globalization is not an unnatural or abnormal phenomenon. It is an increased interconnectedness of the countries, peoples, institutions, cultures, religions and civilizations through ‘democratization of technology,’ ‘democratization of finance’ and ‘democratization of information’ with the help of cyberspace, credit cards and internet respectively.

Mittelman (2000) cites Giddens (1990) for an elaborated definition of globalization. “Globalization can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings shaped by events occurring many miles away and vice versa.”

Globalization pertains to macro as well as micro level economic activities that occur not only at the domestic level but also at the international level. Two pertinent examples are Asia’s “growth triangle” a term created by Singapore’s Prime Minister Goh Chok Tong in 1989 which is a macro level activity and export processing zones which are micro level of projects. An activity starts from within a state and spreads across the globe via the satellite network. These activities may be political, economic, social, environmental, nuclear, or based on any other human interaction, directly or indirectly concerned with living organisms.

Every political system comprises different ‘system capabilities.’ The efficiency level of those capabilities determines the development of that system at internal and external levels. The
efficiency level is observed in three major domains of China and India. The level of economic growth rate, the political reforms about authority and legitimacy and the nature of social values in the pre and post globalization era are the indicators that will measure the efficiency level of these system capabilities in China and India. The study highlights how the political systems of China and India are dependent upon the developed world. The varying degree of dependence determines the variation in the impact of globalization in the two countries. System capabilities are more efficient in the case of China but India is stronger in its democratic framework. China is a communist regime and retains its ideology even in this age of globalization when the market economy is the call of the day.

China is leading the world economy with its annual economic growth rate of 10.7% - 11%, the highest in the world. By contrast, India with an annual economic growth rate of 5.6-6.8% is far behind from China.

Kenichi Ohmae says that in the modern world countries are open in the flow of capital, goods and services because of the revolution in communication. Information technology has diminished the frontiers of many nations and provides them an opportunity for capturing the economic market of the world.9

Fax, internet, cyber space, e-mail, and various multimedia extensions have increased the interconnectedness of the world on a rapid scale. Information technology is bringing political entities closer to each other.

There is a greater cultural and social impact of globalization on India than on China but it is under threat too. The new world information order is spreading the Western and European cultural onslaught in Asian and African countries on one hand and giving a boost to competition in the TV channels on the other. The cable network is showing Western and European channels.
Although Indian channels are competing with the Western channels but not too adequately. For example, in 1991, 10% urban part of India had the amenity of television. In 1999, this ratio went up to 75%.\textsuperscript{10} India may be one of Asia’s most productive television markets by 2015, as estimated by Hong Kong’s Media Partners Asian (MPA).\textsuperscript{11} It seems that India is fast westernizing its culture but its traditional values are lagging in media representation. TV channels instigate the masses towards acculturation that causes ‘migration of dreams’ (the impact on the poor of television programmes emanating from wealthier societies) and ‘relative deprivation’ (the gap between what one gets and what one thinks he/she should get).\textsuperscript{12}

Alien culture Macs is another important factor that globalization is making an impact on the cultural values of these countries.\textsuperscript{13} China is also adopting modernization (see details in the second chapter) and globalization and seems successful due to its effective “system capabilities.” Under its modernization campaign, China is putting much emphasis on four sectors, which are Agriculture, Industry, Defence Forces and Science and Technology. It is following two realistic objectives, first to promote the cause of the multipolar world, and second to contain, and engage the United States of America.

As far as environmental domain is concerned, the MNCs look unconcerned in China and India. They are opening many food chains, introducing branded clothes and cosmetics getting increasingly popular in the countries under discussion. The fast food restaurants like Kentucky Fried Chicken, Hardees, MacDonald’s, and Pizza Hutt are emitting Chlorofluorocarbons and degrading the environment in China and India. Although it is not the only reason that is degrading the environment, it is accelerating the deterioration of hygienic conditions. It is causing depletion of the Ozone layer, acid rains and green house effects. In the wake of rapid industrialization, these countries’ environment is paying a heavy price.
The impact of increased interconnectedness in economic, political, social and environmental domains of China and India is based on duplicitous and contradictory policy. The MNCs are improving the economies on one hand and damaging the overall local business on the other. This impact is wide-ranging in India, for example, the MNCs in Bihar and Maharashtra are making good business as compared to Nagaland or Uttar Pradesh. In the same way, the impact of globalization in China is also varied in social, economic and political domains. Expatriate Chinese and Taiwanese are the major investors in China. Under joint enterprises, the MNCs and local industries are manufacturing consumer goods jointly. Cars and mobile phones are produced in abundance. In the first phase of modernization, 24 special economic zones in China got attention. Shan Zen was a fishing area 20 years back. Now it has grown into an ultra-modern city. This modernization is taking place in China on the pacific coast. There are regional disparities owing to the MNCs, differences in wage structure and lack of buying power. The second phase of modernization moves from the pacific to the Western part of China on a large scale. In the wake of modernization, corruption and malpractices have increased in China. There may be a contradiction in economic reforms in the future. Right now China is concentrating on material prosperity not on human rights and democracy. There may be focus on political and social reforms later on.

Almond and Powell (1966) define the forms of system capabilities as: extractive, regulative, distributive, symbolic, and responsive. The first three capabilities belong to input functions of the political system and the last two belong to the output functions. The first three capabilities extract, regulate, and distribute the national and international sources in an efficient way at home and abroad. The authoritative and legitimate leadership welcomes foreign direct investment (FDI). The FDI is regulated in a way that earns more economic fruits for the state at
national and international levels. Those economic fruits are then distributed at the grassroots level equitably. The last two capabilities (symbolic and responsive) keep the state united through cryptograms, testimonials, sayings, and triumphs.

The system capabilities are like oil in the machinery of the political system, which fills the gap between constitutional formality and political reality and keeps the whole political system viable in all circumstances. System capabilities are important for explaining the impact of globalization in any society as it is different from governance and its other forms. It is different in different countries but they exist in every society-democratic, monarchical, authoritative, dictatorial, fascist, or any other form. The level of efficiency of the system capabilities determines the economic development as well as the level of governance in any society. The usage of capabilities may be efficient or docile. Governance is concerned with resources while system capabilities are concerned with individuals as well as resources. Needless to emphasize, governance is dependent on the efficiency of system capabilities. Therefore, in order to understand the impact of globalization in different domains, it is indispensable to understand the level of efficiency of system capabilities in China and India.

The system capabilities are working in both countries efficiently, the Chinese leadership is extracting, regulating and distributing the economic resources equitable to a certain extent and India is following suit. The difference lies in their political systems. China implements decisions authoritatively and gets results in the form of rapid economic growth. India’s democratic system slows down decision-making and consequently the process of economic growth. Thus, system capabilities work effectively with the active and legitimate government that has the authority to lead people.
China and India are similar in many ways. Both are densely populated, are emerging economies, and big players in Asia. China has bitter relations with its neighbor Taiwan. India’s with its neighbor Pakistan are far from normal. There are also diversities. China resists attempt by any other power to poke its nose in her affairs. India plays the big powers game as it changed the regional balance of power through its nuclear deal with the U.S. in 2008. India is the largest democracy in the world while China is a centrally controlled economy under the umbrella of communism experimenting with social capitalism.

As two major powers in Asia, China and India are making an impact on the process of globalization. China is the second largest economy\textsuperscript{15} while India is at number six. According to New York Times, the real success of China lies in the fact that it has been sustaining its double digit economic growth rate for last three decades. It surpassed Japan in 2010, and was estimated that China would leave behind the U.S. by 2030 owing to its fastest growing economic growth rate in the world.\textsuperscript{16} Joe McDonald believes that it would overtake the American economy by 2020.\textsuperscript{17} On the other hand, India’s GDP at the end of 2010 was 8.9 % and 7.7 % by the end of October 2011. It gives an average of Indian economic growth rate at 7.7%.\textsuperscript{18}

Both China and India are responding to the challenge of globalization in a pragmatic way. They are enhancing their resources to face the increasingly competitive international environment. China has become a member of WTO in November 2001, while India has been a member since 1995. Chinese membership in the WTO has not only helped it in excelling it in the areas of low-tech labour intensive products but also ensured its dominance in the domains of technology.\textsuperscript{19} Oded Shenkar underscores that China “… builds half of the world’s microwave ovens, one third of the television sets and air conditioners, a quarter of its washers and one-fifth
of its refrigerators.” As economic growth accelerates the Chinese consumer products as well as technological products and would be more in demand in the world market.

China is growing much faster than India. Beijing is pursuing a dynamic foreign policy and playing a vital role in the world economy. India, has a mixed economy, where system capabilities are not very efficient (see page 8) owing to its slow decision making. India is a freewheeling society with a democratic, secular polity. India’s paradox is that while being democratic it is also less tolerant. It is not only less tolerant but also “less secular, less law abiding, less liberal.” Since democracy and liberalism are intertwined. This is the point where China and India have a glaring difference as China holds up its own system unleashed with social capitalism while India owing to its heterogeneous character faces communal trends that circumvents India to play an active role in the modern world. Applying the same criterion in China, it seems that it is more secular and tolerant than India in practice although officially atheist. Since 1949 to date, China has resisted Taiwanese sovereignty and disliked any outer influence on this issue. It is officially and theoretically atheist Daoist (Taoist), Buddhist. The composition of Chinese population is as under: Han Chinese 91.9%, Buyi, Hui, Korean, Manchu, Miao, Mongol, Tibetan, Uygur, Yi, Zhuang, and other nationalities 8.1% including Christian and Muslims less than 5 and 3 percent respectively. Therefore, China is not as heterogeneous as India. In July 2009, Muslim majority province Xinjiang, Urumqi experienced severe ethnic riots. In India, Hyderabad, Gujarat, and Ahmadabad riots are pertinent examples when Muslims were killed on a large-scale number. Christians are also killed in India few years back. Under Indra Gandhi, Sikh community was perished in India.

All these facts are known to the world owing to the communication revolution that has compressed the space and intensified the consciousness of the world as a whole. Therefore,
both China and India are taking care not to alienate themselves from the world.\textsuperscript{24} India is also uncomfortable because of human rights violation in Gujarat, Hyderabad and Kashmir. In the same way, China is pressurized by the West to address its human rights violations and improve its relations with Taiwan, Tibet and Dalai Lama. Both countries are responding very well to the developed world due to their being big lucrative economic markets for the West.

Besides, this dissertation interprets that the theories of liberalism (free trade for mutual benefit by avoiding the war) and mercantilism (economic nationalism) can be seen in operational form in India. Marxism, neo mercantilism (more exports and less import) along with liberalism in the case of China remains intact. India believes in socio-political and economic development with the principles of free trade. Both believe in military might for their dominance in the region. Depending upon military might denotes that India shows inclination towards mercantilism. On the other hand, with more exports and less imports transforms India into neo-mercantilism. For sustaining in the international environment, it is also following the liberal economic tendency and permitting foreign goods in its country.

Interestingly, all theories of international political economy are overlapping each other in this document. For example, China and India are utilizing liberalism, mercantilism and communism interchangeably. This shows that this globalized world can be seen through the prism of theories in international relations but being very complex in its (international environment) nature mostly countries run by liberalism with mercantilism. China is also adopting the mixed economy. Here we may call this as ‘liberacantilism.’\textsuperscript{25} A theory, that runs in most parts of the contemporary world under its strong influence.
Literature Review

Francis Fukuyama (1992) explained liberal democracy and end of history in his document entitled The End of History and The Last Man. He explains that human beings are going to achieve culmination of their consciousness that is liberal democracy and it will be end of history and man living in this age is the last one. He also explains the parts of “thymos” as “megalothymia” and “isothymia” which play an important role in the lives of individuals as well as states. The empirical studies show that both China and India are lacking in individual freedom and liberal democracy. Therefore, the conclusion drawn in this book is questionable; they ask how China and India are making developments without individual freedom and democracy?

Benjamin R. Barber (1996) writes in his Jihad VS McWorld, that globalization is only possible in the developed world; it cannot suit third world owing to their meager resources. His book is a comprehensive document on the phenomenon of globalization and liberal democracy. In this thesis it is synthesized that liberal democracy may not be the only solution for getting the fruits of globalization. It is proved in the case of China. Samuel P. Huntington (1996) writes in The Clash of Civilization and the Remaking of World Order, that future war between nations would be cultural rather economic or political. He argues that clash of civilizations is imminent owing to the process of globalization. It also talked about the clash of Christianity and Islam in future. In the case of China and India, we find many other civilizations or groups that may raise conflicts for their deprivations. Christians, Hindus, and Muslims in India and Bhudist, Maoist, and Muslims in China are at daggers drawn. Therefore, clash of civilization may not be a true thesis, only in the perspectives of Christianity and Islam.

Robert Kaplan (1996) has traveled through Pakistan and the Middle East and East Asia including China, writes in The Ends of the Earth, that China can hardly adjust itself in the
communication age without democratic institutions. Kenichi Ohmae (1996) writes in *The End of Nation States and the Rise of Regional Economies*, that information technology has revolutionized the world and nothing can escape from it. The 21\textsuperscript{st} century is a communication age and world economies are looking for economic markets the world over. The MNCs have occupied the local industries through aggressive marketing and attractive advertisements. China and India are utilizing tools of globalization (IFIs, MNCs, WTO) to their national objectives.

Dr. Arjun Appadurai (1996) talks cultural dimension in his *Modernity at Large: Cultural Dimensions of Globalization*. He emphasizes that contemporary twin forces of mass migration and electronic mediation characterize the era of increased interconnectedness. This is an anthology of essays written by a single author who is very much concerned about the end of the nation-state, Diaspora, new modernity, the concept of culture, post colonialism, the production of locality, flows, and the work of the imagination. The author is a proponent of a new post-national discourse. The anthology is 226-page book comprising of three parts, Global Flows, Modern Colonies and Post National Locations. It sets out how culture is being destroyed or absorbed in other norms and values that ultimately cause erosion of the indigenous culture. In the case of China and India, the tools of globalization are undermining the culture of both.

*Globalization and the South Asian State*, is another good book edited by B. Ramesh Babu, (1998) that exposes some bitter realities about the economy of South Asia. For example, Indian and Pakistani nuclear explosion caused economic sanctions against both countries. It also details how Sri Lankan economy is under pressure owing to the forces of globalization. This book elucidates the options that lie with Bangladesh to choose between the forces of globalization and regionalism. Here we use this book in the perspective of India as she
successfully faced the international pressure and harmonized the international opinion in her favour.

Thomas L. Friedman (1999) eloquently talks about understanding globalization in his treatise *Understanding Globalization: The Lexus and the Olive Tree*. He comprehensively explains how the modern world has transformed the Cold War system with the integration of capital, technology, and information that has made the world a real global village.

In *The Globalization Syndrome: Transformation and Resistance*, James H. Mittelman (2000) writes about the rise of regionalism. He explains that globalization is not an integrated process but a chain of activities that has increased interconnectedness among nations. *India: Globalization and Change*, is another good book by Pamela Shurmer-Smith (2000) that pertains to the political and social change in India brought about market liberalization and integration into the world economy.

Richard J. Payne and Jamal R. Nassar (2003) talk about the change globalization is causing in the developing world in their treatise *Politics and Culture in the Developing World: The Impact of Globalization*. They also believe that ‘migration of dreams’ and ‘relative deprivation’ are major causes of dissatisfaction in the developing world that is China and India.

Joseph Stiglitz (2003) who got a Nobel Prize in Economics for his book *Globalization and its Discontents*, W.W. Norton & Company, he emphasizes those MNCs and IFIs are not supporting the economies of the “have-nots.” The policies of these institutions are damaging the economies of the developing world. In the case of China and India we find the policy makers prudentially using the same institutions in their favour. Amy Chua (2003) writes in her *World on Fire*, that concepts of free market and so-called democracy are breeding dissatisfaction among local groups that leads to worldwide discontent. She is a friend of globalization but only with its
advantages. She explains how China is dominating in the adjacent countries through its MNCs. These MNCs are dominant minorities in Myanmar, and Philippines. In the same way, we can conclude that India is dominating in the region and threatening countries like Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, and Sri Lanka.

Isher Judge Ahluwalia and John Williamson (2003) have edited a book titled *The South Asian experience with Growth* that gives comprehensive details of the economic conditions of five major countries in the region—Bangladesh, India, Nepal, Pakistan and Sri Lanka, along with their poverty profile.

Peter Nolan (2004) inscribes in his *Transforming China: Globalization, Transition and Development*, that China has transformed adequately, specifically in economics. He explains the challenges that China has successfully faced since the 1970s when it was a poor country with a huge population. Wang Ning’s (2004), impressive book *Globalization and Cultural Translation*, explains that globalization is not confined to economics and politics but also touches humanities and social sciences.

Jagdish Bhagwati (2004) writes *In Defense of Globalization*, that globalization is no more an option but a reality that can harmonize the world if proper arrangements are made by the countries concerned. He emphasizes that we are just criticizing the phenomenon of globalization and considering it an evil taking us away from the fruits of globalization.

Oded Shenkar (2005) writes in his latest publication *The Chinese Century: The Rising Chinese Economy and Its Impact on the Global Economy, the Balance of Power, and Your Job*, that within next two decades, China will emerge as an economic giant. It will influence sociopolitical and economic lives of most of the people in the world. In this book, he explains about the rebirth of China’s lost glory a feat achieved with the combination of technological
advancement and market economy that is controlled by a centrally controlled system, comprising the Communist Party, and the bureaucracy. He believes that China’s advancement is different from that of its contemporaries Japan, India, Mexico etc. China will lead the world in world trade by introducing its own system of exports. He also explores why the U.S. is most susceptible to China’s development and how China’s economic growth affects global businesses and consumers. Above all, Shenkar believes that one has to live and flourish in “the Chinese Century.”

Madhu Purnima Kishwar (2005) writes in her book *Deepening democracy: Challenges of Governance and Globalization in India*, about the impact of globalization on an average Indian in the twenty first century. It also explains that in India poverty is increasing day by day, the common man is deprived of the fruits of globalization.

Arjun Appadurai (2006) in his book *Fear of Small Numbers: An Essay on the Geography of Anger*, writes about the anger of minorities who are affected by the process of globalization. His book is an account of the ongoing violence in Eastern Europe, Rwanda, and India since 1990s to the contemporary cyber “war on terror.” Providing a conceptual framework for understanding the sources of global violence, he underscores how minorities are being exploited by the majorities of the world through brain drain of skilled social capital from lower to higher concentration areas owing to communication revolution. The flow of skills should be from higher to low concentration areas but by exacerbating the inequalities produced by globalization, the volatile, unpredictable relationship between majorities and minorities fuel the desire to wipe out cultural differences. The author of these brief, penetrating six essays investigates globalization’s lopsidedness and, most significantly, demonstrates how ‘small number’ minorities have become both victimized and victimizer. The third, fourth and fifth chapters of the
The literature review has been done from two perspectives: Western and Eastern. Both the proponents and opponents of globalization are studied for a comprehensive understanding of globalization and its impact on China and India. An effort has made to put literature review in a theoretical as well as operational framework. The books written by Chinese and Indian writers also examine Chinese and Indian perspectives. Besides the above-mentioned sources, electronic sources like different websites, emails, online discussions, journals, magazines, newspapers, research articles, and TV talk shows have been consulted to ensure the reliability of the research.

**Hypotheses**

There are five main hypotheses that will be tested here. They are as follows:

1. India is a democratic country and China is a communist one but globalization is favourable more to China as compared to India.

2. Globalization is making an impact on China and India in their economic, political, social and environmental domains and, interestingly, China and India are also making an impact on the globalization process.

3. It is the ‘system capabilities’ that make a difference in the socio-political and economic development of a country, that are employed by the leaders not by any form of the government.

4. The MNCs are consciously giving way to Chinese consumer goods in the world trade so that it may become more open and start following the rules and regulations of market economy in a pragmatic way.
5- The Chinese and Indian cultures are imitating the West and losing their traditional values.

All the above-mentioned hypotheses belong to political, economic and social domains of the countries under study.

Methodology

This thesis is a theoretical description that is based on an interdisciplinary approach and combines economics, politics and social systems together along with environmental concerns. In a comparative study on China and India, the relationship between democracy and economic integration is explained on empirical grounds in the case of the former and secondary sources for the latter.

In the case of China, the researcher’s visit provided an opportunity to look into the Chinese socio-political and economic development more closely as compared to India. In the case of India, which has been studied through the prism of literature found in libraries and other secondary sources, it is difficult to claim the authenticity of Indian ethnographical explanations.

During his visit to China, the researcher did in-depth structured interviews with economic and political scholars. Mostly closed questions were asked from the economic, political, social, and environmental perspectives. Some unstructured interviews were also conducted with common people, with open-ended questions. The researcher observed the social system by visiting their social gatherings. The primary data so collected is an integral part of the thesis. It may be added here that the social system of a country may be appreciated by visiting the country, but conclusion will depend upon the duration of stay, observation capability and memory of the individual.
Wandering through streets, talking with people, sharing views regarding the ongoing developments in China helped the researcher derive conclusions about Chinese life and society during his brief stay in that country.

The researcher used the triangulation method for enhancing the objectivity of the research. The in-depth interviews, focus group activity and qualitative and quantitative methods were used for the validity of the research. Interviews are given in the last part of the thesis as appendices.

Individualistic theory (based on explaining individual behaviours)\textsuperscript{27} is used to observe the behaviour of the individuals in society. It is relevant to the study as in China people are participating in the socio-political development of the country. The behaviour of the people is very commendable at the individual and collective level. On the other hand, the holistic theory\textsuperscript{28} (i.e. joint effort) is also relevant to the dissertation for understanding the political system of China. In the holistic theory, it is required that a group of people who work for the welfare of the society or indulge in policymaking should be studied carefully, respected, and dealt with separately. The Communist Party of China believes that its role in economic development of the country is laudable and it should not be mixed with other concepts relating to political or economic systems. The researcher believes that it is the joint effort of the Communist Party of China and the people’s republic of China that sustain the socio-political and economic system of the country.

In the case of China, McClelland’s three dominant needs,\textsuperscript{29} achievement, power, and affiliation are very relevant. In China, economic development is directly related to need for achievement. Now the question is, how these needs are distributed and in which pattern they work? It varies from system to system. In the political system of China, power lies with the
Communist Party, not with the people. The level of people’s affiliation with the political system remains at its culmination. On the other hand, in the case of India national economic development is related to achievement. Power lies with the people whether (it is happening or not it is a debatable issue). Therefore, theoretically speaking, people’s affiliation with the system remains natural and effective. The sustainability of the three above-mentioned needs remains intact according to the level of the effectiveness and efficiency of the system capabilities. Our main hypothesis categorically expresses that it is the system capabilities that make a difference in the socio-political and economic development of a country, not the form of government.

The real hurdle in collecting data in China was the language problem. To avoid personal biases, literature from both Chinese and Indian perspectives is studied. The western perspective regarding globalization and its impact on China and India in the twenty first century is also studied in detail.

In the case of India, it can be inferred that both individualistic and holistic theories are also relevant as parliamentary groups are more inclined towards personal or party interests and therefore, not participating efficiently in the development of the country. The people of India are working very hard for the uplift of the country as a whole. Comparing China and India, individualistic theory is more prevalent in the case of India. The efforts of the people keeping the country on the right track of development while the parliament is still uncertain in its behaviour blaming others for its failures, especially Pakistan.

Archival sources have been used in the form of recent books, internet websites, articles of different journals, magazines, newspapers, video documentaries and films. These sources are used more in the case of India. Theoretical definitions are described to understand the process of
globalization in the abstract form. Operational definitions are also explained to understand the phenomenon pragmatically.

Different concepts of micro (social, cultural and environmental) and macro (political and economic with comparison of the two under discussion countries) nature will be ascertained in theoretical as well as operational frameworks. Analysis of concepts determines the nature and importance of relations among nations. It may determine the similarities and dichotomies between two political systems. Concepts are therefore important to study in social sciences especially in international relations that they assist in generalization. Generalization correlates the concepts with each other. Concepts of system capability, political system, political culture, political development, economic development, authority, legitimacy etc. are used. To extract fruitful information both countries have been observed very keenly and in an unbiased way.

It is a study based on quantitative and qualitative methods. The “quantitative” and “qualitative” methods seem to provide the possibility of combining the advantages of the two and reducing their disadvantages, not just as a compromise between two extremes.

In quantitative method the quantity of advantages will be explained in two political systems and in qualitative method, the quality of system capabilities of both China and India will be explained. For example, India is taking advantage of globalization for sustaining its economy on sustainable grounds but may also lose its traditional and cultural values. China, on the other hand, is doing well and making headway in the economic field but trying to sustain its cultural values, which are also under threat.

Texts are analyzed in different ways; sometimes they are studied in a historical perspective or observed with social interactions and identities. Analysis of texts is concerned with both their meaning and their forms. The time, circumstances, background, and vitality of
different historical events and their impact upon socio-political and economic systems are all ways of observing the real matter. It is a significant part of socio-cultural analysis of a political system by linking properties of texts to ideologies, power relations and cultural values. In order to reduce and avoid the bias of qualitative approach, the research material was re-read to see if suppositions are relevant to the events that are going to be predicted at the end of this research.

The impact of globalization under study is China and India in their economic, political, social, cultural and environmental aspects. In social sciences, independent and dependent variables are very difficult to control owing to the two-way causality factor. We cannot separate them in descriptive research. For instance, in this research, China and India are dependent as well as independent variables and the impact of globalization on these political systems is an independent as well as dependent variable. It is due to two-way causality relationship in social science. Sometimes the researcher finds that global forces are influenced by a single phenomenon, as today terrorism is posing threat to world peace. Sometimes independent variables transform into dependent variables or vice versa.

This thesis is very much dynamic in its nature. Therefore, researcher has to equip himself with latest information to keep the thesis alive and updated. Through a conscious effort, literature in electronic and print media is being read and changes have been made accordingly. We now proceed to the first chapter in which the historical perspective of globalization is discussed.
Authority is power that wins the allegiance of others with respect.

Legitimacy is a fairness that obliges others to be ruled by the true (legitimate) ruler. It lies in the level of fairness of the ruler. Until or unless he remains fair has the legitimate right to rule and people like to live under his governance.

South is the term that is mostly used for developing countries, and North means developed world. In this thesis these terms will be used repeatedly.


Ibid.


Benjamin R. Barber, *Jihad Vs McWorld*, New York: Ballantine Books Inc., 1996. Alien culture Macs means, MTV, McDonalds, and Macintosh, has no conformity with the home cultural heritage. For instance, the food restaurants are full of young boys and girls wearing trousers and shirts alike. It has become very difficult to recognize a boy or girl by their external appearances. A long ponytail can be seen borne by young boys. This is all due to these MNCs and communication revolution. The wiring of the world has inter-connected the people in a way that it has become impossible to recognize whether one is sitting in China, India or in America or Europe.

Premsingh, *Social, Cultural and Economic Impact of Globalization in India*.


Ibid.


Ibid., p. 19.
24 Ibid., p. 28.
25 Liberacantilism (mixture of liberalism and mercantilism) means that contemporary world usually intermixes different concepts for adjusting itself according to the international environment. China is restructuring and reviewing its economic system but not political system. Therefore, it is adopting economic nationalism that is mercantilism and believes in free trade with certain implications, calling it liberalism.
26 Indian embassy did not issue a visa to the researcher therefore; we have to depend upon archival sources for interpreting Indian socio-political and economic developments.
28 Ibid.
29 Ibid., p. 107.
Chapter I

Globalization: A Historical Perspective

Political scientists argue that the contemporary world started with the treaty of Westphalia in 1648 and remained until 1945. The process of decolonization began just after the end of WWII, it might be considered as a first step towards the expansion of the world. In ancient times peoples used to live together in the form of families, tribes, villages, and city-states. The nature of increased interconnectedness was different. It was not as fast and dynamic as it was today due to technological and communication revolutions. The communication revolution popularized the phenomenon of globalization speedily.

Modern globalization may be considered as a phenomenon that intends to create a global village in the world. The question is why a global village, why not a world government or a world city or a global city? As we know, the word ‘village’ gives an understanding that it is a place where most of the people live together and usually very close to each other.

After the First World War in 1918, collective security became popular and after the Second World War in 1945, drums of democracy were beaten heavily. In the wake of disintegration of the former Soviet Union in 1991, the North used NWO, Global Village, Human Rights, Governance, and Sustainable Human Development for its pre-eminence. Economic gains and profit maximization had been the main agenda of the economic cartels in the past.\(^1\) In this modern era, the MNCs that are run by the same old economic cartels are ruling over the world. International Financial Institutions (IFIs) are underpinning these MNCs. The MNCs have gradually transformed into Multinational Governments (MNCs) or Multinational States (MNS)\(^2\) with all their resources and technological sophistications in their hands. In the contemporary world, economic resources are limited but competitors are more strengthening competition has
increased the sense of insecurity in the world. This in turn motivated the South to develop itself. We can consider it the first step towards globalization.

The communication revolution, IMF, WB, commercials, aggressive promotion and, besides that, the multinational corporations have jeopardized the conventional structure of the state comprised of: Sovereignty, Government, Territory, and Population. The multinational corporations are dictating the modern states owing to their enormous economic power. Besides, the arms race in South Asia and other parts of this planet have also made the state system vulnerable. The Modern state has to review its position rather the MNCs may overcome the conventional state system with modern tools of globalization.

It seems likely that the modern state is facing the crisis of selective morality.\(^3\) Owing to this selective behaviour of the political and non-political elite, the state system has been monopolized by a coterie of business tycoons. Before the Second World War, colonialism jeopardized the nation states that sowed the seeds of nationalism among people. The present day world is a victim of neocolonialism-that is an indirect control of the North over the South through economic, political, and social means. The media imperialism is disseminating subjective information that usually misleads the world. According to Ronald Farrar, “All the world can learn about world events is what New York, London, or Paris chooses to tell them.”\(^4\) The increased interconnectedness of the IFIs, MNCs and WTO has given the world the existing global village, a direct outcome of globalization. When we look at the origins, the following sequential evolution of globalization is observed. Individual is the unit of this process as a cell of a human body. The apogee of globalization is terrorism that is a direct result of rising deprivation in various parts of the world. The following different historical stages that lead to globalization is being given only to introduce the reader the way it (globalization) emerges in the world.
Different Historical Stages leading to Globalization

INDIVIDUAL
FAMILY
TRIBES
VILLAGES
CITY STATES
STATES
EMPIRES
MERCANTALISM
NEOMERCANTALISM
COLONIALISM
MONOPOLIZATION BY THE HAVES
DEMOCRACY
NATIONAL LIBERATION
NEOCOLONIALISM
ELECTRONIC COLONIALISM
EMERGENCE OF MULTINATIONAL CORPORATIONS
INTERNATIONAL FINANCIAL INSTITUTIONS
NEOLIBERALISM
WORLD TRADE ORGANIZATION
FREE MARKET
DEPRIVATION AMONG THE LOCAL GROUPS
ENVIRONMENTAL DEGRADATION
GLOBALIZATION
RISE OF REGIONALISM
TERRORISM
COUNTERTERRORISM

In the classical state system, globalization was not as fast as it is today. The scientific and technological developments of the twentieth century have revolutionized the phenomenon of globalization. It sped it up, compressed the space and time, and left the developing world in
sojourn owing to the inefficient use of system capabilities. The developed world coped with the ongoing rush of globalization and updated itself accordingly. This has caused a digital divide between the West and the rest of the world. It has also given rise to regionalism. The countries with effective system capabilities enjoyed the change, for example the European Union. Contrary to this, the South Asian Association for Regional Cooperation, Organization of African Countries, the Organization of Islamic Conference and the North American Free Trade Agreement have not responded well to the challenge of globalization.

Globalization: Theoretical Perspective

People wish to live together under one government in one universal world. This is what globalization means. But what we see today is that a few can go anywhere in the world but the rest face visa constraints and immigration problems. This should be food for thought for the proponents of globalization who believe in neoliberalism (end of state control of economy) free market, laissez-faire, democracy and universal peace.

Free market economy has become a passion for the developed world today, James H. Mittelman says that: “Today, competitiveness, or free-market competition, has been elevated to an ideology, and this icon represents an important element in the globalization matrix.”

Richard D’Aveni calls it “hypercompetition” or an intensive endeavor to augment market volatility and to institute the improbability of business.

The communication revolution has revolutionized the life of the modern man of the twenty first century, who uses such tools or resources for his personal advantages. Those tools include private TV channels, commercials, marketing styles and plastic money in the form of credit cards. All these tools are restricting the individual choices and confine him to buy a particular brand or product.
Hence forward we would explain the major models of globalization namely; Jihad Vs. McWorld by Benjamin R. Barber, Borderless world by Kenichi Ohmae, End of History by Francis Fukuyama and Clash of Civilizations by Samuel P. Huntington for better understanding the phenomenon of globalization.

Coca Cola, Compaq, Dell, Fahrenheit, Ford, General Motors, IBM, KFC, Macintosh, McDonalds, Marlboro, Mercedes Benz, Nike, Pepsi, Pizza Hutt, Vitech, etc. are such MNCs that have become mini states or mini governments within countries like Bangladesh, Canada, China, India, Japan, Pakistan, UK, USA, etc.

The above mentioned MNCs focus on one agenda that was monopolization. From In the sixteenth to nineteenth century, imperial powers, for example Britain, Germany, Hungary, Italy Portugal and the U.S. also did the same through their power politics. After the WW II, (1945) a period of neocolonialism started- got indirect control over the developing world. Conventionally, states used to monopolize resources, in modern times, individual or cartels do so through MNCs, IFIs, and WTO whose single agenda is profit maximization.

Democratization of technology through computers, democratization of information through Internet and democratization of finance through credit cards,\(^7\) is giving the indication of the end of the state. The thesis of the End of History given by Francis Fukuyama seems uncertain; as today every individual does not enjoys free will or tolerance. The MNCs of America and Japan are leading contestants in the ongoing process of globalization. The U.S. corporations inclined to control the world with the help of McWorld while Japanese corporations intend to control the world through technology. Barber’s McWorld comprised of McDonald, Macintosh, and MTV\(^8\) believes in marketable revolution. It (McWorld) has power over communication, entertainment and information and will ultimately control over the destiny of
mankind. It captivates people with fast computers, fast food and fast music through Macintosh, McDonald, and MTV correspondingly. In America, Asia, Europe, IFIs, WTO, international organization like OPEC, international news agencies like BBC, CNN, and Zee news along with multinational corporations are restructuring the world actively. At times it seems hard to find the real manufacturer of the merchandise. Alfred M. Zeien (Gillette’s chairman) emphasizes confidently, in corporate life, there is no world entity alien in business we only modify the goods for selling in the market. The MNCs which are transcontinental and antinational are of a great significance in the international political economy. They resist sovereignty of the modern state and represent the universal brother hood. These MNCs have their universal citizens, consumers and customers who fulfill their needs by using branded products. They are attracted by the aggressive mode of marketing and gaudy advertisements of popular brands.

McWorld is attending more than 20 million clients round the world every day and enticing more people regularly. The individuals are consuming the foodstuffs of McWorld all over the planet. Perfumes of Fahrenheit, Reebok shoes; Ralph Lauren and Safari have created a borderless world.

In terms of the number of visitors, Japan’s number one fast food restaurant was McDonald followed by KFC at number two in 1992. It indicates how Japan has been inclined by California-ization. According to Ohmae the taste and preference of an individual are met at a single point, it calls California-ization. This detail exposes three major aspects of the economic strategy of the MNCs:

I. They can move their investment everywhere in the world.

II. The efficiency level of the employees can be increased through customer care and services.
III. The economic statecraft can no more influence the buying choice in the present environment, as imitating the others’ culture is a routine matter in the unindustrialized countries.\textsuperscript{18}

The MNCs dislike public sector interference in the decision-making regarding market. The Industrialized countries wish to quash most of the resources of the meager economies of the less industrialized world.\textsuperscript{19} This is how the industrialized world is maximizing its profit and capturing the lucrative commercial arcades in an entrepreneurial fashion. If ever, nation states try to bring the MNCs home that they are endangering the interests of the people like fairness in the attitude towards employees, permanent employment and polluting the environment, the MNCs show apathy and consider it against their interests. Consequently the MNCs use to leave that country by winding up their business, leaving the local employees unattended. They do not even bother to give any prior notice. No compensatory expanses are given that the fired employees could get manage until another job.

This is how capitalism works in the name of free trade. It encourages private investment of the MNCs and discourages government interference for protecting the local business in the name of economic nationalism. The MNCs believe that we should be left alone; there should be no restrictions upon producers and consumers. Everyone could produce, sell, buy and consume freely.\textsuperscript{20} Barber label the force of capitalism as McWorld that believes in capturing world lucrative markets with an increased interconnectedness. It reminds us the deprivation Marx mentioned in his philosophy where poor get poorer and the richer get richer due to unfair distribution of wealth by capitalism. It leads to a war like conditions as Hobbes’ Leviathan translate it in this way that everyone wishes to have power so all struggle for the same. The struggle goes on and ends only with death.\textsuperscript{21} This approach is predominant in the modern world;
today states are at war with each other in the name of the so called war against terrorism. Innocent people are dying in this war mostly in Afghanistan, Iraq and Pakistan. Almost 40,000 people have lost their lives in this war against terrorism only in Pakistan. Hence, it is America with its allies or Al-Qaida is fighting for the “quest of power after power” that is ending at the death of innocent people.

Ohmae explains about a world without borders in his document published at the end of the twentieth century in 1996, The End of the Nation States. This volume helps us in emphasizing that increased interconnectedness known as globalization denies the sovereignty and government of the present day state to an extent. He refers to Investment, Industry, Information Technology and Individual as four ‘Is’ essential for fiscal expansion of a country.22 An empirical investigation of Ohmae’s thesis gives us an interesting dimension for understanding the international political economy. It shows us that how the surplus money of the west is invested in the world. Japan has more than 10 trillion U.S. $ of its people for investing it in the world to accumulate more revenue. The U.S. surplus is more than Japan and invested in the world for gathering more and more profit. It does not get only profit to give back the due share of the people but it also adds to the wealth of the country that invest its surplus finance in the world. It makes the economy of such countries appreciable and prosperous. It is also observed that sometimes a massive expanse of public money in the form of annuity reserves and life assurance is used for foreign investment and it earns a lot of profit that not only boosts up the economy of the concerned country but also saves it from bankruptcy.

The U.S policy makers are presently financing 10% annuity reserves in Asia and gathering a substantial amount of interest on it. Subsequently, topographical borders do not confine spending finance, wherever the chance is found, stockholders capitalize their money.
The money for investment not only comes from government only but also come from multilateral agencies. A decade before, mostly such investment was principally happening between government-to-government as well as private agencies to government. After the Second World War, the economic liberalization encourages the cross border flow of funds among multilateral private agencies, government reluctant to be a part of any investment party. Usually, this spending of money takes place with the help of MNCs.

Consequently, it looks like that these big MNCs have actually converted into multinational governments or multinational states. They have their subjects, government, and sovereignty with specific premises of the restaurant as land or territory. These MNCs believe in a world without borders. For example, in Pakistan, people feel more comfortable sitting with their paramour in the KFC, McDonalds, and Pizza Hutt, as police is incapable to harass them in the exclusive territory of these restaurants. This kind of liberty entices Pakistani youth more towards these restaurants as they consider themselves uncomfortable at any other outlet in the country. India is another example of the same situation but people in India enjoys more freedom as compared to Pakistan. The police remains detached from these restaurants and such noninterference makes the bistros peaceful and independent into their vicinity. These MNCs have a subsidiary control over the economy of the unindustrialized countries as well as over the industrialized world.

John Kenneth’s study downright expresses that MNCs govern over the American economy. The increasing influence of the yearly movement of funds enhances the economic activity more rapidly as compared to the exports. Therefore, the American economic elite mainly focus on expanding business abroad at a global level. Industry, being the second “I” is increasing the increased interconnectedness at a larger scale in the modern world. The MNCs work more
aggressively in an economically rich environment. The multinational corporations construct the needs of the individuals through commercials and promotion. As a result, individuals increase pressure upon the indigenous market to bring their wanted goods. This forces the dealer to import foreign goods to meet the demands of the people satisfactorily.

The Chinese MNCs are positively working for a lucrative business for a whole year. The GM, IBM, P&G, and Uniliver are the pertinent examples of successful Chinese MNCs. The third, “I” is information technology (IT), revolutionizing the whole world. The first two ‘Is’ investment and industry are assisted by the IT. E-Commerce popularly known as Electronic commerce is a direct result of IT. Due to the wiring of the world by information technology, companies can run their businesses in the world without constructing formal purpose built buildings.24

The internet has successfully increased the interconnectedness of the people on this planet. It has become very comfortable for every professional to control his business even living beyond from his hometown. The fourth ‘I’ that is Individual being a consumer forces the dealer to get finest and inexpensive goods for him even from the far-flung areas of the world.

The MNCs, using the strategy of dumping (term used in economics that means selling products below its production cost to capture the market against its rival companies) at the beginning, can enter the in the world with their advanced means very comfortably. The present day international political economy, the business unit is of a great significance along with skillful social capital that may enhance the economic prosperity of the country.25 The countries geographical boundaries still perform a vital role in conducting international relations among nations even in this borderless world.26
The development in the IT sector has blurred the origin of a product and it is hard to recognize the real owner or creator of a product in the market. It seems that the West intends to rule over the world resources unilaterally. Lenin truly emphasizes that entrepreneurial countries wish to concentrate labour, wealth, resources and even territories where they could have a global market to rule.  

Today might is right principal is still reigning where diversity of peoples are living contentiously, classical examples are rival groups in Afghanistan, Quebec in Canada, Kurds in Iraq, Tamil in Sri Lanka, and Serbians and Croats in former Yugoslavia etc. The modern state system could not integrate the contended groups effectively but the MNCs did it positively to an extent, although the MNCs could not fully succeeded in Afghanistan yet they are assimilating them efficiently through their tang, billboards, catchphrases and atmosphere. Barber says McWorld considers extreme commercialism as its end product. It occasionally camouflages itself under the name of egalitarianism and controls the ravening markets. On the other hand, multiculturalism did its best to keep unity intact with diversity but it turned into a menacing threat that kept the sovereign identities disunited, and could not sustain the modern entities successfully especially after 9/11 incident in the U.S. This incident again raised the importance of the frontiers. Commercialism hates frontiers as nature hates vacuum. Here Barber affirms to Kenichi Ohmae’s thesis of borderless world.

The hyper influence of the liberal economy can be observed by the laissez faire concept of trade where free market tries to penetrate in every domain of life. The vital interests of the entrepreneur are considered important. The online banking is available twenty-four hours a day. No constraints are liked for production and consumption of products. The laws of the courts are violated. This is how, MNCs, WTO and the IFIs, maintain the sources and assets of the world.
commandingly for those states that have the competence to regulate itself in the presence of globalization.

**International Financial Institutions**

International Financial Institutions (IFIs) are another source for MNCs to rule over the world. The IMF and the WB work as a guarantor of the U.S. while giving economic aid and loans to the developing nations. The World Bank tries to redress the grievances of the developing world through its welfare schemes and programmes. Under the presidency of James Wolfenson, commenced in 1995, the World Bank’s main objective was to alleviate poverty in the developing world. The bank is also worked to reduce the debt burdens from the highly indebted poor countries (HIPC).

The critics are of the opinion that the WB speaks much but acts little. All these reforms have been a direct corollary of ‘Washington Consensus’ under which structural adjustments and economic liberalization were imposed in 1980 and 1990, to make reforms in the macroeconomic policies of under-developed countries. Contrary to this, the IMF has confined itself to supervising and reforming local and global institutions.\(^{30}\)

The IMF has proposed to the countries with meager economies to make reforms to sustain the confidence of the investors who can assist them to have sustainable economic growth in future.\(^{31}\) It has confined itself to specific issues like institutional reforms of treasury, budget grounding and sanctioning measures, tax administration, bookkeeping and inspection dealings, Central Bank Operations, and certified data processing. As far as market mechanism is concerned, it deals with barter, buy and sell, value systems and features of the monetary systems. In the authorized affairs, it (IMF) concentrates on levying, banking laws and the foundation of liberal market.\(^{32}\)
During the East Asian crisis in the late 1990s, the concerned governments call them ‘poorly supervised’, ‘poorly functioning’, ‘badly regulated’, ‘corrupt’ and ‘government directed.’ The IMF does not consider that the IFIs were responsible for the East Asian crisis. Such statements show a reversal in IMF’s policy, because earlier it described the same countries as ‘tigers’, economic ‘miracles’ and ‘impressive’ etc. A few years later, the IMF accepted that it had some connections to those crises. The IFIs transparency and accountability are deficient and that is why; a protest was made in Washington to condemn the WB and the IMF.

The above description shows that the IFIs are puppets in the hands of the developed world. America is utilizing a network of banks, corporations, restaurants and other consumer goods. Coca Cola, KFC, Pepsi, Marlboro, Nike, Hershey, Wrigley, Levi’s, and McDonald’s all are serving the American purpose and achieving their profit motive in the far-flung areas of the world in their unique style and fashion, attracting every generation.

The MNCs are busy in economic pursuits, employing its industry, arms, food, music, fashion, films and ultimately its culture. American culture is an amalgam of different communities of the world. It has become a melting pot where hundreds of ethnic group are living as a well-knit unit. The capitalist ideology is keeping all people united by fulfilling their needs and demands in time. The government employs the internal integrity and peace abroad to rule over the world.

American consumer goods are hardly American in its origin but are known as American. For example, Chevy is a famous automobile in America assembled in Mexico with parts, imported from abroad and again imported into the U.S. The same is the case with Ford, made in Germany by Turkish workers and disposed of in Hong Kong and Nigerian markets. Economic globalization is against the essence of Ricardo’s theory of Comparative Advantage. Since, in
economic globalization, advantage usually lies with the developed world. According to Philip Towle, (Reader in International Relations, Department of Politics and International Studies, 17 Mill Lane, Cambridge CB2 1RX) “In fact Western investors, consumers and inventors benefit from this development while Western workers suffers from the migration of industry first to Japan and the Asian tigers and now to China and India.” In this sense the modern state has become a satellite of the MNCs and World Trade Organization (WTO). However one noticeable advantage of globalization is that today every part of the world is enjoying a variety of consumer goods and democratization of technology, finance and information. As far as China and India are concerned, they have adjusted themselves according to the needs and demands of the international community and enjoying the fruits of globalization.

World Trade Organization

The World Trade Organization (WTO) created on January 1, 1995 is another multilateral international institution active in regulating trade between nations. Almost all the trading nations, including Pakistan, are members of the WTO. This international body has three main objectives:

1. To help the flow of trade between nations as freely as possible.
2. To serve as a forum for trade negotiations.
3. To settle disputes between states in trade affairs.

All member nations are aware of the rules and regulations of conducting trade through WTO. The trading nations do trade with full confidence because all the agreements and contracts are signed after a considerable debate and discussions. The WTO also assists the developing countries in acquiring technical knowhow and trains them accordingly. Contrary to this, Bretton Wood institutions are only working for the MNCs of the world, especially for American MNCs. In this way, these MNCs are depleting the resources of the world unilaterally.
This is the point where a sense of deprivation grips in the world over especially the developing world. This deprivation is leading the world towards terrorism. However the fall out only the concerned states as MNCs wind up their business from a terrorism ridden state and start business in other countries. It definitely lessens the profit margin because in the third world MNCs earn more than in the developed world. These MNCs are running after profit maximization without considering the welfare of the whole community.

The question that arises here is why MNCs are emerging in the world as rulers overshadowing the state. After the Second World War nation states started manufacturing weapons of mass destruction which triggered an arms race between rival states. By contrast, the MNCs are inclined towards peace and do their business entertaining people with music, computers, and fast food.

The communication revolution helped the businessmen to maximize their profits. Now multimedia has exaggerated the things so fast that whatever is said in the media is considered as gospel truth. Through the media false news of scientific and technological advancement are spread to influence the public. For example, it was propagated in late 1990s that America had made a stealth plane that was very advance and could detect any covert plans going on in the world during its flight. It was said then this plane could detect what was being cooked in the kitchen in a home. If this was so why America could not detect that Pakistan was making nuclear weapons? Why America did not know about the nuclear deals between European and Asian Scientists?

Thomas L. Friedman considers the idea of end of state as nonsense. But he himself writes on the same page, “In the Cold War, it was the size of the state that mattered. You needed the big state to fight the communists, maintain the walls around your country and sustain a generous welfare
system to buy off your workers so they wouldn’t go communist. In the era of globalization (rule of MNCs) it is the quality of the state that matters." 

Now people are more quality conscious and spend money for quality products. Friedman himself admits that size of the state is not considered but the quality matters of a product that is only being given by the MNCs. Whatever these MNCs demand from any government, is given immediately to have the investment in the country. Governments are unwilling to displease the MNCs. He calls MNCs long-horn cattle. Look at the facts and figures how these MNCs are controlling the world economic output. According to the WB report, in 1970, the local factories those are associated with the MNCs earned 4.5% of world Gross Domestic Product (GDP). This earning of the MNCs has gone by 100% today. In 1987, MNCs’ direct investment in the developing world accounted for 0.4% of their total GDP, and now it is more than 2% today. It is happening not only in the developing world but all over the world. When he talks about his Golden Straitjacket that is free market capitalism, he emphatically argues that there is no system but ‘free-market capitalism.’

From this we can conclude that free-market capitalism is the economic policy of the MNCs. They know this is the only way to satisfy the demands of the present generations. It is against the modern concept of sustainable human development (SHD) as it (SHD) fulfills the demands and needs of the present generations without taking account the needs of the future generations.

We are pleased with their economic designs but not agree with their actions that are based on selective morality and profit maximization at the cost of future generations. If these MNCs are serious in having a Universal-market, they have to be more pragmatic in their policies and actions. For example, visa policy for the third world countries is highly biased. People are not allowed to go out in the world to find out their own prospects of life independently.
The MNCs are also responsible for brain drain in the world by giving jobs to people who are extraordinary in information technology, science and engineering. The MNCs pay them high perks and allure them towards a bright future. This deprives the nation states of brilliant and talented social capital. However, MNCs are not all evil and their Multinational states concept is very close to human nature and keeps more people dynamic and united. It really can help in minimizing the digital divide between the North and the South. But pragmatism is missing and that was why terrorism is in action. A sense of deprivation among many and satisfaction among a few is likely will destroy this planet.

Samuel P. Huntington’s thesis of clash of civilizations proves true that will be a real misfortune for the world. The 9/11 incident admonishes us and warns MNCs to be practical and give everybody’s share according to one’s capabilities and talent. Profit maximization may transform into terror maximization. May God forbid us and keep this world peaceful and prosperous.

The MNCs are creating a revolution silently but rapidly. We may call it a clandestine revolution that is not beyond any one but very close to everyone and anyone is hardly aware of it. Thanks to the communication revolution it is impossible to escape from it. If the supporters of nation states wish to carry on the modern state system they have to adopt a hardheaded approach to maintain this system. They need to assure sovereignty and integrity of the state in a true sense. Examples of Iraq, Afghanistan, Kashmir, Palestine and Israel are before us where the state is totally helpless in performing its affairs. Afghanistan and Iraq are very pertinent and classical examples in this backdrop where American foreign policy is at work.

This selective morality perhaps will not sow the seeds of increased interconnectedness from which the West could harvest a crop of globalization. It does not mean that we should
blame America or the developed world for our own weaknesses. It is awfully wrong and misperceived. For instance, if an individual has more resources, he regulates the affairs in his own way. If any other person of his status appears he gives way to him for better understanding of each other. If the newcomer is more influential, he easily sets aside the first one. The first automatically shows allegiance towards him without any resistance. The modern state is like an individual. The states that are more resourceful are ruling over the world and the states with fewer resources have to live within their resources. The states that depend on other resourceful states have to become slaves of the masters (resourceful). In this age of globalization we can see a digital divide between the South and the North. In the perspective of above discussion we can have a division of states as follow:

Masters-Moderators-Slaves

Masters include America, Britain, Canada, France, Germany and Italy; moderators include China, Russia, Brazil, Australia, Portugal and Israel. Slave states include all developing countries of Asia, Africa and Latin America. India has its unique status in the community of nations. Owing to its size and population along with its system capabilities, it is neither a master nor a slave. Its status as a moderator is also taking the limelight due to its unstable political and economic system. So in such a complex communication ridden world it has become very difficult for the governments of the world to conceal facts from any sane person.

Globalization is advantageous only for those who have done their homework. It is obvious in the international political order that power of adaptability is sine qua non for a stable political system. The power of adaptability is a direct corollary of effective system capabilities. These capabilities make any political system viable. So, without proper deployment of these
capabilities no political system can run successfully. It is only system capabilities employed by the leadership can make a system developed, underdeveloped or developing.

In the global village, foreign direct investment through exports shows the usefulness of distributive capability. Symbolic capability depicts the unity of a state through signs, memorials, catchphrases, expressions and feats. Responsive capability explores the reaction of masses towards its system. The reaction is according to the activity of the first four capabilities, (see page 8) if those capabilities have been employed appropriately and successfully, the reaction of masses will be accordingly or vice versa.

All capabilities have their implications both at the domestic and global levels. The developed world acquired these capabilities over centuries, whereas the developing world remained for long years under the thumb of the colonial powers, like France, Japan, Portugal, Spain, UK, and USA. Therefore, the South needs homework and a proper infrastructure for taking advantage of globalization. The dependency theory is an old saga; it is useless to cry over the spilt milk. It is the call of the day that the South has to adopt practical and pragmatic measures for catching up with international standards. This world will not listen to the people organizing protests and demonstrations against globalization but perish them.

The countries under discussion, China and India, are two good examples of how one takes advantage of the prevailing world of globalization. It is the world that accepts those who accept the rules of the prevailing global economic system and wear a Golden Straitjacket, (it is a term that is used for those countries who believes in neoliberalism). All countries wear this Golden Straitjacket according to their system capability. For example, India uses it a little, while China does not wear that, jacket and has the power to shift the probability of economic advantage in its own favour owing to its effective and active system capabilities.
It is evident that globalization is a multi-dimensional concept, causing every aspect of the state-economic, political, social, gender discrimination, environment, culture and military. It has a wide scope and umpteen directions. It is rapidly growing and keeps on changing every moment. The end of one research project may become old right after its completion. It is very much possible that during the course of my research-the theme under discussion will take different outlook at the end. Hence, it is very complex and demanding phenomenon. Like democracy demands too much from the individuals for their benefits. If individuals remain unsuccessful in fulfilling the demands and needs of globalization, they have to suffer ultimately. Now we proceed towards the scope of globalization for understanding this phenomenon on empirical lines.

**Scope of Globalization**

Globalization is an economic phenomenon but empirical study shows that it is highly interdisciplinary. It is very hard to appreciate globalization in economic domain only. Political, social, gender discrimination, idiosyncratic, environmental degradation are other major aspects of the new phenomenon. As it was mentioned in the last chapter, it was an old age phenomenon, given a new catchy name of globalization. Here for our convenience we ascertain three major domain of globalization, economic-political and social globalization.

**Economic Globalization**

Neoliberalism (end of state control of economy) is the essence of today’s global village. The economic aspect of globalization is reshaping global markets on a rapid scale. The capabilities of political system can be considered as a scale of economic, political, or social development. The natural and material sources can also be considered as a scale to measure any development in the political system. Economic globalization means an increased
interconnectedness of IFIs, WTO and MNCs. The democratization of finance through plastic money has compressed space and time. The use of credit cards has become a routine matter in the modern world; it has become now easy for the individuals to perform economic activities without any threat of robbery.

The post-cold war era is ‘multi-cultural’ and even ‘multi-civilized.’ The center of power has been divided into many states.48 Kenichi Ohmae supports the idea of Huntington by giving his idea of a borderless world where no country can put a bar on the flow of capital, goods or services because of communication revolution. Information technology has diminished the frontiers of many nations and provided them a chance to capture the economic market of the world.49 The national interests have become a declining industry in the world of politics.

Economic globalization has given a competitive boost to developed countries to pursue the race of economic monopolization at the world stage. Benjamin R. Barber opines that economic globalization, or globalization as a completely modern phenomenon, seems impracticable owing to the heterogeneous character of the world. In every part of the world, ethnic races and tribes are conflicting with each other, so it is almost impossible to bring uniformity under the forces of McWorld or Jihad.50

Jihad has emerged as a counter force against colonialism and imperialism and their economic offspring, capitalism and modernity. Jihad can also disguise itself under the cover of self-determination to escape combative interests.51

The international financial institutions are supporting globalization. The Bretton Woods institutions, the World Bank (WB) and the International Monetary Fund (IMF), consider globalization as a source of economic development in the world. But the reality exposes the unfair and partial attitudes of the twin Bretton Woods institutions.
By custom, the president of the World Bank is taken from the US and managing director of the Fund has been a European. The Americans support this custom and even want to have their own managing director of the Fund. Such intentions clearly mention the insincerity on the part of the United States. The developing world is being threatened by the hard conditionalities of these financial institutions.

**Political Globalization**

Legitimacy and authority have been the real tools of political globalization in the twentieth and the twenty first century. Democracy remains an ideal and a predominant phenomenon for most countries. The rulers who supported democracy are known as legitimate ruler. They also enjoy the authority to govern their peoples. In 1991, when the former Soviet Union lost its legitimacy and authority over its peoples, it disintegrated.

This made America the sole super power in the world. In lieu of changing political scenario, George Bush the forty-second American President introduced his New World Order in early 1990s, in which free trade, human rights and democracy were major ideals. The dominance of democracy as a model of decision-making is an essence of political globalization. Therefore, it can be derived that political globalization is an amalgam of market and democracy. It is said that the concept of globalization has ended the traditional divide between the First World (consists of developed industrial world) Second World, a Communist World and poor Third World.

Political globalization affects different political systems in different ways since there are some traditional democracies (developed world democratic nation states) and others are transitional (includes developing world democracies). Traditional democracies try to dominate over the transitional democracies. Capitalism tries to manufacture the needs of people and manipulate their sense and sensibility. The essence of democracy does not lie in controlling the
minds of people by alluring them through different means of advertisement or marketing. Democracy gives a free hand to an individual to think over anything he wants and make a free judgment with his own thought without any pressure. The industrialized world is interested in hurried pursuits of free markets without considering the consequence that may put democracy in jeopardy in the newly independent nations. McWorld is not a relief for all waning economies rather it assists in undermining the sustainable economies, as happened in the case of Germany after the ramification. Even it could not evolve a democratic society in Germany, so, sometimes, “McWorld is a problem not a solution.”

McWorld, as an economic force wishes to introduce a liberal and free market system under the umbrella of democracy. It is a hard nut to crack to realize the authenticity of democratic ideals for the development of any political system. China has an authoritarian system and fights the commercial and free market forces with joint ventures with MNCs and emerging as an economic giant in the South East Asia. China believes that acculturation is not the solution of the problem. The countries, which import democracy, multiparty parliamentary system, usually lack the capabilities, and resources to build a civil society that allows the democratic political institutions to work effectively. “Without Civil Society, there can be no citizens, and thus no meaningful democracy.” McWorld is facing opposition from its counter force Jihad. It (Jihad) is not giving much room to McWorld for its rapid development in the world.

In the post national era, it seems that McWorld and Jihad remain unsuccessful in creating a peaceful society. The mode of action by both Jihad (bloody revolution) and McWorld (commercial or market revolution) according to Barber, obstructs the way of human liberty. Jihad and McWorld need to be antagonistic to democracy but should support it in the prevailing circumstances.
Hence, it becomes clear that societies, which are homogenous, can easily be democratized as compared to heterogeneous societies. Robert Putnam also believes that homogenous (culturally and ideologically) societies are capable of developing democratic ideals along with civic political institutions.\textsuperscript{58} McWorld is doing its best to impose its liberal philosophy upon the heterogeneous societies through its fast music (MTV), fast food (McDonalds), and fast computers (Macintosh). It is impossible to harness the transitional societies with a modern cart of McWorld. These societies are heterogeneous on the basis of ethnic grounds and differ enormously in language, religion and wealth. Contrary to this traditional societies are homogenous with regard to secular ideology, language and wealth to some extent. After the disintegration of Soviet Union, America along with its allies sought to inject the democratic norms in the societies of Eastern Europe and in Russia as well. America succeeded in significant manner, but Asian societies like that in Vietnam, Central American society like that in Cuba and East Asian society like that in China dislike the democratic ideals and denounces any global policy against the basic ideals of these societies.

The Austro-Hungarians and the Russians are highly heterogeneous societies that hardly brook any bloodshed owing to the McWorld and jihad. Jihad is based upon two rabid versions antipluralism and antimonodest which, “...have turned the rout of communist imperialism into a victory for irredentism and genocide and left democracy out in the cold.”\textsuperscript{59} In Serbia, Croatia, Bulgaria, Mongolia, Lithuania, Belarus, the Ukraine, Poland, and Hungary, free elections are held and new governments assumed powers with old communists in the parliament, waiting for the meager and unroofed political institutions since there is no civil society in such countries to save and secure democratic ideals.\textsuperscript{60}
The socialist Russia has really met to its account by the process of political globalization, Yelstin in his official address to federal assembly in 1994 uttered the following words; “Without a developed civil society state power inevitably takes on a despotic, totalitarian character. Only owing to a civil society is this power subject to serving the individual and becomes a protecting mechanism for freedom.”

The president’s address clearly exposed the hopelessness of the socialist system and the over wheeling of capitalism. The prevailing situation in Russia gives a faded reality either it (Russia) will be a socialist or capitalist country. The question of democracy still remains at the backdrop. Capitalism has become opium for the Russians; keeping them very much possessive even it will keep them shaky until political and social death of the Russians. The reunification of West and East Germany is another success story of McWorld. On November 1989, unification came into existence for swallowing up the East whole. Germany is still suffering from its economic fallout.

It can be synthesized that McWorld and Jihad are opposite forces, which are trying to globalize the world in their unique style. On the contrary, each society, either Islamic or modern social, resists them and exposes the weakness of these forces and the rigidness of the local norms and values. America wishes to liberate the world economy as it has its own axe to grind. China, on the other hand, is putting up a challenge to the McWorld with its socialist economy. Pakistan, India, Bangladesh, Nepal, Maldives and Sri Lanka and other countries, which are heterogeneous in character and indulge in acculturation, have political institutions which are unable to create a civil society that can nurture democracy in the longer run.

Democracy is a gradual process that flourishes with the passage of time. Although, traditional democracies like, Britain, Switzerland, and America took hundreds of years for
attaining democratic ideals, yet flames of discontent exist in countries like the U.K. and the U.S.\(^{66}\)

“Neither Jihad nor McWorld promises a remotely democratic future.”\(^{67}\) In Afghanistan, Taliban are using Jihad as a force, which can deter any “infidel” system. The fact is that a power struggle is going on in Afghanistan causing heavy causalities. Jihad does not mean depriving the people of their fundamental rights. Islamic jihad is entirely different from the jihad introduced by Benjamin R. Barber in *Jihad Vs McWorld*. The same situation is prevailing in Palestine, India and Kashmir. In the name of religion, people have been killed. No one is imposing economic or political sanctions to deter Israelis and Indians to stop violence against Muslims in Palestine, India and Kashmir. If, McWorld or Benjamin’s Jihad is looking for integration in their unique style, why are they silent on Kashmir and Palestine issues?

A magical wand cannot install democracy overnight. The success stories of democracies show that it is a slow process; certain evolutionary stages give maturity to its culmination. Therefore, the people who wish to construct a global democracy need to have patience, tolerance, and sense of equality that is necessary to realize the comparative advantage of Recardo.\(^{68}\) “Patience, political will and boldness: not an easy combination of traits to cultivate, above all when democracy is under duress.”\(^{69}\) Now we discuss how cultural globalization is affecting the global village.

**Social/Cultural globalization**

Cultural globalization means globalization of norms, values, rights, duties and ultimately constructing a civil society. Scientific knowledge and technological developments are the major characteristics, which shape the “*fundamental character of human societies.*”\(^{70}\) Human rights, civic culture, democracy, peace and feminism are forces that have transformed the traditional
societies altogether. The tools of social globalization are culture, human rights, health and education.

The countries in South Asia and East Asia\textsuperscript{71} are borrowing the social values of the modern or traditional world through McWorld. This may cause rift, chaos, and consequently political instability in developing countries. Therefore, it would be better to let the developing countries to evolve their own culture without any external pressure. The developed world has its vital interests in sabotaging the indigenous values of the Third World. Those vital interests are purely economic and political.\textsuperscript{72}

The ongoing pressure of social globalization exposes the helplessness of the human freedom, although Kant and Hegel are of the opinion that the end of History may occur when true freedom of consciousness will exist on the earth.\textsuperscript{73} The developed world goes against the democratic and free norms, adopts monopoly of production and capital, and noticeably dominates over the world society through its finance capital accumulated by banks and employed by industrialists.\textsuperscript{74} Hegel opines that nature of human desire differs from society to society and culture to culture. For example, he says that a denizen of America or France or Japan lives in luxuries in modern times but not in earlier period. On the contrary, the denizen of the Third World remains busy in the pursuit of security and food even in this modern time.\textsuperscript{75}

The developed world intentionally shows itself as a model to the developing world to convince it for its imitation.\textsuperscript{76} The Western political and cultural hegemony give a partial and ambiguous picture of political development since it only represents the Western model of political development.\textsuperscript{77} Spengler and Toynbee have described the downfall of Western values and institutions in this century.\textsuperscript{78} Therefore, it is gross injustice on the part of developed world that unnecessarily imposes economic and political sanctions over the developing world. Cultural
globalization has not only been deteriorating the social system of the transitional democracies but also undermining the economies of the same.

Japan is a traditional country where at present McDonald’s and KFC are the most celebrated restaurants and earning a lot more than the local restaurants. A small number of Japanese are protesting against the McWorld but the youngsters like McWorld very much. They are fond of hard music of MTV and STAR channels. If they ever want to refresh themselves, they take Pepsi or Coke to serve their purpose. Vladimir V. Zhirinovsky cautious against McWorld by recalling the harsh memories of two world wars, when Germans assaulted in violent actions but Americans were smart enough and infiltrated through cosmetic outcries of democracy and human rights. For, they know it is better to invade with chewing gum, stockings, and McDonalds.

McWorld and Jihad both are trying their best to capture the world without considering the aspirations of the people. McWorld emphasizes commercial trends and jihad preaches bloody revolution against all infidels. In fact, McWorld is a dangerous force in the longer run as it is a kind of velvet revolution and diffuses into society with ease. Societies become helpless against McWorld owing to the strong tentacles of free market, fast music, fast computers, and fast food restaurants. Jihad on the other hand, is a violent force. The societies, which are liberal, protest against it. Sometimes clerical societies welcome McWorld more than Jihad. Pakistan, Egypt, Libya, the Middle East and Syria are countries where McWorld has its deep roots. Jihad can be seen in action in Afghanistan, Bosnia, Chechnya, Kosovo and Palestine.

The Western influence has affected some countries’ cultural and social values. The cable TV programmes have drastically impresses the masses in Third World countries and eradicating indigenous social values replacing them with western ones. For example, Iran is a conservative
country importing satellite programs, which are eroding the religious and cultural values of Iran.\textsuperscript{84} The skeptics in Iran are condemning the ongoing influence of satellite programs, which have been prepared by Western imperialists. Only lip service is being paid “to lean the import, manufacture, and use of satellite dishes.”\textsuperscript{85} It is now evident that history gives us Jihad as a counter force to McWorld, and it is impossible for individuals to live in both domains at the same time. They have to choose one domain, undoubtedly and sadly, individuals are looking for a sad society along with democrats.\textsuperscript{86} It is a known fact that both Jihad and McWorld do not give much room to democracy.\textsuperscript{87}

McWorld, under its cosmetic language of choice, hardly gives people freedom to buy or sell at their will. The advertising and marketing have bound the people to buy a few brands of popular companies. IMF and World Bank are said to promote markets but they say they work for democracy. In fact both IFIs have sacrificed civic balance and social equality for attaining economic goals.\textsuperscript{88}

Cultural globalization is looking for a transnational form of sovereignty that may come out of transnational group of identity, but it is hard to find any form of international civil society even, in a sovereign entity, citizenship precedes civic institutions.

In this state of affairs, how a global denizen can look for global democracy?\textsuperscript{89} The phenomenon of cultural globalization is working very smoothly under the Western market strategy, which is reaching not only in the homes of Russia but also in every home of the developing world, affecting innocent minds through video games, comics, characters, attitudes, violence, consumption, victory etc.\textsuperscript{90}

Barber opines that the creation of a civic society is based upon the active participation of the people in a state. Their participation, vigilance, dedication, and devotion to the political
systems are the theme of a successful civic political system. International community needs cooperation at individual level as well as collective level that definitely give way to a civil society. In turn, that civil society needs an association based on friendship and mutual interest and “confederalism,” (making an alliance) categorically under the influence of member states.\footnote{91}

It is evident that without democracy, the terrors of Jihad and deficient McWorld can hardly compel human beings to cooperate with each other for establishing a global civic society. After having a close look at the three main aspects of globalization (economic, political and socio-cultural), it has become inevitable to see the changes in the developed and developing world to analyze the effects of this phenomenon in two worlds.

It can be deduced that globalization is the monopolization of economic, social, and political resources by the developed world at the cost of the developing world. The NWO, global village is in fact a global pillage through IFIs. Globalization is being utilized for the advantage of the developed world. The digital divide between the North and the South has created an imbalance on the world stage. That is why terrorism is in the driving seat. “megalothymia”\footnote{92} in the most industrialized world invokes a sense of deprivation in less developed nation states. Natural disproportion between the North and the South and status conscious poor world is living under dependentia. Francis Fukuyama’s The End of History seems at stake emphatically as, neocolonialism has emerged along with media imperialism in its cosmetic form and reshaping the modern world.

**Environmental degradation resulting from globalization**

Degradation of environment is another aspect of cultural globalization that has damaged the Third World. Maurice F. Strong emphasizes that we should take in consideration the environmental changes seriously that have been a result of ecological, commercial and
technological advancements that have polluted the environment to exterminate the resource for future generations. It is against the concept of sustainable human development. Geoffrey Palmer another proponent of environment protection urges to have institutional and legal mechanisms “to deal effectively with trans boundary and biosphere environmental degradation…We lack institutions capable of ensuring that the rules we have are effective.”

The fast food restaurants have become a lucrative industry in this global village. These food chains are emitting chlorofluorocarbons (CFCs). The process of industrialization is another source for polluting the environment. The developed world usually installs industry in the developing world without taking protective measures that cause environmental degradation. It is a pity to say that the world is holding conferences, seminars and workshops for improving the environment. A lot of money has been spent in these academic ventures. Unfortunately, depletion of ozone layer and acid rain are still going on, causing serious diseases like eye cataracts, skin cancer etc. Acid rain is damaging the marine life also.

The number of automobiles is increasing day by day the world over and causing lungs cancer. After theoretical conceptualization, we now proceed to assess the impact of globalization in its operational form in China and India.
Endnotes

2 The terms like multinational states (MNS) and multinational governments (MNGs) have been used by the researcher himself.
3 Something is right for the few and wrong for the rest of the world. The atomic bomb is right for the big powers, along with Israel and India but wrong for Iran, North Korea, Pakistan and others.
7 Friedman, *Understanding Globalization*, p. 72.
9 Ibid.
10 Ibid.
11 Former Secretary of State George Shultz as cited by Winston, *Twilight*, p. 10.
14 Ibid.
15 Ibid., p. 24.
16 Ibid., p. 18.
18 Ibid., p. 28.
19 The Americans MNGs are working very efficiently in the developing world. They are earning at the stake of local markets and sending back all profits in their native lands that are billions of dollars every year. In this way these MNCs are not only grasping over the economic markets of the world but also capturing the local labor cunningly.
20 Barber, *Jihad Vs McWorld*, p. 31.
21 Ibid., p. 32.
23 Ibid.
24 Ibid.
29 Ibid., p. 13.
32 Ibid., Para.6.
Smith and Moises Naim, Altered States: Globalization, Sovereignty and Governance, Ottawa, International Development Research Council, 2000, 17. “The functional argument for transparency and accountability is equally important. No institution of authority now can long endure without the informed consent of those who are governed by it. Globalization itself is arming people with the information they need to give consent of those who are cases, the means to refuse it. But lack of democratic process is keeping international institutions weak people living in democracies are understandable reluctant to transfer allegiance and powers to organizations less accountable (and even more remote) than their own national governments.” Ibid.

Barber, Jihad Vs McWorld, p. 60.

Ibid., p. 24.

The new universalism turns out to be little more than an omnipresent American parochialism dubbed into various languages and funded by multinational corporations.

Friedman, Understanding Globalization, p. 158.

Ibid.

Ibid., p. 137.

Ibid., p. 135.

The McWorld can be considered as unifying force, introduced by the West but has its antithesis in the form of Jihad that is a purely Muslims unifying force. Benjamin R. Barber emphasizes that both Jihad and McWorld wage war on the sovereign state and are undermining the democratic institutions in the nation states.


Kenichi Ohmae, The End of Nation States, 1.

Although China does not believe in borrowing culture still they are imitating the west in many ways. The Researcher himself visited China in 2006 and observe how they are copying western values, feel proud in speaking English.

The so-called modernization is making the developing world extremely vulnerable and dynamic. The military threat forces even the developed world has to adopt defensive modernization, a concept that is coined to reform the sovereign entity in the pretext of military threat. Walt Rustow has also explained the same phenomenon that, sometimes, states have to reform themselves under military threats.....The classical example of defensive modernization can be seen in Russia when Mikhail Gorbachev introduced perestroika. It was openly declared by the soviet officials that it had become inevitable for Soviet Union to reconstruct the economy to cope the prevailing world’s economic and military prospects. Samuel P. Huntington, Political Order in Changing Societies, New Haven, Conn: Yale University Press. 1968, pp. 154-156.

Fukuyama, The End of History and the Last Man, p. 60.

Kant emphasizes, “The History of the world is none other than progress of the consciousness of freedom.” He says, human freedom lies in the modern constitutional state or in liberal democracy. Ibid.

“Our present desires are conditioned by our social milieu, which in turn is the product of the entirety of our historical past”. Ibid., p. 65.

Karl Max writes in the preface of Das Kapital, “The Country that is more developed industrially only shows, to less developed, the image of its own future.” Ibid., p. 68

Mark Kesselman, “Order or Movement? The literature of Political development as Ideology.” World politics 26, No.1 (October 1973), p. 139-154

Fukuyama, The End of History and the Last Man, p. 70
Barber, Jihad Vs McWorld, p. 192
ibid., p. 192-193

“They shake their local folk zithers at a centralist and encroaching French or German or Japanese culture they despise and then hammer out the tunes of an even more centralist and encroaching global culture on their quaint instruments.” Ibid., p. 194.

Ibid., p. 198.

Celestine Bohlen, “Zhirinovsky Cult Grows,” The New York Times, April 5, 1994. Al, 12. In Eastern and Central Europe and the republic of erstwhile Soviet Union forces of Jihad affect the political and economic institutions but no success story can be observed so far. Also see Barber, Jihad Vs McWorld, p. 198.


Barber, Jihad Vs McWorld, p. 216.

Ibid.

Ibid., p. 221.


Barber, Jihad Vs McWorld,

“That are well rooted in civil society, and no citizens for whom the other is not synonymous with the enemy; civil society are products of a democratic way of life.” Ibid., p. 291.

According to Plato thymos is the third part of the soul while Fukuyama believes megalothymia and isothymia are two important parts of our thymos. In our opinion, microthymia is the third and very important part of our thymos that means to consider oneself inferior from others is really nucleus of all problems. The Third World that is the victim of Microthymia can hardly cope with the ongoing flow of the West thanks to its weak and inefficient capabilities. The system capabilities of a political system could
be considered a scale for political development in any nation state. As it is noted above those capabilities in a political system could be considered a scale for political development in any nation state. The MNCs have really undermined the local business of the countries. The borderless world of Ohmae and McWorld of Barber categorically explain the psychological abduction of this generation.

Chapter 2

Globalization and its Impact on China

China is the most populous country in this world. In spite of its controlled and command economy, China is making a significant development in its socio-political and economic domains due to her modern approach towards world politics based on opening up its economy for world trade. The question is: Can China have a consistent economic growth rate without substantial political reforms? Why are political reforms necessary for China? Do political reforms directly correlate with economic and social development? How did China perform before and after the age of globalization? How does globalization make an impact on Chinese economic, political and social spheres? Along with these major queries, in depth interviews with Chinese socio-political and economic scholars are also included in this chapter. (Interviews have been attached as annexure).

In November 2001, China became a member of the WTO and started exporting its consumer goods, both labour intensive low-tech and capital-intensive high-tech, by reducing import tariffs significantly and canceling various non-tariff measures. China has a hard working population that believes more in approaching collectivism through individualism. China realizes that real independence can only be achieved through economic prosperity. China gives a lot of importance to its individuals by obliging them to participate in the system to flourish independently not dependently. It enhances the participatory culture in China that was hardly found ever before Deng Xiaoping. This is encouraged by the government through a policy of modernization, yet without losing its traditional values.

According to Xuewu Gu¹, there are three presumptions about the impact of globalization on China:
The first assumption is that, Chinese elite have accepted globalization as a reality. They believe that it is unavoidable and there is no substitute for it so far. This assumption is similar to that of the IMF thinking. Pang Zhongying, a Chinese diplomat from the foreign ministry admonishes China for adjusting itself with the ongoing pace of globalization as early as possible rather it has to face the music. Another professor Wang Xuan of Beijing University warns China for adopting globalization in time as the force of internet may push China backward if it does not adapt itself with the ongoing speed of globalization.

A second assumption is about the nature of globalization and its impact on China in the twenty first century. Wang Yizhou, a senior researcher in Chinese Academy of Social Sciences in Beijing emphasizes that globalization is not only an economic phenomenon but it also has political and social implications. The third assumption is very forceful that rejects the Stalin’s version of “two parallel world markets.”\(^2\) It seconds the basic hypothesis of this research that economies allocate the resources effectively can win this battle of increased interconnectedness. The effectiveness of system capabilities determines the development of the political system.

Many scholars in China do believe that globalization in the contemporary world is of American model based on strong market economy along with technological sophistication. The IMF also believes in economic development through three basic ingredients: first by developing sources of transportation and communication, second, people urge to develop themselves with the mingling and interaction of other communities. Third, adopting the principle of free trade is the most important ingredient of globalization.\(^3\)

There are three attitudes regarding impact of globalization on China among Chinese scholars: optimistic, pessimistic and realistic. According to optimistic attitude, the Chinese scholars believe that China’s membership in the WTO and global integration made the Chinese
economy sustained for last three decades. Not only they believe that globalization or increased interconnectedness minimize the lacuna between the North and South but also it creates a “New world culture.” Lin Yifu,⁴ and Yan Xuetong,⁵ are the great supporter of globalization and very optimistic about the positive outcome of the same in China.

The pessimists in China are of the opinion that globalization may cause a negative impact on China’s home industry as the central leadership did not inform the people about the agreements with the MNCs. It may damage the local industry and promote the foreign consumer goods in China. Audi, BMW, Daimler-Benz, or Toyota would replace the local Chinese automobile industry. There would be losses in China’s agriculture, beer, equipment, paper and service industries. Until, China resist in developing institutions for integrating in the world economy it would be bad for it to enter into WTO. Han Deqiang⁶ is the follower of pessimistic attitude in China.

The realistic attitude gives a balanced approach regarding globalization and its impact on China. The supporters of this viewpoint believes that China can get long term benefits of globalization instead of short term disadvantages of the same by improving institutions, protectionism, FDI, legal restrictions for the MNCs, and making the domestic industry more competitive on efficient lines. Former Chinese president President Jiang Zemin is the great realist, talked about the popular theory of “double edged sword.” He gave the cost benefit analysis of globalization and its impact on China. The Chinese leadership decided in the perspective of the “double edged sword” theory that it will participate in the global economy with sustaining its independence, national interests and economic security. Zha Daojiong⁷ is of the opinion that China must get the opportunities of globalization with its economic security.
In mid 1970s, China started modernization. Modernization in China can be seen in three different domains-political, economic and social. In very simple words, we can say; modernization is a movement from rural to urban, religious to secular, agricultural to industrial, authoritarian to democratic, illiteracy to literacy and ignorance to media participation.

According to Lerner, major modern developments regarding “modernization, urbanization, industrialization, democratization, education, media participation” evolve in a gradual process not abruptly. There are five levels of political modernization- psychological, intellectual, demographic, social, and economic.

Psychological level of modernization shows a fundamental transformation in Chinese values, attitudes, and expectations. A traditional individual believes in the natural continuity of society and does not intend to change or control it. On the other hand, a modern individual intends to change the society and wants to adapt it according to the prevailing circumstances. Lerner says that a modern man has a “mobile personality” that adjusts everything according to his own heart. The psychology level of modernization first happened among ruling elite in China. Deng Xiaoping modernized China psychologically and intellectually and mobilized it towards the culmination of success.

The intellectual level elaborates the fact about the extensive knowledge of Chinese social capital about the precincts. It all happened through the revolution in mass media, increase in literacy level and education. The Chinese utilized the social capital positively with positive results for society.

The demographic level gives the details of modernization in the context of a healthy boost to vigor and life expectancy, amplified professional and demographic mobility from periphery to core in China. Industrialization is making China prosperous but degrading the
environment. Interestingly the western part of China is less developed as compared to the eastern part. Western China is industrial but eastern China is cultural. People live and go for work in the western part. That may be one of the reasons of the development of eastern part of China.

Social mobilization in China organizes people more effectively to make secondary organization to participate in the society for performing different functions. The traditional authoritative system based on “cumulative inequalities” gives way to democratic values based on “dispersed inequalities.”

The economic level of modernization involves diversified activities, with simple occupations replacing complex ones; sustenance agriculture replacing market agriculture. With agriculture surrendering before commercial, industrial and other like activities.

The above-mentioned five levels of modernization can be grouped in two main categories:

1- Social mobilization is achieved through increased literacy and education, communication revolution, mass media and multi media exposure and urbanization. Karl Deutsch believes that through societal mobilization “major clusters of old and psychological commitments are eroded or broken and people become available for new patterns of socialization and behaviors.” This is what going on in China in the twenty first century.

2- Economic modernization is based upon uplift of economic activity and output of society. The per capita income, gross national product, and levels of industrialization can be instrumental in measuring the economic development in any country. Besides a rise in life expectancy, caloric intake and number of doctors and hospitals are such indicators that depict the welfare of individual in the process of modernization.
Social mobilization focuses on the transformation in the ambitions of individuals, groups, and societies while economic modernization concentrates upon changing their capabilities. The empirical study infers three major aspects of political modernization.

First, it involves national unity and centralization through the recognized law making institutions. Second, it involves differentiation of functions with specialized structures like legal, military, administrative, and scientific structures; that are autonomous and specialized but subservient to the real sovereign. Third, it involves increased participation of people in politics that may enhance the authority and legitimacy of the government in the modern age. Therefore, rationalizations of authority, specialized structures and increased participation are the main characteristics of the modern society. It would be an oversimplification to say that only rationalization of authority, structural differentiation and mass participation is political modernization.

There is a difference between defining political modernization as movement from a traditional to a modern polity, from political modernization as the “political aspects and political effects of social, economic and cultural modernization.” Political modernization as a movement from traditional to modern polity explains the desirable direction of the political change. Political modernization as the political aspects and effects denote the changes occurring in the modern society. That change is related to increased awareness among individuals of all generations, older or modern, integrating them in a way that encourages them to live closer to each other.

Owing to a highly interdisciplinary approach, globalization affects all domains of a political system. The international political environment allows such systems to survive as are utilizing their ‘system capabilities’ in an efficient way. The capability to adapt itself according to
the international political environment is the key to success for the transitional \textsuperscript{18} countries. China, undoubtedly, has done well, especially after its membership in the WTO at the end of 2001. Here are the details that render China’s efficacy of its ‘system capabilities’ in the twenty first century. Mr. Zhao Gancheng, Director Department of South Asia Studies and a senior fellow, spoke to the researcher on July 25, 2006 at the Shanghai Institute for International Studies, situated in 845-1 Julu Road, Shanghai. (Details of the interview can be accessed in the appendices) responded about modernization in China as follows:

Q- What are the major challenges on way to modernization and economic development?

A- Increasing disparities among the rich and the poor in China for last two decades. We have a big difference in the life style of the rural and urban population. Rural incomes are very low and even in the wake of globalization some people in the rural areas have become poorer. In fact, wealth in a few hands has created a sense of deprivation among our people. Therefore, this is a serious concern and challenge for China in this new age.

Q- How widespread are the benefits of modernization and economic development?

A- It is widespread everywhere in China even in remote places, like Xingjian province of China, which is very developed. Now there is more communication development and scientific network. This development is now moving from coastal areas of China to the middle and inner areas.

Mr. Luo Peisen, a retired major general in the Chinese army, now presently a senior advisor at the China Institute for International Strategic Studies, explained his viewpoint about globalization’s impact on the Chinese economic political and social systems as he spoke to the researcher in Beijing on July 21, 2006. (Detailed interview can be accessed in the appendices).
Q- What are the major challenges in the way of Chinese modernization and economic development?

A- Having an ample size of population, consumption of resources, environmental degradation and financial risks may be considered as major challenges in China. There may be some contradictions in policy of the government and consumers. That is why we are still working moderately, not pouncing upon everything.

Q- How widespread are the benefits of modernization and economic development?

A- Most of the cities are growing very quickly and capital of every province is flourishing.

Q- Have all regions and all sections of population benefited from modernization and development?

A- We are improving climate and environment and removing polluted factories towards countryside. In 2008, we are arranging Olympic Games in Beijing and going to have underground railway system for smooth traffic flow and Shanghai is more developed than Beijing even though it started modernization much later.

Q- How much China has given up its traditional outfit in the wake of modernization?

A- We are keeping our traditional outfit but also taking good things of modernization. We have to manage migration of the people from rural to urban areas. We are making multistory buildings to adjust them but we are not destroying our ancient monuments and architecture. Shien is an ancient city. We are keeping its palaces safe and sound. Undoubtedly, we have lost some traditional things but on that, we have a difference of opinion. Some say that is right and others say that is wrong. We wish to take advantage of new technology and equipment, giving up something but maintaining the most.
Dr. Su Jingxiang is a research professor and vice director at The Centre for Globalization Studies at the China Institute of Contemporary International Relations, located in A-2 Wanshousi, Haidian, Beijing. He responded to the question China’s modernization in the following way:

Q- What were the major challenges on way to modernization and economic development?

A- If China had Taiwan with itself, we could have more development. Therefore, Taiwan is a big challenge in the way of modernization and economic development. We have no conflict with neighboring countries.

Q- How widespread are the benefits of modernization and economic development?

A- In fact, we need a good government for social adjustment for our modernization and economic development.

Q- Is this government not good?

A- This government is not too bad; but I needs more accuracy and support of the people.

Q- Have all regions and all sections of population benefited from modernization and development?

A- Yes most of the people are getting the benefit although a few are still left out. (Detailed interview can be seen in the appendices.).

Globalization and Its Impact on China’s Politics

China has experienced various movements in its history. Therefore, we have to study the impact of globalization in China in three perspectives; Past, Present and Future.
China’s Politics in the Pre-Globalization Era

The disintegration of the Soviet Union in 1991, and collapse of Communism in Eastern Europe had a great impact in China. She decided to make some changes in her political placement so that she could save herself from any political upheaval in future.\textsuperscript{19} Political democratization and economic liberalization were considered sine qua non for the sustainability of the system. Political stability leads towards economic prosperity, wins foreign investment, and confidence.\textsuperscript{20}

In the Deng Xiaoping era China did not go for any democratic revolution at once for fear that it might cause ‘da luan’ (great chaos). He talked about a professional bureaucracy that could steer the country towards peaceful development.\textsuperscript{21} Initially Western writers were of the opinion that Deng Xiaoping and Gorbachev were “restoring capitalism” in China and Russia respectively.\textsuperscript{22} On March 30, 1979, Deng Xiaoping delivered a historic address in which he persisted with modernization without democracy. He said that political reforms were indispensable for overcoming the economic crisis. It was call of the day to reorganize, readjust, and integrate ourselves by sacrificing personal interests for the welfare of the whole. Democracy might be disastrous for our system. We had to be watchful and vigilant in this respect.\textsuperscript{23} It was a ‘Mandate of Heaven’ in China explained by Confucius’ disciple Mencius that if an emperor was unable to fulfill the needs and demands of the people in time, the people not only had the right but a duty to unseat him.\textsuperscript{24}

In the 1970s, globalization was not known in China. It started undertaking reforms in its political system after 1980. China did that pragmatically incrementally and gradually and started adjusting itself to the world environment. It took the membership of WTO in 2001.
In the 1990s, globalization came into vogue in world politics; the fall of communism also took place in the same decade. Therefore, the international environment worked as a catalyst for making reforms in the Chinese political system. Besides, that China was ready to face the challenge of globalization effectively as we all know that opportunity is availed by the prepared mind. This is where China has been different from the rest of the world. The Chinese leadership was aware of the changing world environment in the 1970s. Therefore, they decided to have reforms well before any considerable transformation in the world affairs. Mr. Luo Peisen talks about the past of China’s political placement:

Q- How has China dealt with the issue of migrations from rural to urban areas?

A- Twenty years back people were not allowed to migrate from their native lands and they were threatened that there would be no guarantee of their life, health or their children education. Now we encourage people to seek work in different cities. They are serving urban people. They are also permitted to take up jobs in cities. Their children are protected, guarantee of their life and health is provided.

Talking about popular concepts like Greater China and China as a middle Kingdom Louis Peisen responded in the following way:

Q- What is the Greater China Concept? (The PRC, Hong Kong, Taiwan, Singapore).

A- In the mainland we do not talk about Greater China. This is all in the Newspapers of Hong Kong and Singapore. We wish to reunify as one country, including Taiwan and Hong Kong. At the time of New China in 1949, the U.S. protected Taiwan and it could not become part of China. We want independence of Taiwan that is historically a part of China.

Q- Why China is called a Middle Kingdom?
A- In Chinese ‘Ko’ means Kingdom or country and it is also considered that China is middle part of this planet. It is surrounded by many peoples and minorities as in the North East Manchuria, Kins, Liaos, in the West there are Tibetan, Uighars, Turks, in the North, Mongolians, in the South there are Miaos, Yi, Li, Tai, Zhuang etc.

Mr. Su Jingxiang talks in the following way:

Q- What were the major challenges on way to modernization and economic development?
A- If China had Taiwan with itself we can have more development. Therefore, Taiwan is a big challenge in the way of modernization and economic development. We have no conflict with neighboring country.

Q- What is status of an average person in China? Is he also getting fruits of economic growth?
A- I believe that every man in China is happy in big cities but still in the countryside, people are not happy.

Q- How widespread are the benefits of modernization and economic development?
A- In fact, we need a good government for social adjustment for our modernization and economic development.

Q- Is this government not good?
A- This government is not too bad. Still need more accuracy and support of the people.

Q- Have all regions and all sections of population benefited from modernization and development?
A- Yes, most of the people are getting but few do not.
Q- Do you believe that form of government makes difference in the economic, political and social development of the country? What is the relationship between the form of government and economic development?

A- China has its very special system that is very good; I do not label Chinese system with any name. What is good for the West not necessarily good for China. We are making reforms. I think there should be good governance in China. Our leaders are not sure what would happen. In fact, corruption is too much in high places and spreading in the society as a social cancer. It needs many surgeries.

Q- Do you need a particular type of government to pursue economic and societal development?

A- In fact, government is always particular. We need good governance.

Q- What is good governance according to you?

A- Well, in very simple words as Abraham Lincoln said Government for the people, by the people and of the people. I think same. Elections do not guarantee good government. For example, elections are held in the U.S., but people do not like President Bush. However, elections guarantee the removal of bad government. In the case of China who will be removed, only one party, one goes other may be the worse. We need a government that is supported by the people. In China, government has proved its capability in economic development but not in political domain. A government talks about having a harmonious society. What type of harmony they need? That nobody should criticize them. That kind of harmony! We need a workable relationship between government and people. It seems very hard in China. People at grassroots level are not satisfied; government should have to think in time.
Mr. Zhao Gancheng responses in this way:

**Q**: How has China dealt with the issue of migrations from rural to urban areas?

**A**: Well we got 2 million surplus labour during rural to urban immigration of the people. It is encouraged in China, and it helped in serving urban areas and developed Chinese economy. It also helped in leveling income. There is Resident Registration Law in China for their rehabilitation in urban areas. Immigrants are still in minority in urban areas. The majority is still in countryside.

**Q**: What is a greater China Concept? (The PRC, Hong Kong, Taiwan, Singapore).

**A**: We have stopped talking about Greater China Concept. As only our mainland earns 30-40 billion U.S. dollar every year surplus, so we do not need that concept.

**Q**: Why China is called a Middle Kingdom?

**A**: It is believed by our ancestors that China is in the middle of heavens so, it is called like that.

**Globalization and its Impact on China’s Politics at Present**

China is a country emerging as an economic giant. It is interesting to see how Chinese political endeavour is entirely different from that of the Western world. Despite of its centralized political system China is achieving considerable development to fulfill the needs and demands of the present generation without compromising the needs and demands of the future generation. China is governing its peoples without any formal democratic form of government. This shows that China tends to respect its peoples’ fundamental rights within the framework of the Communist Party of China. It does not believe in the Western style democracy. It gives them their rights when they tend to perform their duties. Although, the Tiananmen massacre of 1989 created many doubts about all this. Such doubts have been again resurrected due to the two
famous dissidents Mr. Ai Weiwei, and Mr. Chen Guangchen. Mr. Chen Guangchen has been a visually impaired person since his childhood working as a human rights activist in China. Chen a forty years old legal activist, raised voice against women’s forced abortions in the pursuance of Chinese ‘one-child-only’ policy. His voice sent him behind the bars for four years. He was released from prison in 2010 and kept under house arrest. In April 2012, he took refuge in the U.S embassy in China. It was a matter of concern for the U.S diplomacy. Therefore, the U.S showed their reservation on Chen’s house arrest. It started a diplomatic controversy between China and the U.S. Hillary Clinton made a request for Chen’s freedom to the Chinese government during her visit to China in May 2012. On her request, Chen freed from house arrest. This not only favoured Chen only but also to other Chinese dissidents, Chen is grateful to Clinton and Barack Obama for their support for all Chinese dissidents.²⁵

The other famous dissident came lime light in 2011. Ai Weiwei a well-known international artist remained in prison for almost three months and released from jail without any explicit charges. He got notice from the government for tax evasion. Ai Weiwei challenged the 15 million Yuan ($2.4 million) alleged tax evasion in the Chinese Chaoyang District Court. He demanded that his case must be made public that everybody should decide who is right and who is wrong. His arbitrary arrest and release in 2011 by the Chinese government and now his alleged tax evasion raised many eyebrows in international politics. The Beijing Fake Cultural Development Ltd company markets his work and Ai’s wife runs this company. They are considering this tax evasion notice unjustified and criticized on the Chinese judicial system.²⁶

In China, the Communist Party is practically solving problems of the people and uses more of its wisdom for the betterment of the Party. Chinese leaders are trying to understand the needs and demands of the people but react according to the directions of the Party. They believe
that people are satisfied with the present system in China. Mr. James Bell, director of international survey research, who worked on the Pew Global Attitudes project completed in March 2011. He found in his project that in 2007-2008, 83-86% Chinese were of the opinion that China was going on the right direction and in 2009-2010, the percentage rose up to 87%. Not only China but also people in big powers like Britain (11%), France (23%), Germany (11%), Russia (15%), and the U.S (12%) are of the opinion that China has replaced the U.S. as a superpower. This polling data released in July 2011. Another interesting polling data given by the same source is that superpowers like Britain (47%), France (47%), Germany (48%) and Spain (49%) considered China as a predominant economic power in the world.

China is not convinced that democracy is a source to ensure individual liberty. Although she is attracting Western trade and investment, but it is still far from democratic norms, as Minixin Pei admonishes in his article *The Dark Side of China*- “China’s future will decay, not democracy.” He is of the opinion that China can never become a politically viable and respected country in the world without comprehensive political reforms. The political system of China has been a closed system. The hype about its liberalization is faster than its real trajectory. China’s political system is void of democratic flavour owing to its traditional outfit and conservative leadership that believes in authoritarianism.

China adopted decentralization to control its huge population effectively. It decentralized authority at the lower level that enhanced economic development. Local governments in China generated its revenue and carved out an investment plan that gave a boost to Chinese economy. The idea was the brainchild of Deng Xiaoping, who employed the system capabilities of China in a very efficient way. He attracted the foreign direct investment and regulated in a way that today China is successfully distributing the economic fruits between the periphery and core regions.
equitably. More exports and fewer imports are giving a real boost to the Chinese economy on sustainable ground. It is the increased participation of the people in the Chinese system that is leading China towards political development. Here are some responses of Chinese scholars in the same perspective; Mr. Luo Peisen responded in the following way:

Q- Do you believe that form of government makes a difference in the economic, political and social development of a country? What is the relationship between the form of government and economic development?

A- Chinese Kuomintang Revolutionary Committee has relationship with Taiwan Kuomintang. Our party's main purpose is to be positive in its approach having the traditional outfit in contact. During crises, the government of China helps people efficiently that holds people together and make them realize that they are part of the system. Therefore, they also respond with participation in the system and do work hard. We have our own philosophy of government.

Q- How can the gap between haves and have-nots be removed in China?

A- There are 60 million poor people in China. The government is trying hard to raise their standard of life. The 11th five-year plan may rescue 10 to 20 million poor people and raise them to a respectable level.

Q- What are the economic disparities in Chinese Political system?

A- Yes there is a difference in income level in China. That is increasing crime rate in China. There is more plundering and killing in China now as compared to the last 20 to 30 years.

Mr. Su Jingxiang:

Q- What is the relationship between the form of government and economic development?

A- A strong government is very important for economic development.
Q- Do you need a particular type of government to pursue economic and societal development?

A- Yes.

Here are some segments of the interview of Chinese scholar Mr. Zhao Gancheng in political domain.

Q- Do you believe that form of government make a difference in the economic, political and social development of the country? What is the relationship between the form of government and economic development?

A- China has its very special system that is very good; I do not label Chinese system with any name. What is good for the West may not necessarily be good for China. We are making reforms. I think there should be good governance in China. Our leaders are not sure what would happen. In fact, there is too much corruption among high officials. It is spreading in the society as a social cancer

Q- Do you need a particular type of government to pursue economic and societal development?

A- In fact, government is always particular, we need good governance.

Globalization and its Impact on China’s Future Politics

The modern political system in China is learning lessons from the Western democracy for its own advantages. That is why the Chinese system has become invincible to an extent. The Chinese leadership is employing democratic advantages at large, leaving out its harmful aspects.

It shows that China does not believe in the imported political system but allows people to evolve their own based on their local values. It suits the CPC as well as the people at large. China has never been intellectually dependent on the West as compared to the rest of the
transitional democracies of the developing world. China is confident about its own identity and its skillful people. It is not afraid of the gigantic size of population but keeps itself busy in utilizing that dexterous ‘social capital’ in an efficient way.

The political intelligentsia in China does not believe in changing the political system at any cost. The Chinese Communist party believes in changing its attitude, rather than form of government, as the West is not ready to change its biased and aggressive attitude towards weaker nations but only wishes to have the so-called democratic system. Contrary to this China has an authoritative and controlled political system with flexible and adaptive outlook towards the world community in the twenty first century. That was why the Chinese do not believe that China should have political reforms. The political economy of China shows that political reforms are not necessary for economic development but a change in the attitudes of the common person as well as political elite as a sine qua non for the sustainable economic growth. Contemporary Chinese economy gives a candid explanation that strong economy of the country is the main concern for having a sustainable political system but a sustainable political system may not guarantee a sustainable economy.

A strong economy comes from the individual’s participation in the development of the country, and that participation can only be achieved through an honest leadership. In China political leaders like Mao, Deng Xiaoping and others had been successful in mobilizing people for national interests and they consistently worked on lessening the gap between national and personal interests. That is how China became different from other countries in the twenty first century in its political, economic and social domains.

The Chinese Vice-Premier Wen Jiabao says, “The Chinese government has always dedicated to the establishment of a just and rational international economic order and will strive
for this goal with unremitting efforts…. All countries, big or small, strong or weak, rich or poor, should have equal rights to participate in the formulation of the `rule of games´ in international affairs.” Therefore, it seems that the Chinese strategy towards globalization is also aiming at increasing China’s influence in the world affairs in economic and political domains.

China usually does not support democracy because of its number of versions, such as example, American democracy, Asian democracy, European democracy, or Western democracy. Therefore, it seems very uncomfortable to adopt a system that has many faces. We also know that change in any system can be through a small number of people. It never happens with a large number of people.

For making a change in any system, it is not a majority but a firm commitment on the part of a few people that is needed for the welfare of the whole. There are many examples in the world in this context, Abdul Sattar Edhi and Imran Khan in Pakistan, and Mother Teresa in India, are classical examples. Mao and Deng Xiaoping in China are also good examples who single handedly changed the society in China. In the same way, China believes that its political system does not buy the idea of democracy for ruling of majority but governing of majority. Why Chinese dislike democracy? Here are the answers by Mr. Luo Peisen:

**Q- Will China also adopt Western Democracy?**

**A-** In Chinese system, people are more democratic and comfortable about their rights. However, the form will be Chinese not Western.

**Q-** It is my opinion that Developed World including America is intentionally giving space to China in the world economic system to penetrate into the social and political system of China.
A- I agree with you. Our young generation is taking advantage of modernization in China and has adopted the Western style of life. They usually go and enjoy Jazz, Rock n Roll, but we do not allow pornography in our publications. All this has also increased the crime rate in China. It was not as much twenty years back. I believe that the government should take steps to check such discrepancies.

Q- Why is the West, especially the U.S., now accommodating towards China?

A- Yes, you are right. America never allowed China to have any role in international community ever before. It has the policy of containment (containment + engagement). It means they kept on engaging China on its containment policy. Now the West has more engagement with China.

Q- Why is China reluctant in political development?

A- China has its own system; China wants to be independent, wishes to be its own master. Only Chinese Communist Party can save the country Socialism is good for China. We want to be strong and powerful in the world and will stick to this system.

Q- China has embraced the idea of free market and joined the WTO. Why is it not accepting norms and values of democracy?

A- We joined the WTO, not democracy. We have our own policy. We do no hate democracy but want people’s democracy. Mao wrote in his columns people’s democracy and people’s dictatorship, the first for the people and latter for enemies. Our constitution gives full rights to people. The West propagates against us. We respect our people’s rights. We have different tiers of election system from top to bottom. In our system, results will be like in Western democracy but the form may be different.

Q- Will China also adopt Western Democracy?
A- In Chinese system, people are more democratic and comfortable for their rights but form will be Chinese not Western.

Mr. Su Jingxiang responds in this way on the same questions:

Q- China takes the idea of free market and has joined the WTO why it is not accepting norms and values of democracy?

A- Chinese have traditional intelligence. There are many types and forms of democracy in the world. Therefore, which type of democracy we need. Therefore, we have a better system.

Q- Will China also adopt Western Democracy?

A- No

Q- Is it really a Chinese Century?

A- Yes, the next will be of India. In the past 500 years, the world was ruled through science and technology but Chinese people will rule with peaceful relationship between human beings. After catching up in the field of research and development Chinese people will become similar to that of Europe.

Mr. Zhao Gancheng talks about China’s political future in this way:

Q- China takes the idea of free market and has joined the WTO why it is not accepting norms and values of democracy?

A- Democracy is important for China. However, the question is what type of democracy? It will be U.S. like or U.K. based. It is a consensus in China that democracy is good and it is our national target now.

Q- Will China also adopt Western Democracy?

A- We have our own philosophy I cannot say that.
Here we analyze Barrington Moore Jr. philosophy regarding origin and development of democracy in the modern world. He gives some historical and theoretical aspects regarding the development of democracy in the creation of modern liberal society that believes in fundamental rights, tolerance, and peace.\(^{34}\) He vehemently emphasizes upon the class system that had been emerging in the different phases of history. This class system was sometimes maintained by aristocracy or feudal lords, monarchs and sometimes by any bourgeoisie class in the West.

Considering especially the case of China and India, he believes that Nehru played an important role in developing democratic institutions in his country. An elitist bureaucracy ruled Manchu China. He considers that Akbar and other Moguls was a great obstacle in the development of democracy in the subcontinent. Although his thesis was correct to an extent, yet the panchayat system in Akbar’s regime was a first ever-primary institution of democracy in the subcontinent.

Barrington Moore Jr. views about the development of modern society on democratic lines are purely based on the Western perspective. In this dissertation, we believe that it was Deng Xiao Ping in China and Nehru in India who utilized the available resources and kept the system capabilities dynamic and efficient. Therefore, until or unless the leadership utilizes the available resources according to the prevailing international environment, it cannot develop its socio-political and economic systems on sustainable ground.

Globalization definitely made a positive impact on the Chinese political system. It is competing with international environment adopting modernization in its unique style. It claims to be a communist country but acting well as a market socialist to adjust itself in the international environment. China looks successful for the time being and attracting foreign direct investment (FDI) in an amazing way. It disguises herself well under the clout of market socialism to avoid
anarchy at home as most of the Western countries including America claim to be follower of capitalism but they pursue mixed economy. China is paying back in the same coins, answering the hype against Tiananmen Square massacre with market socialism, and enjoying membership of the WTO. All credit goes to the Chinese leadership and political infrastructure that remained active and on its guard to face the challenges of media hype.

“‘The experiment’ is the Chinese leaders’ attempt to modernize China by opening its economy but holding political change in check.” The Chinese know that introducing capitalism in China may cause chaos, therefore; they are very much concerned about boosting Chinese economy. Open elections have been permitted in the rural areas and entrepreneurs encouraged to join Communist Party in the twenty first century but there is no opening up of the political system yet. Appointments of non-communist ministers like Wan Gang in April 2007 and Chen Zhu in June 2007 in science and technology and health ministries respectively show that globalization is working successfully in China.

Friedman’s ‘Globalution’ (revolution from beyond) favours the political system of China more as compared to India. He believes that MNCs like Pizza Hutt, Merrill Lynch, PricewaterhouseCoopres or other international organizations like WTO and ASEAN or some human rights organizations may create revolution from beyond in some political systems where democracy does not exist. In the case of China, ‘globalution’ gives advantage to China because of its leadership’s policies and reforms. For example, in 1979, there were no McDonalds in China but through reforms of Deng Xiaoping, China had more than 200 McDonald’s in 1996. “The world’s largest restaurant chain (McDonald’s) currently owns and operates 595 outlets in China and plans to add as many as 120 a year…” This food Chain has planned to increase its number by 1000 McDonald’s in China ahead of World Olympics in 2008. Even increasing in
number day by day very swiftly, Chinese policy makers are not allowing any MNC to work in
China without joint venture. This is where Chinese are very smart for protecting their country
from the negative effects of the ‘globalution’ and “Golden Straight Jacket.” The detail will come
in the later part of this chapter.

**China’s Economy in the Pre-Globalization Era**

China’s economy in the past was centrally controlled, with concentration of all powers
regarding decision making in the economic domain. The people of China were not allowed to
migrate from periphery to core areas for economic opportunities. There had been economic
disparities in China before Deng Xiaoping based on difference in income levels that created a
huge difference between haves and have-nots. China’s economic interests in the past were state-
centered. Here are some responses of political and economic scholars in the context of the past of
China’s economy. Mr. Luo Peisen responded to questions in this perspective:

**Q-** How can we describe the Chinese economy, mixed or liberal?

**A-** People cannot control economy. It is out of personal control. If we wish to live in the
world economic market, we have to follow the rules of market. Therefore, it makes no
difference that we have mixed or liberal economy.

**Q-** What are the economic disparities in Chinese Political system?

**A-** Yes there is a difference in income level in China that is increasing crime rate in China.
There is more plundering and killing in China as compared to the last 20 to 30 years.

**Q-** How can these disparities be removed?

**A-** Well, government idea is to reduce difference in wage system; second, government is
supporting people very much in the countryside. We know that it is very difficult to remove
those economic disparities at once but it is an incremental process and may get better results ultimately.

Mr. Zhao Gancheng responded in this way:

Q- What are the major challenges on way to modernization and economic development?
A- Disparities among the rich and the poor in China have increased during the last two decades. We have a big difference in the life style of people in the rural and urban areas. Rural incomes are very low. Even in the wake of globalization, some people in the rural areas have lost their income wealth. In fact, wealth in few hands has created a sense of deprivation among our people so they are a serious concern and challenge for China in this new age.

Q- What is status of an average person in China? Is he happy with this economic progress?
A- Yes mostly are raising their income level, and developing their families. As far as happiness of individual is concerned, it is very difficult to measure that level. Many people have money but they are not happy. Now people have expectations from themselves for future that is a good sign for China, as people will struggle for themselves that will boost Chinese economy.

Understanding the new demands of the twenty first century China started thinking for opening up its economy and did it successfully. China works hard to increase its savings. In 2011, China’s savings oscillated between 30 and 38 percent of its GDP that has been almost 50% of the GDP in 2004.44

Globalization and its Impact on China’s economy at Present

China has a centralized command economy but after being a member of the WTO, it has relaxed many restrictions to be an economic giant in international environment. After the U.S.,
today China is considered the second largest economy in the world. However, the Chinese consider themselves at number four after the U.S., Japan, and Germany.

Synergism (The religious belief that deliverance comes from the interface of human will and heavenly refinement) is transforming Chinese economy into a big giant in this century. As Beijing believes in the economic uplift of human beings through cumulative effect rather individual, it does not mean that individual is not important but his participant behaviour is call of the day in China.

China is developing its economic resources at home and abroad, and regulating, and distributing those resources quiet adequately. It is evident that countries living in the age of globalization have to boost their economies through interdependence and enhance trade with other countries. The following table shows the success story of economic growth in China in the twenty first century. The World Bank sources give details of the Chinese creeping economic growth rate in 2001 that was 7.1%.

In 2003, when other national economies began to fall back, China kept gathering speed with a GDP growth of 9.1 percent. The country’s nearly unappeasable need for unprocessed resources has reinforced business relations with neighbours and global goods manufacturers. For instance, when China decided to import soybeans on a large scale, prices went up by 28 percent in peripheral areas. It accounted for 1.9 percent global exports in 1990, and 6 percent in 2003 and
became the major export market for South Korea and Taiwan. The Pew Center for the People &
the Press conducted a research in 2003 which shows that 90 percent of people in China consider
that globalization is good for the homeland. China’s rise as an affluent country has not shown a
considerable transformation in the index. Usually, economic indicators are measured in terms of
per capita income. Owing to its substantial populace, China has to work hard for sustaining a
good position in the index. Mr. Luo Peisen answers very positively on the following questions:

**Q**- Do you think that China will continue making economic development with the same pace
in the next 20 years or so?

**A** - Not easy to say that China may go forward with the same speed The fact is that we have
a new five year plan, starting this year it is 11th five year plan. The GDP during last ten five
year plans was 9.5% and we are expecting 8% in our next five-year plan. As we know the
realities that, it is very difficult to maintain and we are not ambitious, need moderate
economic growth. Growth rate have been 9% 1990-2000 but in twenty first century, it
became faster. There are certain factors can resist China’s development.

**Q**- Which are the factors responsible for the rapid economic development in China and how
long these factors would continue to help in the next 20 years?

**A** - China has a State planned economy. Before 1980s new policy of reform open to world for
reviving economic system, in which state economy was replaced by market economy,
incentives being given to agriculture and Information Technology sectors(IT). We are still
developing new policy. We wish to have more exports, more consumers in other countries.
We are learning from other successful countries for last ten years and reforming after being
member of the WTO. We are also trying to merge ourselves with world business.

Jingxian responded the same questions in the following way:
Q- Do you think that China will continue making economic development with same pace in next 20 years or so?

A- Yes, I am sure that China will make development with good speed for next twenty or more years in significant way as there is a long history for this economic growth. China has many Characters from rural to urban that are participating in the development of China. In addition, it is just a small part that is making development.

Q- Which are the factors responsible for the rapid economic development in China and how far these factors would continue to help in the next 20 years?

A- A very long peace time, and the Communist Party in China can control everything, technological progress, education skillful population are other factors that have contributed a lot in the progress of China.

During our visit to China, Mr. Zhao Gancheng believes that China is making progress in coastal areas more rapidly as compare to inner areas. Chinese do not say that China has any periphery or core areas but they divide China in coastal, middle and inner areas. It is again a gesture of keeping their separate identity on the part of Chinese experts. This is how he responded on different questions:

Q- What type of economy China should have, liberal, command or controlled?

A- Chinese economy should have freedom and less government intervention and it should be more market oriented. Total market liberal economy cannot be successful in China.

Q- Can we describe the Chinese economy as mixed or liberal?

A- It is mixed.

Q- Why WTO is important for China?
A - The WTO is very important for China; it is necessary for Chinese economic interpretation in the world market.

Q - What are the advantages and disadvantages China has after being a member of the WTO?
A - A big advantage is now China is an important part of the world trade system. China is the fourth largest economy in the world after the U.S., Japan and Germany. Chinese disadvantages lie only with the laws of WTO about antidumping and protectionism.

Q - It is quoted in the books that China is second largest economy after the U.S.?
A - It is exaggerated only.

Q - How does the gap between haves and have-nots can be removed in China?
A - It all depends on the government that how it perceives peoples problems. Government has to remove all disparities from the society.

Q - What are the economic disparities in Chinese Political system?
A - Unevenness in the society, unequal distribution of wealth in rural and urban areas. Different sectors have preference in different sectors; coastal areas are more developed than the inner areas of China. Therefore, monopoly sector is taking advantage.

Q - How these disparities can be removed?
A - Well government tax system should be reformed, as we know that 80% people are giving tax to the government so in response government should take care of the people living in rural areas especially.

Made in China is very much popular slogan in the Chinese middle areas where in different shopping plazas sales girls are vocally say that “be Chinese, buy Chinese.” They do believe in Chinese quality as they make different things in different grades just to satisfy each segment of the society, not only of their country but also of the world. It is trying to
dominate the world economic market by making low profile consumer goods without considering its pros and cons. The empirical analysis shows that economic reforms in China have given uncertain outcomes. For example, from 1980 to 2000 average income of a person in China increased up to three times. It was $1,393 in 1980 and $3,976 in 2000. This also decreased poverty among almost 170 million people. The provinces in the periphery or coastal areas of China did export on a large scale. In 1981, export of Shenzhen was $17 million that rose to $5.9 billion in 1991 and is today over $30 billion.47

Amy Chua in her book *World on Fire*48 gives a concept of “market-dominant minorities.” who are abducting the local business relentlessly in different regions of the world in a different course of action and creating relative deprivation among the local entrepreneurs. Many Chinese have migrated to Burma (Myanmar), Indonesia, Philippines, Taiwan, Vietnam, and other Asian countries including Pakistan where they are doing their business quiet efficiently and earning a good profit. In some countries, China has dominated the local market in a way that irritates the indigenous businessman.

In Burma, many Chinese got nationality by buying the identity papers of the local dead persons for only three hundred dollars.49 They started owning maximum business in Burma and restricted the local people to their printing houses and cheroot factories.50 Besides, a number of joint business ventures have reduced the other countries of Southeast Asia in economic domains as compared to China. For example, a deal between Shangri-La Hotel and LoHsing Han, “the Sino-Burmese chairman of the Asia World Conglomerate, and Sino-Malaysian tycoon Robert Kuok-have turned Mandalay and Rangoon into booming hubs for mainland Chinese and South Asian Chinese business networks.”51
In this perspective, most of the Burmese are of the opinion that China is looting the major part of their land. In May 2012, China’s hegemonic trends can be seen in its conflict with Philippine in South China Sea. China has almost control over the whole South China Sea and claiming the region of Scarborough Shoal. The Philippine claims that Shoal has been its territory. It is escalating the situation in the region although China has declined that it is not going to wage any war with its neighbour. It is breeding hatred among local people against the “foreigners.” Contrary to this, when one asks about this market domination in South East Asia, Chinese deny it and claim enjoying good relations with neighbouring countries. If you ask the same intelligentsia about the market dominant minorities in China in the form of MNCs-the Chinese prefer to have joint ventures with those MNCs and do not allow them to have any price hike without the permission of the government. The Chinese are very careful about monopoly of any MNCs in China. Even in this age of globalization, China has full control over its mobile companies. When questions were asked of Chinese economic and political elite about China’s status as a dominant minority in the region they responded as follow; Louis Piesen’s responses:

Q- Does China have any national level/state level market dominant minority?

A- There are five hundred top enterprises of the world, which have investment in China in joint ventures. For example, General Motors in Shanghai, Mercedes Benz in Beijing and now starting in Shanghai also-Mitsubishi of Germany and French Renault all have joint ventures in China. Now all famous cars are being manufactured in China. Therefore, you can say that we always believe in joint ventures and do not allow any minority to dominate.

Q- Are there any powerful economic groups emerging in China?
A- The Haier is an example which is working under a group and they have occupied a good part of economy. We cannot say even it a private enterprise-a lot of stockholders are dominant. We are introducing a Chinese Blue Ocean strategy in contrast with The Western Red Ocean. The Western Red Ocean was based on war, conflict, unending competition, in contrast we believe in peace, friendship, affection, and giving our farmers more powers. China has paid much to this economic development and growth. We did work hard for this; it was not a child’s play.

Q- What is the role of MNCs in China?

A- They have become part of the society-their role is how to contribute in Chinese economy-in fact Chinese have molded all MNCs in a way that they do not intend to increase their business only but also Chinese economy. Sometimes if they feel difficulty government assist them- so there is an ideal environment-these MNCs are not allowed to have monopoly- there is an anti-monopoly law in China that never allow them to dominate over any other group in China. We look upon their price level that cannot increase without government consultation.

Jianxiang responses:

Q- Does China have any national level/state level market dominant minority?

Yes. It has. For example, China Telecommunication, Uni Com both are state owned dominant groups in the market.

Q- Are there any powerful economic groups emerging in China?

A- Maybe some years later.

Q- What is the role the role of MNCs in China?

A- Very important for technology, capital and foreign exchange markets.

Zaho Gancheng’s responses:
Q- China is market dominant minority in Burma and Vietnam and even in Asia don’t you believe that it may sow the seeds of hatred among the local population?

A- China’s investment is welcomed everywhere in the world especially in neighbouring states for mutual benefits. It is not matter of market dominant minority in Myanmar or Vietnam, second thing is that Chinese people earning in these two states is insignificant for China but yes in Philippine and Indonesia where Chinese people have been migrated for many years and making much money there that may be disliking for the native land people. However, we do not want that we want to have mutual benefits.

Q- Does China have any national level/state level market dominant minority?

A- Yes there are many state owned companies have monopoly in China that is not good. For example, China telecommunication is one of the biggest companies in the world; controlled directly by the State Council it has total monopoly in China, as there is concern for national security. Uni Com China is again a part of China Telecommunication it is also state owned now we have two masters. When there will be no competitor monopoly will give rise to any market dominant minority. China needs antimonopoly law that has been drafted but could not get consensus in the party so not yet passed. No compromise on national security. No country likes to give security of its own into the hands of any foreign company.

Q- What is the role of MNCs in China?

A- It is very positive; the MNCs bring advancement and technology in China, along with concept of human resource management that was not ever before in China. Now China has better managers. We believe in mutual development so these MNCs are doing mutual business in all kinds of goods. Now China is at the top.

Mr. Su Jingxiang responded on the question of women’s status in China:
Q- What is the role of women in economic and societal development? How far Chinese women have contributed to these processes?

A- Women should work as men. Chinese women contributed 35-40% of our economy.

Q- What is the percentage of Chinese women in the Communist Party and in the government?

A- They are 50% in the Communist Party, in real power or in government maybe 20%.

Q- Do women have same freedom before 1980 as they have today in China?

A- Since 1950s, it was not as much they got more independence and freedom after 1980.

Q- Is there any challenge to China of globalization?

A- Yes, there are challenges for Chinese in traditional culture and society structure.

Q- How does China give up its traditional outfit in the wake of modernization?

A- Chinese leaders (Deng Xiaoping) know more.

Q- Which foreign TV or News Channels are allowed in China?

A- Common people can see CNN, BBC, NHK, more than 20 foreign channels.

Q- Are CNN and BBC watched in China?

A- Yes.

Q- Is China culturally as safe as it was one or two decades back?

A- I believe that China is safe.

Q- Are the Chinese scared of Cultural invasion?

A- No problem right now but may be after 10 years.

Q- Why China has more trade with America as compared to European Union (EU)?

The Chinese economy is no more a secluded ‘peasant based’ economy of Mao and early Deng Xiaoping eras. It has become an integral part of the ‘Electronic Herd’ 55 (It is a herd that...
does its business worldwide through computers, internet and MNCs) since the Chinese leadership knows that today no country can live without this herd. If any country tries to live without it, she has to face the music ultimately. The ‘Electronic Herd’ is performing all of its business through internet, transferring all types of transactions ranging from pensions of the people to funds of the businessmen sitting in the basements of modern plazas.

**Golden Straitjacket** versus Gold Plated jacket

Thomas L. Friedman believes that this age of globalization has its own wearing in the form of a Golden Straitjacket that has to be put on by every country if she really wishes to sustain itself in the community of nations. This jacket has its golden rules: privatization, stable prices, downsizing, deregulation, free market competition, balance of payments, balance of trade, FDI, elimination of corruption and monopoly are such pieces interwoven to make this standard size jacket for the whole world. Therefore, whoever wears this jacket becomes part of the Western run world system. It is a jacket that confined the peoples to work according to the creator of the jacket. It is just like an octopus that captures its prey and does not let it go at any cost.

China intends to wear this jacket by making it at home, as she always copies certain things at home and provides the same to the rest of the world at very cheaper rates. In the same way, China believes that this Golden Straitjacket can be prepared at home for making it a comfortable outfit. China has prepared a ‘gold plated jacket’ pragmatically that is a Golden Straitjacket for the West. It (West) is making a fool of the rest by showing this Golden Straitjacket to the world as a real source of their economic development. Not all that glitters is gold. Therefore, China is befooling the West with ‘Gold Plated Jacket’ for its economic development. The Western Golden Straitjacket is only fit for the few and, more interestingly, it is
put on by different countries of the world according to their own need. Friedman concedes that all countries do not put on this jacket. Some wears it partially (India, Egypt), a few countries like Malaysia and Russia put it on and off accordingly. Some countries try it with fastening few buttons of it (Germany, Japan and France). Some countries resist using it and believe in their natural oil resources (Iran, Saudi Arabia). Some countries (North Korea, Cuba, Sudan, and Afghanistan) compel their people to use their ‘old straitjacket’ rather ‘Golden Straitjacket’ to keep themselves economically independent.61

The difference between China and the West is, China is making a fool of the West only but the West is making a fool of the rest. The West may intentionally be giving way to China in the world trade to penetrate and exchange its culture in a centrally controlled political system. The Golden Straitjacket suits only the West or its allies not the rest. China does not force any other country to put on Gold Plated Jacket.

Under the influence of Gold Plated jacket, more than five hundred top brands of the world are working in China. They are fighting with each other for capturing the Chinese market. For example, in aerospace, there are Airbus and Boeing. Astra Zeneca, GlaxoSmithKline and Merck, Pfizer are in pharmaceuticals. The BP, Exxon and Shell in oil and petrochemicals. Ericson, IBM, Nokia and Siemens are in information technology hardware; and BMW, Ford, GM, Toyota and VW in automobiles, Coca-cola and Pepsi in soft drinks, Japan Tobacco, BAT and Philip Morris in tobacco. AIG, Allianz, Axa, CGNU and Prudential are in insurance. Citigroup, Credit Suisse, Deutsche Bank, and JP Morgan Chase are in banking; AOL-Time Warner and News Corp in mass media are classical examples of MNCs those are struggling hard for survival in Chinese economic market.62
Role of IFIs in China

China is a unique country that is having a success story of its economic development without the role of Bretton Wood institutions (IMF, WB). These IFIs fortunately are not working actively in China. They may harm Chinese economy as they had undermined the economy of the South East Asian countries in late 1990s. The fact is that Chinese leadership is very vigilant and did not give way to the IMF and World Bank to play with Chinese economy for the benefit of big powers. Contrary to this, China gave respect to the IFIs not owing to their role in Chinese political system but for having a moderate view about these institutions. China is not a hardliner country; she has different phases of relationships with international organizations.

Professor Wang Yizhou gives details of Chinese relations with international organizations in his edited document named as *Construction with Contradiction*: in which, first phase started in 1949 and ended in 1970. During this period, China fought for its membership in the U.N. and in 1950s, it also applied for membership in different international organizations, like the International Civil Aviation Organization, IMF, International Labour Organization, World Health Organization, World Meteorological Organization etc. but failed owing to the U.S. veto power being consistently used against China. The second phase 1971-78, gave China a real boost in world community when she got membership in the UN and in many other international Organizations. The third phase started in 1979 and still in progress, it got membership of WTO after fifteen years’ hard struggle.63

It is said that IFIs have assisted China in financial restructuring by introducing international standards and provided training to Chinese personnel in different domains. For example, China developed its external debt surveillance with the help of World Bank. China also
got technical assistance from the Word Bank in developing five category-loan classification systems in banking industry in early 2002.\textsuperscript{64}

“For China to implement its agreements with the World Trade Organization (WTO) the regime will have to force transparency, accountability, and market discipline across large swaths of the domestic economy. China’s entry in the WTO is likely to be a slow but seismic change.”\textsuperscript{65}

Chinese leadership believes in facing globalization pragmatically. Chinese membership in the WTO is the evidence that she is ready to handle the forces of globalization. Eduardo Aninat the IMF Deputy Managing Director believes, the time will determine how qualitatively China has adjusted itself in the globalized world.\textsuperscript{66} Appendix I is a detailed document of China’s membership in the WTO and how it is embracing opportunities and facing the challenges. (See Appendix I).

Economic globalization has dispersed the Chinese Diaspora the world over. It is believed that 1.6 million people went overseas for education or job but they did not return home. They got married there or had permanent residence and nationalities. It has been noticed that only 275000 people came back home out of 1.6 million since 1978.\textsuperscript{67} It is also known that this Diaspora earned a lot of foreign exchange that sustained the economic growth rate in China. Thus, the people of China use globalization positively and are getting its maximum fruits.

**Globalization and its Impact on China’s Economy in Future**

“The only thing certain about China is uncertainty.”\textsuperscript{68} The following table predicts a very idealist form for the Chinese and a pessimistic one for Americans.
This table shows a projected change in the U.S. trade deficit with China by 2008 (in billions of dollars). China is playing a major role in international as well as regional level organizations. G7, G8, G22, Shanghai 5 and Shanghai Cooperation Organization, (SCO), ASEAN, and Asia-Pacific Economic Cooperation are all classical examples of China’s increasing participation in the world community. China is very much alert as far as its security is concerned. China is promoting anti-terrorist, anti-extremist approach with increased cooperation. The SCO “established in June 2001 to capitalize on earlier joint confidence-building efforts

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among China, Russia, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan, is designed to achieve a more institutionalized form of cooperation on issues ranging from antiterrorism to trade. Chinese leaders now hail the SCO as a model of regional cooperation that enhances collective security for the participants while not threatening any outside party.\textsuperscript{69}

China’s future is correlated with the intensity of desire for development on the part of leadership and the common individual. As long as both segments of the society are backing, each other for the welfare of the whole, China is flourishing. As soon as that linkage between leaders and the led break, it will adversely affect China.

It is the economic system that makes a difference in any society, while political, social, cultural and environmental concerns come later. This is what the researcher found during his visit to China. Theoretically, it is a country that claims to have a centrally controlled economy but pragmatically it has to adopt the principles of mixed economy for raising the standards of economic growth rate. It is getting more open in its thinking and liberal in social values.

We can say that Ibn-i-Khuldoon’s philosophy of ‘Asbiyya’ and ‘Phases of State’ seems in action. In his book, Ibn-i-Khuldoon explains the sense of oneness or integration (Asbiyya)\textsuperscript{70} takes a state towards culmination of progress, Leaders and the led work together and then with the passage of time they become lethargic and face downward progress. China and India may be considered as the countries that are enjoying the sense of Asbiyya more at the moment as compare to other countries. Since they are developing as a nation state and taking the fruits of globalization that is why we believe in their emerging sense of integration. Although still there are many concerns regarding human rights in both countries that is a debatable issue yet not a part of our research. Now we proceed to see the impact of globalization in the socio-cultural life in China.
Socio-cultural effects

China has for long been under the influence of traditionalism that determines its future course of action, “the scope and level of its aspirations and the policies and strategies that are likely to be adopted to get it there.” In this perspective, three periods are most relevant. The first imperial period remained for more than two millenniums. The second period was of “foreign humiliation” which lasted until the twentieth century. The third period began with the communist revolution in China in 1949 and remained until the reform period of 1970s. These three periods describe the fortunes and misfortunes in China in different phases of history.

China also made cultural, civilizational and institutional impact upon its surrounding countries like Japan through Korea. Like the West, China did not impose its government institutions and culture upon its precincts. Instead, it was adopted by surrounding countries voluntarily-who considered China “the most civilized, cultured and advanced nation on earth.” The Chinese intelligentsia believes that China should take the good aspects of the Western Civilization without losing its own identity.

China is shifting towards liberalism; in fact, it has allowed the people to migrate from rural to urban areas and work for the development of the country. Twenty years back, it was not allowed to the people to migrate from rural to urban areas and find opportunities for educating their children. On the other hand, it has also started copying Western countries in many aspects. For example, the Chinese are interested in learning English language. Some scholars are apprehensive about the predicament of deteriorating morality in China. Family ties are weakening in the wake of liberalism.
During a visit to China, we found that this society is very dynamic in many respects. They are not in a hurry, not overambitious but looking for sustainable growth at individual and collective levels. The Chinese experience of human rights is different from that of Russia and Eastern Europe. It has persisted with individual rights and their duties to attain welfare of the whole. The present Chinese government is giving freedom to its people. The Chinese government has become more respectable towards public opinion. China is not afraid of losing its traditional values in the wake of modernization. She believes that to play an active role in the world political economy, it has to adopt certain Western ways of living. Fourth, China seems to have followed Confucian philosophy for 2000 years (also in Japan and Korea); but now it is repudiated.

Young boys and girls are free to live together independently but unlike the West, they do not believe in short-term and long-term relationship but in perfect marriage. The divorce rate is increasing in China. Crimes like snatching mobile phones, street robbery, and looting taxi drivers have grown. Most of the taxi drivers have a fence around the driving seat in China. Eating McDonald’s burgers and drinking Coke cannot make any one a Westerner. It is a false imitation of misunderstood Western values.

The negative effects of globalization in China can be seen in cultural terms. This has brought in new information and products, on one hand, and affected the culture on the other such as food, drinks, music, movies, etc. The Chinese are becoming very fond of the West in entertainment. The KFC and McDonalds can be found in most cities in China. People are standing in queue for enjoying Western (but with Chinese taste) fast food.

China started imitating west as the study of the students of Barry University, Florida, James Madison University, Virginia, and University of Georgia exposed the impact of
globalization on Chinese social system. Chinese human resource management did its best to implement Western styles in the Chinese perspective. The Chinese human resource development tries to use personal relationship for getting permanent jobs in the joint ventures with the West. This is very frustrating for the Western organizations while working jointly with China.\textsuperscript{78} The finding of a study conducted by Wang and Rojewsky et.al is based on two conclusions; one that Confucian ideology is still predominant in the business organizations and human resource development of China by some sections of the population. Two, the Chinese culture is adopting modernization by assimilating the communist and capitalist values for serving their purpose.\textsuperscript{79}

This is the basic reason of Chinese economic growth that believes in joint ventures with the MNCs. It disallows the West to penetrate in Chinese economy independently. The culture of nepotism has spoiled the Chinese social system where people are used to work for low wages for manufacturing low class consumer products. It is making China popular as a country of forged products. The Chinese people are not worried about their low class consumer products so far. They are making products for every individual of the world.

There is another transformation in the Chinese social system we found owing to the impact of globalization. It is regarding the status of women in China. Traditionally the Chinese social system was based on confining the Chinese women to the walls of their homes. In the twenty first century, this role is totally changed. Today, almost every young woman in China is working and contributing in the Chinese economy. Although in political domain, the role of Chinese women is still confined. In the late twentieth century there has been 250 women working as mayors and vice mayors in the 514 cities of China.\textsuperscript{80} According to the UNICEF statistics for China’s literacy rate among women is 99\% in the age from 15-24 during the years 2005-2010.\textsuperscript{81}
Chinese women are getting remarkable successes in sports. In athletic competitions, almost eight out of ten athletes winning gold medals are women. Traditionally women have all domestic responsibilities. Owing to their domestic responsibilities, they are discriminated while offered jobs. In industries and factories, men are preferred upon women because of their domestic responsibilities.

In the twenty first century, the role of women in China is very dynamic. They not only protect the home but also work in every walk of life. They are independent to get marriages with their liking and can reject anyone for disliking. This has not been as much prevalent in the Chinese society. This liberty is positively giving respect and dignity to the Chinese women on one hand but increasing single mom parentage on the other. It is threatening for the social system of China.

In education sector, the Chinese government is taking care of women education. From primary to higher level of women education China is allocating more money for raising their opportunities at higher level. Women organizations are working for reducing domestic responsibilities. This changing role of women in China has made the Chinese women stronger than ever before.

Although Mao did his best to make women strong in China but could not do it fully. China is not worried about any western cultural invasion and adopting itself according to the needs and demands of the present day China. Traditionally, China is a male dominant society. In rural areas, mostly men migrated towards urban areas for jobs. Women are mostly contributing in rural areas.

World Olympics 2008 were held in China. It was believed that Olympics would contribute in the economy of China. There was another perspective that West would penetrate in
Chinese political system through its cultural and social system. It had a positive effect upon the Chinese economy, as Olympics were considered to boost up the economy of that country due to increased activity. This positive aspect of Olympics 2008 was in the minds of Chinese ruling elite. The question was how Chinese leadership would face this challenge successfully at that time. It seems quite evident that as China was mentally prepared for transformation after 1979 and it easily countered the global forces that emerged after the collapse of communism in 1990’s. Therefore, it was successful in 2008 Olympics, but doubts remained owing to social and cultural changes in China where people were more open and victim of acculturation for the last quarter of century. However, the ruling elite believe that they dislike acculturation.

Unemployment is increasing in China in the age of globalization. It is said that it has happened because of absence of ‘iron rice bowl’ policy based on giving people full security regarding their jobs in the public sector or state owned enterprises from their birth to death.\textsuperscript{82} After 1992, public sector universities and other state controlled institutions declined giving jobs to the youth of China.\textsuperscript{83} It exacerbates the social dilemmas in China. People are living in poverty especially in rural areas.

The unemployment rate in China is 4.00 to 4.2 percent. It has averaged 4.15 percent during 2001 to 2011. It was at its highest in July 2011 when it reached to 4.3 after December 2003. The following chart will give an estimate of that how in 2011 China’s unemployment rate oscillated between 4.2 to 4.3.\textsuperscript{84} It gives the unemployment rate in labour force that means the number of people working and number of people looking for work.

China is facing brain drain of its scientists. Although after 2009, it has been decreasing on a large scale. It is stated that almost 2.1% college graduates 22.8 % PhD scholars and 14.9% researchers in science and technology of Chinese origin migrate to the U.S.\textsuperscript{85}
An important factor is that MNCs are taking a heavy toll in the form of environment degradation in China. The problem is that these companies are not only polluting the environment but that the guilty party is also getting away without any punishment. In China, people are very much satisfied with the ongoing progress. Their Isothymia, (to consider oneself equal to others) is more dominant. Among Chinese leaders both ‘isothymia’ as well as ‘megalothymia’ (to consider oneself superior to others), are dominant. They are no more dominant with Microthymia (to consider oneself inferior to others).

**Geo-political significance of China and its security Concerns**

The geopolitics of China shows that it has almost fourteen countries as its neighbours. These countries are Afghanistan, Bhutan, India, Kazakhstan, Kyrgyzstan, Laos, Mongolia, Myanmar, Nepal, North Korea, Pakistan, Russia, Tajikistan, and Vietnam. Out of these fourteen countries, three are nuclear powers, India, Pakistan, and Russia.
China’s increased influence in world trade is because of its rise in industry and trade in the world. Globalization is favouring China more after its membership in the WTO. It started transgressing the boundaries for trade of not only neighbours but also other parts of the world. Chinese exports go to the every corner of the world but it imports of high tech goods come from Japan and Korea. It initially imported food, raw materials spare parts and components from ASEAN but later on, it started making a copy of those things. Today Toshiba laptops, notebooks and apple I Phone are made in China. This is how we see the two way causality relationship between our dependent and independent variables. They sometimes overlap each other.

January 1, 2010, is the date that made a real difference in the geopolitics of China. China-ASEAN Free Trade Area (CAFTA) came into effect on this date and increased the significance of Chinese geopolitics. This era of globalization is quickly favouring China as its leaders are adjusting China in the world environment in a pragmatic way. The CAFTA is considered the biggest free trade area in the world.

China’s geo-political condition shows that it is less vulnerable to other parts of the world. China has been concerned about protecting its buffer regions. Tibet is a buffer between China and India, Xinjiang, Inner Mongolia and Manchuria are buffer regions between China and Russia. China has geo-political issues with Afghanistan, India, Pakistan, and Vietnam as these countries share borders with China. North Korea may be a geo-political concern for China as it was defeated by the U.S. backed South Korean forces. Therefore, buffer regions are fully under the control of the Chinese forces. Thinking about any intrusion into China may be living in a fool’s paradise. The coastal areas of China are well protected. It has attained its military and political objectives to an extent but it may have an economic threat from the U.S. navy. Today, China is highly dependent upon its sea trade. The advanced and sophisticated U.S. navy can disrupt Chinese sea trade at any time through blockade. However, it is very difficult for the U.S. To make its trade partner angry right now but later on it may employ that option. The Chinese seaports face the threat of U.S. navy blockade. An empirical analysis shows that the U.S. may remain unwilling to do that as it (U.S.) intends to keep China engaged in bilateral and multilateral trade with other parts of the world. The U.S. probably believes that the opening of the Chinese economy may force Chinese communist party to adopt democracy as a mean to an end.

Columnist Walden Bello believes that CAFTA “will bring together 1.7 million consumers with a combined gross domestic product of $5.9 trillion and total trade of $1.3 trillion. Under the agreement, trade between China and Brunei, Indonesia, Malaysia, the Philippines, Thailand, and Singapore has become duty-free for more than seven thousand products. By 2015, the newer members of the Association of Southeast Asian Nations (ASEAN) — Vietnam, Laos, Cambodia, and Myanmar — will join the zero-tariff arrangement.”
situation shows that China will be the only gainer in this free trade area since other members of ASEAN are unable to export as much as China. Although the Chinese leadership believes that, it will be a bilateral advantage for the CAFTA, yet it seems difficult to be an economic nirvana for other members of the ASEAN. Amy Chua’s concept of ‘dominant minority’ becomes more assertive after this agreement. China is getting advantage of manufacturing labour tech consumer goods on a large scale and exporting those goods to the outer world in a very aggressive mode of trade. It is taking a heavy toll of the Chinese environment, as large-scale manufacturing is emitting carbon dioxide in the environment.

**Globalization and its impact on Chinese Environment**

The top 20 polluted cities of the world include 16 from China. It shows the deterioration of environment in China is at the same speed as its economic growth rate. This is very unfortunate that economically emerging giant China is the most polluted place in the world. Linfen is the most polluted city not only in China but also in the world over.90

China is making headway by leaps and bounds. Globalization has spurred economic growth as well as environmental degradation. It is a serious threat for Chinese peoples in the future. For a sustainable and disease free environment, China has to enact pragmatic laws for the MNCs to stop them for destroying the environment.

Chinese coastal areas are the worst for marine life in China and it also a menace for its adjoining territories like Taiwan and Kinmen island. “Bottles, plastic bags, rags and effluent from China is washing up on the otherwise pristine beaches of the Taiwan-controlled, subtropical island of Kinmen, better known in the West as Quemoy.”91 Another prosperous and coastal city of China, Xiamen is also causing environmental pollution owing to its garbage-ridden currents that are destroying marine life in Taiwan.92 Chinese garbage is not only
disturbing Taiwan but also polluting seawater and polluting the air in Japan, Honk Kong and South Korea. China seems apathetic towards environmental pollution. It has already made a council named as China Council for International Cooperation on Environment and Development but it is not pragmatic in fighting against environmental pollution inside its own territory.

It is not only China that is facing environmental pollution in the wake of industrialization and economic growth but other countries like America, India, and Japan are also facing the same dilemma. However, they are cooperating with each other for keeping this planet healthy. First, we look upon the following graph that gives us a clear picture of how much carbon dioxide is being emitted by these economically prosperous countries.

The above graph shows that in 2001, China with 13% emission of carbon dioxide is the second largest after the U.S. It is predicted that by 2025 its emission of carbon dioxide will reach up to 18%. China is doing its best to curtail burning of coal as much as possible by making 40 "coal-free zones," and has decided to build natural gas pipelines for minimizing the harmful effects of coal in big cities.

**Hardware/Software versus Humanware**

China is not facing today the problem of hardware or software but “Humanware.” After communist revolution in China in 1949, intellectuals and educated people started leaving the country for life abroad. In the twenty first century, China needs a strong social system to sustain successfully in the world community.

China urges to get back its skilled, the Western educated social capital back in the native land to improve the standards of social life in all interconnected domains like social, political and economic. It is only possible when Chinese government will introduce new reforms and incentives to attract its educated elite. Without that, ‘Humanware’ China cannot think to invest in high tech labour products.

It has two plans to attain its targets; first, Chinese government is ready to make educational reforms for having more pragmatic and workable social capital. Second, China needs its engineers and scientists back home, who have gone to different industrialized world. Initially it was said that those educated people might come with modern ideas like democracy that could harm the Chinese system, but now China welcomes them for its own advantage, calling them ‘turtles’ as they have the tendency to return to their birth place.

The Qinghai-Tibet Railway is an engineering accomplishment that passes through permafrost region at the height of almost 4,000 meters. As soon as this 1,956 kilometers route
begins in the last quarter of 2010, it will make China strong politically and strategically on the Sino-Indian border and may also assist in the development of Tibet. Other regional projects include regarding water transport from South to North and energy projects from West to East. Besides, three Gorges project completed last year (2009) will produce more than 10% of electricity. It will supplement the existing Chinese electricity capacity.\textsuperscript{100}

Beijing and Shanghai are as developed as any developed world city regarding municipal road and rail network and community life. The forthcoming Shanghai World Financial Centre, 492 meters high, will be higher as compared to Malaysian Petronas Towers. China’s homemade bullet trains run an immense network of thruway. Chek Lap Kok airfield in Hong Kong may be the most elegant its architecture in the world.

All these aspects show that China intends to achieve ‘comprehensive national power.’ In this pretext, China is also making good progress in alleviating poverty and has considerable achievement to its credit in this regard.

Dr. Bhartendu explains that China has also flourished in the field of information technology (IT) and is considered a hub of global communication. It is the principal seller abroad of IT goods, together with cellular technology, note pad, personal computers, and digital cameras. Shanghai has transformed into global seaport, leaving behind Singapore. China has come out as one of the top trading nations ($1.4 trillion in 2005), operating massive export of surpluses with America and European Union. Chinese companies are making a rapid headway and overcoming over other foreign investors, including of U.S. companies. China is a leading country in attracting FDI and rising as a huge consumer market in the world. We conducted in-depth interviews with Chinese intelligentsia for an empirical study of China in this age of
globalization. (Appendix II, III, and IV comprise in-depth interviews with Chinese political, economic, and military intelligentsia.)

**Conclusions drawn from In-depth Interviews with Chinese Intelligentsia**

After having a closer look into these interviews and matching them with their society during the visit to China it seems that Chinese economic development is really remarkable—a fact which is not only accepted in China but the world over. As far as the political aspect is concerned, the Chinese have their own system dominated by the Communist Party. Expressing a difference of opinion all the interviewers supported and opposed their government at the same time. It shows dissatisfaction on the part of a section of the population with present political system in China.

The part, most affected by Globalization is the Chinese social system. In China in the wake of globalization the family system is affected very deeply, divorce rate has gone up and increasing day by day. Secondly, the Chinese social system is semi-Western, taking alcohol without care with their partners. It is not yet as much as in Europe or in the West but they are getting westernized very quickly. They are unable to recognize Madonna a popular singer. They also do not understand what she sings. However, they enjoy English music and have fun. Like other societies, Chinese are very concerned about protecting their interests only. They have developed big shopping plazas with escalators, going up, as they believe that customers should be treated well. However, after buying customers are not cared too. There are no escalators for getting down after shopping on the fifth or sixth floor. Although, a few big plazas have both upward and downward escalators yet whatever we say about them the truth is that they have made a difference in the world economic community.
The Chinese media is also imitating the West. All TV channels are all in Chinese language, only a few news bulletins are in English like World Wide Watch on CCTV international. In China CCTV, BTV, CETV, are major channels. Along with them HEBTV, SDETV, NNTV, HLJTV, TJTV, XZTV, and many other Chinese channels are also contributing a lot in entertaining, educating and informing the people. All Chinese channels have the same style of their presentation and entertainment as TV channels in Asia and in the West. The difference lies in their approach. In Asia and the West, the media is used mostly for commercial purpose. However, in China, along with commercial purpose, it is also used for propagating the ideas of the Communist Party and the government.

Globalization has made a positive impact in the economic domain of China. However, the impact is negative in social domains, as mentioned by the Chinese scholars in the previous pages. It is among the first five nations of the world making rapid economic progress. It is all because of the common man’s participation in the system actively and developing the system with their own sweat. They do not need any sweatshop in China. It is a commitment on the part of the people.

Socially, globalization has a negative impact on China. It is very difficult to say why they are adopting Western values so rapidly without having any understanding about language. English is still far from Chinese people even intellectuals of China are unable to communicate in English effectively. It looks that China is still unwilling to learn more about English. The people in China are trying to learn it but with the objective to communicate with the world community. They do not feel proud to be good at English.

In the political field, it seems they are satisfied and unwilling to have any change. However, they are making some changes to absorb the external shocks of globalization.
However, if the Chinese thought that their political system also needs their push it may start after one or two decades. This political struggle may be for democracy or for any other system and can emerge at any time in future.

More than ninety percent signboards are in the Chinese language, the remaining ten percent are translated into English for Chinese own advantage, as all translated signboards belong to tourism, restaurants and banks. In this context, it is not only an age of globalization but also an age of commercialization.

Corruption exists in China as it does in other societies. Some Chinese talk about the unevenness in the society but others are satisfied with the existing condition. Despite disparities, the Chinese economy is improving as everyone is contributing in China. In response, the government is supporting its citizens in financial crises. For example, an old person is paid 2000 Yuan by the government for living a healthy satisfied life in China. Common people are supported for sending their children to schools. The Government gives fee for two children in each family. That is why; the role of individuals for the development of Chinese economy is very important.

China’s Kuafu Mission is going to probe the Sun. It is China’s first, ever space mission completed in 2012. It is named after Kuafu who tried to catch the sun but failed. It shows that China is also struggling hard for making headway in high technology and space. Chinese lunar exploration project is also under process, which shows the China developing in all sectors in the age of globalization.

After having a close look at globalization and its impact on China we proceed to the third chapter that will explain how India is emerging as another power of the region with a different form of government, economy and culture, and is behaving in this age of globalization.
Endnotes

1 Professor Dr. Xuewu Gu is the Director for International Relations at the Institute for Political Sciences, Sociology University of Bonn, and Centre for the Global Studies.
3 Ibid.
4 Lin Yifu is a professor of economics at the University of Beijing (Beijing Daxue).
5 Yan Xuetong is a professor of international relations at the Qinghua University.
6 Han Deqiang is a critique on globalization in China and opponent for Chinese entrance in the WTO without homework.
7 Zha Daojiong is a professor of International Relations at the International University of Japan.
9 Ibid.
10 Ibid.
12 Huntington, Political Order, p. 33.
14 Huntington, Political Order, p. 34.
15 Ibid.
16 Ibid., p. 35.
17 Ibid., pp. 37-38.
18 Huntington uses traditional (developed) societies and transitional (developing) in his book Political Order in Changing Societies. In this thesis, we are using these terms to denote developing and developed countries for our purpose.
20 Ibid., pp. 79-80.
21 Ibid., p. 81.
22 Ibid., p. 45.


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Nolan, Transforming China, p. 81.

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Chapter 3

India and Globalization: Attributes

India is a plural state with many religions, languages, and cultures and caste systems. It is a heterogeneous state with a warm climate. India is playing a significant role in the world politics in the age of globalization. Its film industry is one of the biggest in the world.

India is the second largest populous country in the world after China. It has made India more attractive for the developed world. In the twenty first century, India is developing itself in a way that its poverty is hidden under the influence of regional power status.

Being a consociational (an alliance of political parties or pressure groups in a constituency that strive collectively to share power)\(^1\) state, India claims itself as a secular country but these claims were belied after incidents like Khalistan, Babri Masjid, Hyderabad Muslim killings and setting fire to Christian churches in India. According to Fareed Zakaria, although India has democracy but owing to its biased policies it has lost respect among its friends for being intolerant, crooked and illiberal towards others.\(^2\)

Indian state terrorism was at its peak when Indira Gandhi launched systematic massacre of the Sikh community in 1984 under P.V. Narasimha Rao, who was the home minister at that time. The Babri Masjid debacle in 1992 and Muslim riots 1993 occurred under the supervision of Dr. Manmohan Singh. The Gujarat massacre in 2002 was another sad commentary on India’s so-called secularism. The passive attitude of the Indian government allowed extremist elements to kill Sikhs in 1984 and Muslims in 1992 and 2002.\(^3\)

In India, there are also three groups of elite in understanding globalization and they react on globalization accordingly. We can say those elite groups as optimists, pessimists and realists. Optimists believe that globalization is integrating India with the outer world. India’s increased
interconnectedness with IFIs, IMF and WTO is giving certain opportunities to Indians for economic development. Jagdish Bhagwati a renowned international economist is a great proponent of globalization. He emphasizes that globalization gives a boom to meager economies of the world and India should take advantage of the global integration rather indulging in the lopsidedness aspects of globalization. He also explains that globalization may assist transitional societies in eradicating poverty and child labour. It also promotes gender rights especially focus on women empowerment. In India, globalization can achieve marvels so we should get this opportunity by defending globalization as a liberator.

Pessimists in India believe that globalization is a curse for the farmers and the local industry. It has destroyed the local business, increase the unemployment. It gives way to the MNCs and resist local businessman to flourish. Arundhati Roy a popular Indian novelist put it in this way "Is globalization about 'the eradication of world poverty,' or is it a mutant variety of colonialism, remote controlled and digitally operated?" She calls herself optimist but her views regarding globalization are considered pessimistic. We can analyze that it is always perception that translate or interpret any situation or a person. Roy is an optimistic person with pessimistic approach towards globalization for many people in the west. The same woman is considered optimistic for her same ideas in India.

The realists in India give a balanced thought regarding globalization. Like China, the realists belong to the core areas of Indian Territory and wish to get the advantages of globalization instead of disadvantages. They also want economic security and protect their national interests. Dr. Manmohan Singh is a great realist in India who believes in protecting Indian national interests with economic security.
India is playing very artfully in international politics, as the West does not criticize India for its undemocratic attitude towards non-Hindu communities. It seems that its big economic market allows India to do whatever she likes. With its market-oriented policies, India is taking advantages of globalization and boosting its economy. However, she is not as prosperous as China is in the twenty first century. Now we try to see how India is grappling its affairs with the challenge of globalization.

Globalization and Its Impact on:

India’s political placement

Politically India is known as a secular and democratic country in the community of nations. Its former president Dr. Abulkalam was a Muslim, endorsing its claim as a secular country. However, incidents of Babri Masjid, Hyderabad riots and setting ablaze Christian churches exposes India as religiously biased country. However, it has successfully dispelled all bad impressions in the community of nations. In spite of all these discrepancies India has been successful in winning the heart of the world due to her media propaganda.

India’s political placement in the Past

“India-the world’s biggest democracy”\(^5\) got a chance to develop its political institutions with democratic norms owing to its leadership that lived longer as compare to Pakistan after the partition of the subcontinent in 1947. That was why; India never experienced ‘praetorianism.’ Interestingly, authoritarianism has remained a characteristic of Indian political system through political its elite. Dynastic politics has played an important role in the authoritative attribute of the Indian region.

Nehru and Gandhi families have consistently inducted their representatives in different governments. It kept Indian political system in the traditional and inherited outfit. Nehru ruled,
not governed, over India from 1947 to 1964. He once himself said that he was “the last Englishman to rule India.”  
Under Nehru Congress achieved a two third majority in elections. India had a multi-party system since independence but in practice, it observed autocracy of one party that is Congress. This autocracy was sustained until Rajeev Gandhi. Although, the popularity of the Congress party came into question after Indira Gandhi’s policies of nationalization and abridgement of the rights of Indian princes yet it created a vacuum in India that was filled by Bharatiya Janata Party based on Hindu fundamentalism. This made India “more democratic” but “less liberal.”

It shows that Indian civil political elite has given birth to autocracy and authoritarianism. It is regret to say that Indian urban leaders like Jawaharlal Nehru, Indra Gandhi, and Rajeev Gandhi could not maintain a balance between states living in the core and states located in the periphery. Indian democracy has had a missing link between leaders and the led. That missing link enhanced certain horizontal and vertical cleavages in India regarding linguistic, parochial, and ethnic at the first place and a lacuna between haves and have-nots at the second place. Kishwar, a senior fellow at the Centre for the Study of Developing Societies in Delhi writes, “The political parties who came to power after India achieved independence played an active role in fragmenting our society by pitching various groups against each other, and pushed narrow, partisan and often dangerous agendas.” It dis-satisfied the masses and uncertainty gave rise to political instability that was at the peak in India in the last decade of the twentieth century. The fact is that no society can flourish smoothly with its lopsided development. It shows that distributive capability is in abeyance. It promotes ‘migration of dreams’ and ‘relative deprivation among masses.’
The dissatisfaction among the Indian masses has caused political instability in the country. Since December 2, 1989 to October 13, 1999, there were seven prime ministers in India. Shri Vishwanath Pratap Singh, Shri Chandra Shekhar, Shri P.V. Narasimha Rao, Shri Atal Behari Vajpayee, Shri H. D. Deve Gowda, Shri Inder Kumar Gujral.

**India’s political placement at present**

From 1947 to 2007, Indian civil governments had fifteen prime ministers as compared to Pakistan’s military cum civilian governments, which had twenty-three prime ministers in the same era. It shows that only political institutions cannot ensure political stability.

Here are some views that have been shared by Sunil Khilnani in India as a Bridging Power; a persistent idea of Indian place in the community of nations as a great regional power. He is currently professor of politics and director, South Asia Studies, at the Paul H. Nitze School of Advanced International Studies, the Johns Hopkins University, in Washington DC. In India intellectuals like Tagore, Gandhi and Nehru have condemned hidebound attitude on the part of Indian government and support for global Indian obligations.

It has been very much in the news that India is going to be a ‘superpower’ by 2020. India is going to have a ‘silent revolution’ based on the principles of democracy, economic growth and political participation of the people that is really making India a country of new look.

It is also explained by Sunil that India has to work hard for sustaining itself with the pace of the globalization and have to utilize all its resources with its best. It includes consistent economic growth rate with real interdependence that will augment India economically but not deprive it from observing full sovereignty as China did that comprehensively. India has to be very clear about its goals in international politics without any ambiguity that should be pursued accordingly.
Today’s world order has changed entirely. After the disintegration of Soviet Union the first change can be seen in the West that came closer for defending itself against external influence; “in David Calleo’s phrase, ‘a new age of geopolitical anxiety’.” Second change is all about the effects of the collapse of Arab nationalism replaced by so-called Islamic extremism. Third is all about China’s rise as an economic giant and India is looking to find its place as significant global player.

Consequently, this world is like a jungle where most of the countries are making policies for its own defence and security but exposing themselves as more democratic, universal friend of peace and human rights where state and market are driving force. In this uni-Multipolar world, India looks quizzical in finding a secure and lucrative position. The preponderance of the U.S. in world politics has been a matter of grave concern with India. Owing to its new role in the world, politics that has been based on attaining a permanent seat in the Security Council India is forced to keep close relations with the U.S. since 2001.

India and the U.S. both intend to promote relations based on bilateralism. The Bush government considered India as a strategic friend and urges to have smooth relation with it on sound grounds. As Sunil mentioned in his article described above that George W. Bush cited the National Security Strategy’ (2002) considering India as an emerging economic power that share strategic interests with the U.S, therefore we are more concerned with the strategic potentials of India. It is a vocal statement by America for a country that is in the subcontinent just because of its strategic and market oriented state of affairs. America never accepted India as a genuine nuclear power but now finds advantages in nuclear India. The U.S. today is concentrating more on “volatile crescent that stretches from Palestine to Indonesia - and to the presence that looms over this geographical curve, China” writes Sunil in his article. The U.S. is determined to check
the ‘volatile crescent’ and contain China as a regional as well as a global power with the assistance of India.

In this increased interconnected world, the state that has the power of adjustability according to international rules can play its turn and can reap fruits of globalization. However, a state with no such capability will be nowhere in the community of nations. In the modern world, all centers of power include America, Canada, China, European Union, Japan, and India looking for lucrative markets for their goods, services, capital, and people to keep their states sustainable and developed. It is quite evident that only developing economies can sustain in the present day world by adopting the policies of interdependence and economic nationalism so that they can compete successfully in the comity of nations.

India wishes to play an influential role in world politics where China as its counterpart exists and their interests conflict with each other. These dichotomies will subsist and intensify in this century. In the last century both China and India were not as influential as they are now. In the twenty first century, they will be relatively rich states with relatively poor populations having high national wealth but low per capita income. Consequently, there is a threat for both countries of internal tensions that may ultimately endanger the international community.

Sunil warns in his article that the modern world has to be very careful in its behaviour and interrelationship; it may cause conflict among nation states. They have to be very much pragmatic and realistic. It may disrupt the international community in pursuing selfish interests to enrich oneself and deprive others. The examples of Osama and Saddam show that disruption can be caused by the developed and the developing world equally. The U.S. is another pertinent example of how a powerful country pursuing its selfish national interests can cause disorder in the modern world.
Political trends keep on changing, traditional power politics is different from the contemporary power politics. For instance in 1998, both China and the U.S. were against the Indian nuclear detonation but today India and the U.S. are worried about China’s role in nuclear cooperation with North Korea and Pakistan. Such power politics does not create strong alliances in today’s world.

In the 21st century, regionalism is emerging as a strong force and regional blocs can be considered as a counter weight to the so-called modern cliché of globalization. Asia is divided into three regional integrated blocs: Asia, South East Asia, and South Asia, all having different cultures and ideologies. They believe in interdependence not dependentia. India is working hard for integrating regional blocs. Sunil writes that regionalism may work for India but it has to play an active role in Asian Development Bank, Association for the South East Asian Nations (ASEAN), Asia Pacific Economic Cooperation (APEC), and SAARC. China resents Indian intrusion in APEC, and ASEAN, and wants to keep it out of these regional associations.

However, India can sustain a strong position in the world politics through its widely acclaimed liberal constitutional democracy. Sunil emphasizes that today the clash of civilization is in vogue, while in the second half of the twentieth century India had been critical towards the West. However, later on it accepted the norms of modernization and liberalism. Unfortunately, while adopting such ideals India has to be more considerate in her dealing with other communities in India, especially Muslims.

Sunil has given two examples of the contradicting nature of Indian political system. In the first place “… ‘Bangalore’ and ‘Gujarat’: a choice between ‘Brand Software’ and ‘Brand Saffron’; the promise of Bangalore and the threat of Gujarat.” India has to be very careful about such images that can distort Indian political legitimacy in world politics.
The second example is about Gujarat proving that economic growth is linked with extremism, where growth occurs within a society comprising of various horizontal and vertical cleavages.

Globalization has made a wide-ranging impact on Indian political system. India has done her best to assimilate other communities into its realm, especially Muslims. Bordering Bangladesh and Pakistan, India is a second largest Muslim country in the world with a liberal democratic order. After 9/11 incident most parts of the world looked down upon Muslims but India took them in confidence and amalgamated their identity into a national whole and if it goes on. The world can take guidance from it as how other ideologies can be made part of the system for peaceful coexistence.

On the other hand, India propagates against Muslims especially Pakistan at international seminars and conferences as the writer knows from his experience of presenting his papers in the South Asian Studies Association conference held in the U.S. every year in April since 2009. In the conference, a working lunch was arranged with an American guest and an Indian playing as a host where they make propaganda for at least one hour against Pakistan. It does not stop here, the conference is on South Asia and is organized by Indians living in America, and they keep busy talking against the national interest of Pakistan in general. It not only hurt the feelings of Pakistanis but also of Indian Muslims to an extent. Surely, India has to show reverence in her relations with Muslims inside and outside the country.

Indian leadership is of the opinion that dichotomy in the system may enhance more unity and strength. Mr. Manmohan Singh said in his speech in New Delhi (November 5, 2004) that India should observe democratic principles for setting an example as a role model for the developing world.
Although, general elections have been a constant feature of Indian political system it has not ensured political freedom in India. Political freedom can only be enjoyed when there is economic freedom. “Political freedom has thus been understood in a very narrow sense of free and fair elections, right to representation in political institutions and decentralization of decision-making in civic affairs through devolution of powers to state governments, Zila parishads and gram panchayats.”

The system capabilities are the unyielding indicators to sustain political and economic systems on strong footings. If these system capabilities are, working efficiently political and economic systems will sustain for a longer time. That consequently supports the cultural and social domains.

In the 21st century, India is striving hard for sustaining its socio-political and economic systems through opening up its traditional outlook by giving way to foreign goods. In the wake of modernization, India also intends to be more tolerant, more liberal, and more democratic. Its stance to resolve Kashmir issue is a pertinent example in this context. Whether Indian prospects for democracy are increasing or decreasing can be observed objectively through Indian policies in world politics.

Jagdish Bhagwati, who writes In Defence of Globalization, believes that globalization has increased the prospects of democracy in the world. He is of the opinion that the Indian farmers are no more exploited by the intermediaries owing to the use of computers and selling their crops independently. For example, one of the farmers Muhammad Arif believes that by using computer he can control the forgeries regarding markets, get latest rates of his crops and keep it stored until prices get better. In the past, they had been beguiled and be-fooled by the intermediaries.
It is a pertinent example of Indians taking advantage of latest technology. It is happening in domestic framework that is surely good for India. However, living in international community nations have to take into consideration that democratic values are also necessary for sustaining itself respectfully in the community of nations. Hence, we have to rely on some universally accepted norms to dig out globalization and its impact on Indian political system.

In this age of collectivism, every country prefers to live according to the contemporary needs and demand of international community. India also wishes to adopt new ways to survive in the modern world through politics of give and take. Therefore, it is resolving its border disputes with China and other geographically contiguous countries.

After the end of cold war in 1991, India started thinking pragmatically to review its political options and decided to open up for international assistance. It wished to play an important role in the world politics and detonated its nuclear device in May 1998. Since then it is demanding a permanent member status in the Security Council. For this India has to prove itself as a peace-loving nation by resolving its border disputes with all its neighbouring countries. By resolving the old Kashmir dispute with Pakistan, India could prove its credentials as a progressive, liberal, peace loving, democratic, and secular country among the community of nations. This is a prerequisite for having a permanent membership in the Security Council.

The last decade of the twentieth century was a reform era in world politics owing to the reunification of the East and the West Germany in 1989 and disintegration of Soviet Union in 1991. These incidents forced certain countries of the world to review their political set ups, because if a superpower could disintegrate, a developing country could also become dysfunctional due to its outdated socio-political and economic systems. That is a lesson for two regional powers China, India, and an important South Asian player Pakistan to have a second
look at their political systems and update them according to increased interconnectedness of the world.

In 1962, border disputes led to a war between China and India. China and India resolved their border dispute on Sikkim when Chinese prime minister Wen Jiabao visited India in April 2004. Arunachal Pradesh is another hot spot where both countries have not yet settled their differences. In 2003, China and India appointed special representatives to resolve this border issue as early as possible. On Friday 20, 2007 the 10th round of talks between China and India was held. “China has solved border disputes with ten neighbours, except India and Bhutan,” said Indian defence Minister Pranab Mukherjee.

Nevertheless, India never thinks why it is unwilling to resolve its border disputes with Pakistan. That can be equally good for India to have peaceful environment in the region. These are hegemonic tendencies, deep rooted in regional powers, which they can hardly get rid of it. If India is interested in leading the region, it has to be rational, democratic and tolerant. Here is a three-point formula to become a leader of the region for India.

First, it has to be very wise in handling its peoples and giving them a place in the political system. All sub state actors can be amalgamated in the system with unconditional tolerance as successfully done by America and Britain. The caste system can be uprooted to attain this objective. All states in India can be given equal sharing in economic fruits for keeping the ‘distributive capability’ of the system alive. It will be discussed in the later part of this chapter that how Indian states are selectively dealt in sharing economic fruits of the country that is a real source of dissatisfaction among masses.
Second, it has to be secular pragmatically, not vocally. Actions speak louder than words. All religions in India can have equal say in the country for making it progressive, prosperous and peaceful.

Third, it has to resolve all border and other disputes with neighbouring countries for a peaceful environment in the region. Then it can look forward to attaining for a respectable global player status.

By using computers, cyberspace, and multimedia no nation can become progressive and peaceful, it is only democratic ideals, norms and values that can make a country sustainable. Democracy is a difficult form of government as it demands too much from the people for example, their vigilance towards their duties, tolerance for other communities, patience for listening to others and morality to hold all together.

The essence of democracy does not lie in controlling the minds of people by alluring them through different means of advertisement or marketing. Democracy gives a free hand to an individual to think over anything he wants and makes a free judgment with his own thought without any pressure. The industrialized world is interested in hurried pursuits of free markets without considering the consequence that may put democracy in jeopardy in the newly independent nations.

It is a hard nut to crack to realize the authenticity of democratic ideals for the development of any political system. China has an authoritarian system; holds back the commercial and free market forces, and emerges as an economic giant in South East Asia. The acculturation is not the solution of the problem. The countries, which import democracy, multiparty parliamentary system, usually lack the capabilities, and resources to build a civil society that allows the democratic political institutions to work effectively. 18 “Without Civil
Society, there can be no citizens, and thus no meaningful democracy.”¹⁹ It means democracy needs homework.

Democracy is a gradual process that flourishes with the passage of time. The traditional democracies like, Britain, Switzerland, and America had to sacrifice a lot to gain democratic ideals, and hundreds of years were taken to have democracy even then flames of discontent existing in such societies.²⁰ Democracy is just a means to an end not an end itself.

It is believed that new technology or scientific advancement plays a vital role in the socio-political and economic development of a country. For sure, India has to learn through this communication age how it can dissolve its horizontal and vertical cleavages instantly that the West took more than hundred years to its birth. Therefore, this age of globalization can be advantageous for ‘transitional societies’ which can learn a lesson from ‘traditional societies’ and go ahead without further delay.

Unfortunately, latest technology and scientific advancement are being used for disparaging goals; impose hegemony in the region, and capture economic resources of the world through immoral means like degradation of the environment and social values (details will come later in this chapter).

In this age of increased interconnectedness, India has accepted that Kashmir is a disputed territory in the region, although, before, it was not ready to consider it as disputed area. India looks quite positive in resolving Kashmir issue with Pakistan and Pakistan is ready to follow suit for sustaining good relations with India.

It was one side of the coin. Now we look at different dissatisfied segments of Indian society who feel oppressed living in India. Christians, Hindus, Muslims, and Sikhs have complaints against the Indian government’s attitude towards them. The matter of fact is that,
subjectivity is ubiquitous in the world even in those societies, which are considered democratic to a certain extent. It is media that exaggerates anything among masses. Undoubtedly, the Western media is powerful as compare to Indian media. Therefore, India usually imitates what the West is doing for its own interests. Western media rarely publicizes dictatorship of American president or British cabinet. It propagates against developing world’s anomalies.

Dr. Manmohan Singh can be considered as the Gorbachev for India. He is willing to resolve all backlogs for a sustainable political and economic development in India. He was finance minister of India in 1990s; therefore, he knows the value of sustainable economy. He believes that the twenty first century belongs to India because it supports democracy and peoples at large.\(^{21}\) India has to be more pragmatic in its actions that speak louder than words. Now we proceed to discuss India’s political placement in future.

**India’s political placement in future**

It is very interesting that India’s political placement in future is conditioned by these major elements. First, how successfully it saves its social system. Second, how it saves its environment in the process of industrialization. (Details regarding environmental degradation in India will come later in this chapter). Third, how it resolves the crises of governance? Fourth, how it faces the challenges of globalization through regionalism, as regionalism is a countercurrent of globalization.

Regional integration is considered an alternative to globalization. Kenichi Ohmae writes in his *The End of the Nation State: The Rise of Regional Economies* that everything in this century is reshaping itself. The capital, corporations, consumers, and communication are the major determinants that are underpinning the phenomenon of regionalism to dominate the world. European Union is a success story in this regard but in third world or in the developing world
ASEAN, G7, G8, G20, G77, SAARC, Shanghai 5 and Shanghai Cooperation Organization are classical examples of rising regionalism with a wild goose chase. Regionalism may prove a direct corollary of globalization.

Globalization has compressed the world and space through communication revolution that has also assisted the process of regionalism. The nation state may not sustain without this regional integration. It will also earn peace and friendship in the world instead of violence, hatred, and animosity if it is based on morality rather than selective morality. Therefore, it can be derived that pragmatic regionalism dominated with ‘isothymia’ part of the soul in which parity among nations is a prerequisite.

Sunil Khilnani has rightly suggested that India has to act as an international player who could bridge the gap between two big powers that are China and the U.S. as a ‘bridging power.’ Although such role is not found in the political world but India can make it as an experiment. It should not only become a bridge between big and small powers but can also work as a moderator between the rich and the poor or even between rival developing countries. However, before taking itself such role India has to redefine its political character in its neighbourhood. Without establishing good relations with neighbouring countries it is very hard to ensure international community that India can work as a ‘bridging power’ as suggested by Sunil.

Indian policy makers have to be very vigilant in using their skills in the modern world and have to act accordingly. They must know how to use their economic well-being, when to bargain aggressively or politely to attain their national interests. It is said that the U.S. may use India as a buffer state against China. Nevertheless, India has to be a very good friend of China for playing an important role in the world politics. As mentioned earlier that good relations with neighbours is a key to an international exposure on sound grounds. America is just using Asian
countries for the time being, and intends to control, and monopolize the lucrative economic markets in India, and China. It is also planned to control the oil resources of the region. For fulfilling its objectives successfully, the U.S. is legitimately using its strategic tactics. It is now up to the Asian countries to escape American influence and manage their own survival. They cannot deny the preponderance of the U.S. in the modern world; they have to maintain a balance for keeping good relations with good friends and a fair weather friend.

India’s civil nuclear deal with the U.S. in 2008 categorically exposed its hegemonic designs. Because of this deal, India is losing its autonomy in world affairs as America may dictate its terms upon India. The U.S. is pressurizing India not to join the India Pakistan Iran energy pipeline project. This project is absolutely in Indian national interest along with its members. The U.S. is not happy with this project, which is advantageous to the three member countries, but India has withdrawn itself from this project to please the U.S. in 2012, the U.S. is pressurizing Pakistan to separate itself from this project.

India is a regional power and shares a respectable status in the community of nations. In Asia it has to be very watchful about its political goals as regional integration, may give rise to ‘glocalization’ (think locally and act globally). It will be very beneficial for India if it gives importance to the neighbouring countries especially China and Pakistan. China, India, Iran, Pakistan and Russia can work together for sustaining a prosperous future of Asia by dissolving all regional organizations (SAARC, ECO, and ASEAN) and amalgamating them in to a one unit that may be Asian Union. Asian Union can be very advantageous for the member countries’ political, economic and social conditions.

**India’s economic interests**
India is an emerging economy based on capitalist-cum-socialist ideals. It has been flourishing in the twenty first century in a different way. It claims to be a free market economy. However, in essence it has a mixed economy. Indian economic reforms started in 1980s. Indian economy was never as open as it is today. In this part of the chapter, we try to explore that India is making considerable headway in its economy based on sustainable economic development. It may be a big claim as different parts of India are unsatisfied with the ongoing economic development in India. We will try to explore globalization and its impact on Indian economy in three domains:

**Indian economy in the past**

Mahatma Gandhi was the chief exponent of self-governance in India and opposed the state control over economic life of the people.\(^{23}\) India had been very confident about its historical legacy of economic nationalism and considered its consumer products best in the world. It had been very attractive for the world economic market.\(^{24}\) After the War of Plassey in 1757, and War of independence in 1857, Indian economy was swayed by the British control through a transnational corporation named as the East India Company. The Britishers uprooted Indian industry and agriculture gradually and undermine the very nature of its economic system that was based on self-governance.

For a historical analysis about the facts of Indian economy for last fifty years, we have to rely upon Bradford de Long and Gurcharan Das.\(^{25}\) They believe that during the first fifty years of the imperial rule India’s per capita income was declined and the GDP was around 0.7 percent per year but in the latter half of the 20\(^{th}\) century the GDP (less than 4 percent) started rising with the per capita income (below 2 percent) at a normal velocity. In 1980-90, the Indian GDP growth rate rose sharply touching 6 percent with almost 4 percent per capita income. During 1990-98, it
achieved GDP growth rate of 6.2 percent per year along with 4.5 percent per capita income.\textsuperscript{26} It shows that Indian economy started booming with the economic reforms in Indira Gandhi’s last era. In addition, it grew rapidly in Rajiv Gandhi’s tenure, as it happened in China during Deng Xiaoping era.

This part of this chapter is mainly based on the views provided by Prasenjit K. Basu who is a managing director of Robust Economic Analysis (Pvt.) Ltd., an economic research and consultancy company based in Singapore. He also writes a fortnightly column for The Edge (a financial weekly published from Singapore and Malaysia) and shares his views in the International Herald Tribune, The Statesman (India) and Economic Bulletin.\textsuperscript{27}

During the last twenty or more years, India’s GDP has grown at an average of 5.9 percent per year. It is a tremendous development with such a large population size and sustaining it for two decades is not a joke. Mr. Basu says that in the economic growth rate, surprisingly, India did miracles in the last decade of the twentieth century and left behind almost all Asian countries except China.\textsuperscript{28} He named India as the ‘stealth miracle economy.’

In the 1950s, Nehru focused more on import-substituting industrialization (ISI) as recommended by the WB for economic development in India. Mr. Basu believes that policy of ISI won laurels for the Indian economic system by importing only capital goods, not luxury and producing consumer goods at home for meeting the demands of the people. Mr. Basu’s impression may be more nationalistic but the fact is that Indian economy has opened up giving way to the MNCs more frequently to do business in India. These ‘dominant minorities’ (MNCs) are a real source of dissatisfaction in the local business community.

The main factor that made the ISI unsuccessful in India was that it had been protecting domestic industry with high tariff and non-tariff barriers. It created an unfavourable balance of
trade in India. The then export products (agricultural commodities, minerals and textiles) suffered a lot owing to unfavourable balance of trade.

Despite the unfavourable balance of trade and the resulting balance of payments crisis in 1957-58, India contentedly attained the GDP growth rate of 4 percent per year, somewhat better than the world average at that time. On the other hand, the wars with China in 1962, and Pakistan in 1965, took a heavy toll of the meager Indian economy.

The second Prime Minister of India, Lal Bahadur Shastri, took the first step toward the Green Revolution with the concentration of powers in the office of Prime Minister. In January 1966, Indira Gandhi, became India’s third Prime Minister and adopted market-based policies until 1969. At the outset, a 57 percent depreciation of the rupee and lethargy in the adoption of export incentives faced a rebellion from the old guard of the Congress party replaced her with the Deputy Prime Minister and finance minister, Morarji Desai, who guided India during the 1957 balance of payments crisis. Later on Indira Gandhi came in to power in late 1960s and early 1970s and led India with domestic and external uncertainties. She took a substantial loan of U.S. $5 billion from the IMF for Structural Adjustment and gave a guarantee to have a growth rate of 5 percent per year for reducing poverty.29

She strictly adopted the policies of economic nationalism and sent back Coca-Cola and IBM from India. Although, the IBM played an important role in the software development in India yet that created a temporary vacuum for soft and hardware in India. This vacuum instantly filled by domestic companies like Tata Consultancy Services or TCS, Wipro and Hindustan Computers Ltd or HCL. These companies led an information technology (IT) revolution in India in 1990s.
Rajiv Gandhi continued structural reforms during 1984 to 1989 as Prime Minister. Slow-speed industrial de-licensing made a little more progress, and gradual liberalization of imports continued. He also softened the tax reforms and extracted the resources more efficiently as compared to his mother. He employed the advantage of IT revolution and encouraged the use of computers in important government departments and companies even facing strong opposition he did reforms in the telecommunications system.


After the assassination of Rajiv Gandhi in 1991, Indian political system faced political instability until late nineties. That established a “sympathy wave” in favour of Congress for the time being but it could not earn as much advantage.

Even in the years of political instability foreign reserves continued to grow at a good pace. Those were U.S. $127 billion at the end of November 2004 providing more than 17 months’ import cover. On the other hand, exports also responded well. In late nineties when East Asian currencies depreciated Indian rupee sustained owing to the export boom in India. Mr. Basu writes:

“Services exports have done even better, growing even when the rupee was appreciating against the dollar – and despite the fact that nearly two-thirds of all software exports go to the U.S. market. Software exports decelerated slightly in the aftermath of the bursting of the 1999-2000 bubble in the IT-
“dot-com” sector….exports of “invisibles” (services, transfers and investment income) have risen nearly seven-fold, from U.S.$7.49 billion in the twelve months to June 1991 to U.S.$59.1 billion in the 12 months to June 2004.”

India had been a country where economic nationalism was very much in vogue after independence. Therefore, India could recognize itself as an independent state, experiencing ‘autarky’ (economic self-sufficiency). Historically speaking, India had been mesmerized by its bureaucracy since times of Jawaharlal Lal Nehru. He can be considered as the first culprit for making Indian economy meager in the outset. In fact, it was planned by the Indian bureaucrats that India would not have imports under Nehru’s policy of economic self-sufficiency. Owing to lack of resources and inflated population, India could not produce quality goods. India remained unsuccessful in winning laurels in its economic development with Nehruvian approach that was based on Soviet Union styled central planning. Although Mr. C. Rajgopalacharia, Minoo Massani, and Nijjalingappa did their best to bring home to Indian bureaucracy that, their reforms in the name of equity were inefficient and destroying Indian economy. In 1970s, a rural movement was started by thousands of farmers of India in Andhra, Gujrat, Haryana, Maharashtra and the Punjab for having a free trade in domestic as well as international markets.

After the assassination of Indira Gandhi in 1984, Rajiv Gandhi was the first ruler in India who ended the bureaucratic influence from economic planning by saying: “A poor country cannot afford to carry on billing the poorest people for its inefficiency and call itself socialist.”

The regional economies of India were sinking very badly. For example, the core states in India comprising of Madhya Pradesh, Rajasthan and Maharashtra have more lands but the states in periphery like eastern Indian Uttar Pradesh and Bihar have more population owing to its
meager literacy and highest birth and mortality rates. This imbalance kept Indian regional economies at the lowest ebb. It has been there that countries usually take more care of their core states as compared to the peripheral states. In the last chapter, we saw that it was also happening in the case of China. Manipur, Bihar, Orissa, Tripura and Uttar Pradesh remained underprivileged until 1991. We can see Madhya Pradesh did considerable development by 1991 due to the economic reforms of Rajiv Gandhi. It is not necessary that regional states can only be developed through government policies. In the case of Kerala, we can give credit to civil society that eliminated poverty from that state until the end of the twentieth century. All that development was focused on health and education less on growth.

Therefore, the commitment on the part of individuals to be participants is sine qua non for eternal and visible development in any domain. We see that Nehru’s policy of economic self-sufficiency that encouraged the domestic economic growth and gave rise to protectionism (an economic process in which local business is protected against the foreign goods through curtailing imports in the country) in India remained unsuccessful and Rajiv Gandhi’s reforms kept India on the road of economic prosperity. International environment disallowed India to keep itself aloof from economic progress with one of the largest lucrative economic markets in the world. Therefore, in this age of globalization it was impossible for India to detach itself from the world economy by adopting Nehruvian approach.

Economic growth rate is very important for measuring the development in any country. According to Baldev Raj Nayyer, India’s economy got better due to globalization. In the pragmatic sense, India was far behind in economic growth before liberalization. For example in 1956 to 1975, its economic growth rate was only 3.4 percent and went down from 1965 to 1975 by 2.6 percent while liberalization started taking place in India. After liberalizing its economy,
India entered the age of globalization successfully and made an economic growth rate more than 5.5 percent. Since 1995 to 2007, economic growth surpasses 6.5 percent and amazingly, 2007 to date India achieved a respectable figure of 8 percent.  

**Indian economy at present**

In the last two decades of the twentieth century, India started opening up its economy and gave way to imported goods. In fact, domestic constraints kept India busy in resolving its horizontal and vertical cleavages regarding linguistic, parochial and everlasting gap between haves and have-nots. With the communication revolution, India has to cope with the situation and decide to go for outsourcing that is an integral part of increased interconnectedness. It is exporting its consumer goods in the neighbouring countries as well as to the Western countries. It shows that not only globalization makes an impact on India, but India is also making a difference in the world economy and making an impact on globalization. It again testifies the two-way causality relationship of our dependent and independent variables.

Modernization has increased pressure upon urban areas in India. It also has augmented the gap between rural and urban elite. That gap has created a vacuum in Indian economic system and inflating poverty in rural India. Indian government is feeling that pressure and decided to face it prudentially. Again, development is going on in India in core states and population is increasing in the peripheral states. This is the major threat to India at domestic level. It can only be resolved through the cooperation of masses on one hand and making efficient and people oriented policies by the government on the other.

The fact is that owing to the tremendous population size and fewer resources in the country, skilled and non-skilled social capital in India used to go overseas for opportunities to earn more for the prosperity of their family. It detaches the individual from participating in the
system. This aloofness from the system directly affects the economic system owing to loss in skilled and non-skilled social capital at home. Therefore, this brain drain process is undermining the country in a negative way. On the other hand, overseas earning that is sent back to India is a part of Indian economy for sustaining its infrastructure. The magnitude of brain drain is greater than the overseas earning. That imbalance may hurt India in the longer run. If it successfully creates balance in bringing back home to Indian Diaspora will happen otherwise.

During the macroeconomic crises in early 1990s, India adopted economic liberalism under the leadership of P.V. Narasimha Rao. In late 1990s, Indian economy was $1,702.7 trillion, that was an almost 5% of world income. In the first five years of the twenty-first century Indian economy rose to $3,815.6 trillion, that was well nigh a 6.3% of world income. It is considered the fourth largest in the world as far as GDP concerned.39

Presently India is not utilizing its economic infrastructure more efficiently as it is not enjoying good political relations with its neighbours. Without good political relations, hardly any country can earn laurels in international political economy. India is mobilizing its forces on borders especially on Siachin that is the highest point of war in the world where cost of war is so immense and undermining the economies of both India and Pakistan. If India prudently resolves its border disputes with Pakistan as it did recently with China, it will go beyond expectations in its economic development. Although, it will also do good to Pakistan economy yet it will ultimately help India in playing a positive and peaceful role in world politics. Peaceful and prosperous neighbours would assist India in the community of nations.

India is a country with immense talent and resources, it must use such capabilities in an effective way to maximize its international position, it has to understand the real meaning of power that has relative meanings and can be understood in different perspectives in different
circumstances. Military, arms and technology are also used as power but in the twenty first century, the use of capabilities and skills at the proper time for a proper case can boost the economy of any country. For instance, China does not interfere in world affairs and does not allow others to poke their nose in her affairs. China is using its capabilities and skills of its social capital according to the circumstances without considering that how the world is looking at the manufacturing standard of Chinese consumer products. It is producing consumer goods for every individual of the world.

India has to take a leaf out of Chinese book for economic development based on good relations with its neighbours and manufacturing consumer goods for the entire world with the policy of non-aggrandizement. We have history with us that arms and armies never win hearts of the people but peace and harmony can. India has to be realistic in this perspective and have to liberate Kashmir with dignity and concentrate on developing its boosting economy. If India keeps on aggravating its conflicts with its neighbours, it will not sustain its ongoing surging economic prosperity.

It has been stated in the theoretical framework of our research that system capabilities play an important role in the development of a political system. Hence, not only good GDP and growth rates give a state recognition in the community of nations. It is also the state’s ability to extract its resources (collecting taxes etc.) and its ability to regulate them efficiently.

**Indian economy in future**

The Indian economy can increase its growth rate in the future only if it is based on equitable distribution of wealth through trickledown effect. As mentioned in previous discussion, most of Indian states remained deprived of certain economic fruits that increased poverty in such regional peripheral areas. India has to increase credibility of its institutions among the masses. It
is only possible when Indian economic infrastructure will plan for the whole Indian community on the basis of parity. The ongoing increasing gap between haves and have-nots is owing to the dynastic politics in India.

The real economic figures give us an optimistic view of the Indian political system as the present government is protecting the national interest to an extent that is making steady improvements in the economic domain. It seems that India’s real GDP will increase in future. Manjeet Kripalani and Pete Engardio write in the Rise of India:

“India produces about 3.1 million college graduates each year, 50 percent more than the 2 million churned out by the next biggest producer of graduates (the U.S.). Of these, about 260,000 consist of engineering and science graduates—again a considerable lead over the U.S. and everybody else. Tertiary enrolment—especially in engineering, technical and management schools—is rising rapidly, and is expected to rise 50 percent from the levels of last year by 2008.”

The ongoing pace of Indian political and economic development shows that Calcutta, Delhi along with Bangalore and Hyderabad with original software and IT-services are achieving a rapid growth. There are a number of other cities and towns like Ahmadabad, Bhubaneswar, Chennai, Guwahati, Jalandhar, Kanpur, Lucknow, and Pune, which will develop in the near future. This development shows that India will continue its leadership in software after Israel in future and may overcome Israel’s software exports in the next two decades. Mr. Basu also shares the same view and writes:

“While software export revenues are just 2.5 percent of GDP now, they should rise to 6 to 7 percent of GDP by 2008 – and total “invisible” exports should rise from the current 13 percent to nearer 25 percent of GDP by 2010.”
It seems that India may grow at the rate of 7 percent per year for the next decade, owing to its knowledge-based industry and textiles. The development in biotechnology will also have a deep impact in the agriculture sector. If bureaucratic redtapism does not block the ongoing economic development in India, we can expect that the fiscal situation will improve, and real GDP growth will increase up to 8 to 8.5 percent per year in the decade ahead. In the following comparison by Goldman Sachs and Keystone gives almost same calculations. The future of Indian GDP growth rate looks brighter than China in the next forty years by both sources.41

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<th>Year</th>
<th>Goldman Sachs' forecast</th>
<th>Keystone’s forecast</th>
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<tbody>
<tr>
<td>2000-05</td>
<td>5.3 8.0</td>
<td>6.8 8.8</td>
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<td>2005-10</td>
<td>6.1 7.2</td>
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<tr>
<td>2020-25</td>
<td>5.7 4.6</td>
<td>7.3 6.0</td>
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<td>2030-35</td>
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<tr>
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<td>5.6 3.5</td>
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<td>2045-50</td>
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Not all these facts can be considered credible unless or until the common man in India enjoys the fruits of globalization. Literature review shows that in India the common people are
not satisfied with the ongoing reforms in India, as it does not give any credit to the people. There is no trickledown effect usually claimed by the public sector in India. A common Indian can perceive his economic freedom only in the presence of implementation of reforms uniformly in the whole of India. For example, following steps can enhance people’s trust in the political and economic systems:\(^{42}\)

- Removing corruption and kickbacks from public and private sectors, for encouraging people that they can enhance their interaction with the system more actively.
- Decentralization to the grass roots level that could empower people not government officials, for starting private business that will boost Indian economy at micro and consequently macro level.
- People must feel security in sustaining their private assets for prosperous life.
- Speedy justice should be provided to people that could make them satisfied mentally and physically for not being deprived of their fundamental rights.

**Socio-cultural effects**

Kishwar writing about the Indian society laments that a society with uneven standards can hardly make positive change in its socio-economic system, where most part of the population is considered uneducated as not trained by any formal institution to whet their capabilities.\(^{43}\)

Indian culture is the only domain that seems affected by the process of globalization. It is affected negatively to an extent as we see Indian Bollywood does not represent the true Indian culture. Indian media especially television is really producing such programmes that hardly depicts the social phenomenon happening in India. We believe that Indian media is really tormenting India’s glorious heritage in this age of globalization. This is a big difference between China and India as former follows the West keeping its values intact, while the latter seems
guilty in this domain. Parag Khanna is presently managing the Global Governance Initiative of the World Economic Forum, based at the Brookings Institution in Washington, D.C., explains how Indian culture is deeply affected by the process of globalization. He called Indian commercial developments on a large scale as “Bollystan, a realm in which Indian roots are planted everywhere, but the flowering of the trees traces back only loosely to the original seed.” He further says that Bollystan is rising physically as a “bowl of ethno-commerce and a new model of geographically transcendent sovereignty.” India producing movies, microchips and Miss Universes on a large scale but unable to regulate them even such ventures are being produced beyond Indian borders. The era of globalization is affecting Indian social system with ‘migration of dreams’ and ‘relative deprivations.

Indians are so busy in singing and producing music that it has become difficult for an intellectual to be recognized owing to its literary piece. Indian remix songs and cross-border cinematographic products have made India so commercial that they may make India global in such domains but will lose certain intellectuals amidst deprivation and alienation. Parag Khanna says, “Culture, not politics, lies at the heart of Bollystan.”

The 2004 Edinburgh International Book Festival invited Indian authors like Anita Desai, Hari Kunzru and newcomer Siddharth Shangvi, but there were very few who showed their reverence towards them. Undoubtedly, Amitabh Bacchan stood at the top in the BBC’s online poll to name an “actor of the millennium.” Prashant Agarwal, in the New York Times argues, “The day will come when Bollywood stars are just as famous in the United States as they are in India.”
Once Joel Kotkin said, “do not surrender their sense of a peculiar ethnic identity at the altar of technology or science but utilize their historically conditioned values and beliefs to cope successfully with change.”

It is considered that in the contemporary era, Indians are producing a civilization that is interconnected as the Anglo-Saxons, Chinese, and Jews did it. The huge population of India is spread in all over the world. The modern world is sharing the Indian Diaspora with a significant number. In almost forty-eight countries, Indians are at least ten thousand in numbers. In other countries, it ranges from one lac to half of a million.

The Middle East, the U.K., the U.S.A. and other European countries comprise large Indian community that has a good say in those systems. After India, again China has a larger size of dispersed population size in the world. The U.S. has almost six million nationals overseas, but neither Democrats nor Republicans gives importance to emigrants such as extension of Social Security benefits and other issues regarding of citizenship and nationality of the newly born babies.

The preponderance of Indian Americans is increasing in the U.S. as compared to the U.K. Indian Americans are a very wealthy ethnic group in the U.S. with an estimated income of $60,093 that is double the income of the local American and boast 200,000 millionaires.

Indians have a membership of important institutions pertaining to technology and financial affairs. There are many professional and social organizations, from the American Association of Physicians of Indian Origin to the Indian National Overseas Congress. Despite all these organizations, earning a lot of money is an essential first step for gaining influence in the democratic marketplace. Parag Khana writes, “A half-century after Dilip Singh Saund became the first Indian American to serve in Congress, Republican whiz kid Bobby Jindal won a seat in
the House of Representatives from Louisiana in the recent U.S. election.” A few groups in America like the U.S.-India Political Action Committee (USINPAC) are playing an important role in determining the political future of key U.S. political figures. This group chose New York Senator Hillary Clinton for the Senate’s growing “Friends of India” committee. In 2002, the same USINPAC caused a defeat to Cynthia McKinney, a five-term Congresswoman from Georgia, who was pro-Pakistan and Khalistan, although she got another seat from Georgia, and now Jindal has joined the House.

Parag Khana further explains that scores of Indians had formal roles in the 2004 Republican and Democratic national conventions, and had raised millions on both sides of the American political divide. Both presidential candidates appreciated the vitality of Indian American community in the U.S. and promised to appoint them to cabinet and sub-cabinet level positions. Indian community has become so important in America that it has become an obligation for an American president to visit India before his election to have the attention of Indian American community in the U.S.; such a visit would be like visiting one of the European capitals.

A large number of Indian students are studying in America and adopting American values. It is considered that almost 80,000 Indian students in the U.S., the most from any country, receiving technical education. The Bush government was very anxious to have bilateral relations with India more than that of “Next Steps for Strategic Partnership.’’ The result is that the Indian American community is consistently pressurizing the U.S. government and lobbying for a permanent Indian seat in the United Nations’ Security Council.

India is guilty in the domains of human rights violations, democratic ideals, rule of law and gender discrimination manifested in the form of wedding rituals, based on dowry at the time
of marriage and custom of ‘Satti’ (setting ablaze a widow with the death of her husband). An unbiased analysis shows that degradation in social system hardly undermines a political system but degradation in environment not only undermines a political system through diseases among human beings but also affects the economic system on a large scale.

Kishwar emphasizes that globalization in India increases disparities regarding crimes against women, helplessness of the poor farmers, and unemployed youth.48

**Geo-political significance of India and Its Security Concerns**

India is surrounded by Bangladesh, Bhutan, China, Myanmar, Nepal and Pakistan. It has two nuclear powers in its surroundings, China and Pakistan. China defeated India in 1962 war and became nuclear in 1964. It compelled India to be nuclear and ultimately in 1974, it became nuclear. From 1947 to date, India has boundary conflicts with China, Nepal and Pakistan. It has resolved its boundary conflicts with China and Nepal but not with Pakistan.

India is also looking for better trade relations with its neighbouring countries. India has given Pakistan the status of most favoured nation. Pakistan lacks trust in India owing to its obduracy on Kashmir issue. Therefore, India has remained unsuccessful in getting more trade outlets in the region. Geo-political condition of India demands peace in the region that can only be sustained through resolving the old Kashmir issue. U.S. President Bill Clinton called Kashmir as a nuclear flash point of the world. It shows that without resolving this issue no sustainable peace can be attained in the region. India demanded a permanent seat in the security council of the U.N. but was denied owing to its fake secular character. India can take advantage of its geo-political situation by harmonizing its relations with its neighbours. India is the only big power in South Asia that can integrate South Asian Association for Regional Cooperation. The leader has to lead the region not police the same. It can go beyond Pakistan to central Asia for its trade.
Globalization and Environmental Degradation in India

In India, eight most polluted cities are Sukinda in Orissa, Vapi in Gujrat, Mandi Gobindgarh, Punjab, Lucknow in UP, Raipur in Chhattisgarh, Ludhiana in Punjab, Kanpur in UP, and Faridabad. In the Copenhagen talks in 2009, India warned that it would not be legally bound by any emission agreement. The emission of sulphur dioxide and chromium in Indian cities are causing thousands of deaths.

Globalization is a natural process in which industrial development take place in all domains of life and that process of industrialization usually take a heavy toll of the environment. India is developing rapidly and installing industry for fulfilling the needs and demands of the people in time without protecting the environmental concerns.

This ongoing rapid progress may take India to a level of third largest economy in the world but the future of the next generation will be murky owing to the depletion of ozone layer and greenhouse effect. It is happening due to a consistent carbon dioxide emission in the environment in the wake of industrialization in India.

It is a debate in India that there are environmental consequences India is facing for economic development. It is affecting water, forests, and air on a large scale. Scarcity of water has been an ordinary matter in India’s urban and rural areas. In rural areas, water is usually under the control of upper caste Hindus and they do not allow the lower caste Hindus to use that water according to their needs. The quantity of water is not only the problem but the quality of water is more dangerous for the health of the people.

“The urban elites fit expensive filtration and purification units to their kitchen ware supply and many drink bottled water. Many other people, urban and rural, are exposed to water which is rich in herbicides, pesticides, industrial chemicals and sewage.” The condition of
industrial sector is worse than this. Many industries in India are disposing their raw wastes in the rivers. The leather tanneries are also disposing their waste chemicals into the water. The cloth dyeing industries are other culprits that are despoiling the Indian water reservoirs.\textsuperscript{54} Laws are made for protecting the environment but not abide by the people. Owing to red-tapeism and kickback, culture among government officials is ruining the environment in India more rapidly.\textsuperscript{55}

Dumping is another aspect that is polluting environment in India. It is happening in India that it imports waste from rich states and recycles it for usage. In India, it was supported that many products can be made through recycling of imported waste that means availability of cheaper goods. In Basle Convention 1989, dumping was not allowed in India but recycling was permitted. According to Praful Bidwai, it is absolutely hypocritical and immoral to support the import of wastes as they create jobs. He believes that the quality of the job and its effects on the life of the employee as well as on the environment should not be ignored.\textsuperscript{56} It is common that when natural resources fulfill the needs of everyday life it threatens environment. People even like trees for shadows and fruits but they also need wood for making furniture, ploughs, tools, paper, and leaves of trees also used as utensils and other things for their daily use. Indian NGOs did their best for bringing people home about the harvesting of trees without cutting them down. The main biomass demands in India are fuel and fodder. The need of fuel is usually fulfilled through vegetable resources in both rural and towns.\textsuperscript{57}

The Indian government is trying its best to make dams for putting an end to water scarcity in the country and disseminating information for the usefulness of natural habitat among masses. Now we proceed towards a comparison between two countries as to how are they being affected by the phenomenon of globalization in the twenty first century.
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Chapter 4

Evaluation, Comparison and Contrast between Chinese and Indian Globalization

In the previous two chapters, we saw the phenomenon of globalization in a theoretical and operational framework in two different political systems that are China and India. Here in this chapter we shall focus on the evaluation, comparison and contrast between two countries under discussion. We are going to make an evaluation again in three different but major domains that are political, economic, and social.

Here we also see a few analogies in both political systems: for example, China and India are two populous countries in the world. Oded Shanker gives a rough estimate of Chinese population as 1.3 billion as compared to the Indian population of nearly 1 billion.\(^1\) Owing to their populous status in the world both China and India are at number 1 and number 2 respectively. They are using their social capital or population in a way that economic development can be seen in China and India. Their skillful labour is working in the whole world. He is of the opinion that ‘Chinese Diaspora’ is occupied with wealth and business while Indians with education, and technological advancement. Both countries are working hard for getting themselves free from the dominance of socialism.\(^2\)

Both countries also have oldest civilizations on the earth named as Confucianism in China and Hinduism in India. They are located in Asia, surrounded by big power Russia. They are in a region where the largest numbers of nuclear powers exist. Those are China, India, Pakistan, and Russia. Out of seven nuclear powers of the world, four are found in Asia. That was why a former American president said that Kashmir is a nuclear flash point in the world. It is also considered that both countries are big economic giants in the twenty first century. Now we proceed towards a comparison between two countries that will give us a striking contrast.
Geographically speaking both China and India are two regional players along with their global importance. China is a global player and wishes go together with Asia. Contrary to this India as a regional power, wishes hegemony in the region, and being utilized by other powers like the U.S. has been using consistently India after its so-called war against terrorism.

Politically, China and India are entirely different countries. The Communist Party of China rules in China and India is ruled by a semi democratic federal form of government. India has been a colony of Britain but China had never been a colony. This is the point where both countries are politically altogether different. British parliament is considered the mother of all parliaments; therefore, Indian parliament is a direct outcome of British Indian Act 1935. India even with a one of the oldest civilization on the earth is still intellectually dependent upon the West for its political lay out. After the partition act 1947, the first governor general of India was an English man known as Lord Mountbatten. The first prime minister of India was Jawaharlal Nehru; also a foreign qualified and followed the Western style of democracy but developed the political institution efficiently as compare to its neighbouring counterpart Pakistan.

Contrary to this, China has its own political layout that has been evolved and made by the Chinese themselves not by any English, Dutch or any other foreigners. Both countries have their political differences on Arunachal and Sikkim. It was reported in India today on September 4, 2005 that both China and India value each other’s friendship and they have resolved their border conflict on Sikkim. Defence Minister Pranab Mukherjee said “On Sikkim and Arunachal Pradesh we have differences; however, the difference on Sikkim was resolved during the last visit of Chinese Premier Wen Jiabao's to India in April last.” He also said that China has resolved its border disputes with ten other neighbouring countries except Bhutan and India. He was of the
opinion that India was doing its best to have confidence building measures with China on the issue of Arunachal Pradesh. Parnab Mukherjee called China an invader in the said territory.

In the field of economy both China and India are following more or less same tactics for their economic development. Both are trying to capture international market through dumping. Mr. Sunil said that a stark difference between China and India is that China may have a vibrant economy but it remains a feebly justifiable actor in the global sphere. We can take this statement of Mr. Sunil as hypothetically correct but not realistically. It is an open secret that in the modern world Chinese economy has been consistently rising day by day and registering a rapid amount of growth rate in the world.

He boosts “India, as the world’s largest open society, is ideally poised to step into this opening, as it remains one of the great modernist political successes of the non-Western world and one of the very few that has amassed the political capital of a democratic state which has, to a large degree, respected internal diversity.”

Mr. Basu says, India’s economic achievements remain subject to endless unappealing appraisal with neighbouring China; as it seems India is not well ahead of China in evaluating economic indicators, “including growth, per capita income level, and consumption of key consumer and food items, social indicators such as life expectancy, literacy and infant mortality.”

China and India are two success stories in the age of globalization. The international media considers that the twenty first century is actually an “Asian century.” Especially Chinese economic experts really opine the same way that it is not a “Chinese Century but an Asian Century.” India also has the obsession to go along China in economic development. There are different opinions on the present economic condition of China. Some people say that it is a direct
outcome of Chinese adoption of economic liberalization; others say that it is just because of “early Communist history of land reforms and egalitarian policies formed the essential basis upon which all subsequent change has depended.”

The literature review of international political economy gives us a categorical expression about the important differences between the two economies, which provide such comparison very apparent, and it gives us a solid argument that policy of one country may not be applicable for the same purpose to another country. In the case of China and India, we can find ten glaring differences. Jayati Ghosh has explained these differences in his essay published in August 2005. Here is the analysis of these differences:

The first difference depicts that the Chinese economy has been a command economy with a strong public sector and Indian economy has been a mixed economy with a large private sector. Jayati Ghosh writes in her essay titled *China and India: The Big Differences* the Indian economists are more inclined towards capitalist ideology with an increasing redundancy that may be unintentional. Therefore, the State has to make such strategy that will globalize the Indian economy without losing supporters at home. The capitalist nature of the Indian economy can be questioned as government of India has full control over the market forces.

The second difference between two economies is that China has control over the domestic financial sector. In India, the financial sector is neither under the control of the government nor under the private sector. In India, financial liberalization in 1990s has involved a progressive deregulation that clearly shows less intervention of the state in financial affairs. In China, it is otherwise, state controls financial sector even in the process of ‘neo-liberalization.’ Jayati Gosh says, four big banks of the Chinese government are controlling all financial dealings and have full control on the flow of credits in the priority areas.
The third difference is all about the high rate of GDP growth in China as compared to moderate growth of the same in India. The Chinese economy ‘s average annual rate is 9.8 per cent for two and a half decades, while India has almost achieved 5 to 6 % per year in the same period. The higher GDP rate in China relates to the fourth major difference, concerned with a much higher rate of investment in the country. From 1980 to date China has the investment rate about 35 to 44 percent as a share of GDP. That is very much high as compared to India’s 20 to 26 percent in the same period.

The fifth difference can be seen in the perspective of economic diversification and structural change, China has followed the classic industrialization pattern, moving from primary to higher levels of manufacturing activities for the last 25 years. The manufacturing sector in China has provided double workforce and three times more share of output that has “the workshop of the world.” On the other hand, India, the development has been from agriculture to services in the share of output, but no sizeable increase in manufacturing and the structure of employment has been persistently opposed to change.

The sixth glaring difference lies in ‘trade policy and trade patterns.’ Chinese export growth has been much more based on aggressive marketing in the world Besides that Chinese state has also been interested in providing basic amenities of life like housing, food and cheap transport facilities. This has reduced labour costs for employers. On the other hand, cheap labour in India is due to poverty and low wages with weak infrastructure. In China, trade policy has increased the employment opportunities, for example until 2002, China did not liberalize the trade and had more exports that increased the volume of manufacturing on Chinese labour and it balanced the effect of redundancy caused by import competition. On the other hand, India remained unsuccessful in attaining such balance and the rate of unemployment increased in India
with import competition. It shows that Chinese labour is more hard working and is utilized by the Chinese government more appropriately in the world economy, while the Indian labour is less skillful, has less demand of its products in the world market.

Jayati Ghosh finds the seventh difference in poverty reduction. She is of the opinion that China is more successful in reducing poverty as compared to India. It is officially declared in China that 4 per cent of the people live under poverty line, while unofficial sources believe this figure is almost 12 per cent. In India people are very much poor. According to 1999-2000 data, 26 to 34 percent people in India live below poverty line.

Eighth, China has been more successful because since 1970 to date China has been consistently using the distributive capability of the system more efficiently and fulfilling the needs and demands of the people in time. This people centered approach in China has increased the sense of participation among Chinese and they started believing in the efficacy of their political system. This belief in the political system gave a big boost to Chinese economy at home and abroad. Initially China concentrated on manufacturing consumer goods of low-tech labour that increased the employment opportunities in China. This was the first cause that reduced poverty in China. Secondly, it also boosted the trust of the local producer in China who has been interested in capturing the market at local level and later on at international level. In the era of Deng Xiaoping, for the first time the Chinese government seriously thought to reduce the poverty in China. It worked in two phases more successfully (1979-82 and 1994-96). These two phases elevated the prices of the Chinese crops and increased agricultural profits. In the first phase, Chinese government gave a free hand to the farmers to find new horizons for agricultural crops production. It increased agricultural production in China and farmers were benefited out of high crop prices. It was the second immediate reason that reduced poverty in China.
The ninth difference shows that in China, the center of attention in the 1990s had been health and education. Besides hygienic environment and balanced diet, it emphasized access to education for male and female up to the tenth grade. Although, in the twenty first century China has privatized health and education yet that may lead it towards unsatisfactory conditions. While in India, all these basic amenities of life provided inadequately to the people in the same years.

In terms of inequality, in both economies, the recent pattern of growth has been unequal. In India, the difference between haves and have-nots along with rural-urban peoples has been consistently increasing. Contrary to this, the Chinese government has adopted special measures to dilute such effects by reducing taxes upon masses to increase their investments in the western and interior parts of the country. In addition to that, China also increases the social security benefits for the people. In India, this process is at its embryonic stage, it may take longer time to reduce such inequalities.

The tenth difference lies in the political systems of China and India. The Indian government and its Diasporas believe in rapid economic growth rate and consider it as the biggest democracy in the world. The incidents of Babri Masjid, Gujrat, and Hyderabad, exposed it as an illiberal democracy in the world. In the presence of all these facts it is evident that today India is making economic headway that is commendable. The political instability in 1990s shocked the Indian political system but also forced the political elite to redress the grievances of the masses. The Employment Guarantee Act is a pertinent example in this perspective. It shows that still people are sovereign in India.

Both China and India have very high ambitions regarding their economic growth rates. China believes in increasing exports and investment rates to capture most of the world’s economic markets including India. India is very proud of its information technology, has firm
belief in serving the world in this domain as a leader, and expects economic growth on a high scale. India needs political stability that is still under cloud as the incident of Mumbai blasts in 2008 has exposed India’s internal dissatisfaction among masses. There is no evidence yet found that proved Indian stance that Mumbai was attacked by the neighbouring rival country.

The problems in the two economies look similar as both are agri-based economies and therefore need more skills and technology. China and India both are neglecting their social fabrics and thinking less to improve it. In China Muslim-majority province is being deprived and same thing happening in India.

Jayati Ghosh’s views are very pertinent and hold water in describing such differences in unbiased and scientific way. We can deduct from such views that China and India may rise together in the twenty first century if they assist each other in holding together the Asian economy and keeping Western influence at an arm’s length. China and India can easily rescue the Asian countries from the state of dependentia and can make an end of neo-colonialism, which has been a characteristic of the developing countries by carving out Asian Union. Here are some other differences that have been explained by other Indian Scholars that are exposing the differences on in different fields.

The gap between two countries under discussion is increasing owing to the rapid age of globalization but in healthy competition, China and India are growing. China has launched the World’s first “commercial maglev (magnetic levitation) train which is operating between the Pudong International Airport and downtown Shanghai. It takes just seven minutes to cross the 30-kilometre distance -- which is about the same distance between Mumbai's international airport and Nariman Point, which takes anywhere from 75 minutes to a couple of hours, to
Another difference can be founded in sports, Olympics 2004 held in Athens, China won 63 medals as compared to one by India.

Coalitional and agitational politics, backlog of court cases, environmental degradation, democracy, and rule-of-law are attributes of India that have not only delayed implementation economic reforms in India for more than a decade but also added extremely to the costs. In addition, the direct cost appreciation is possibly only a small part of the total cost to the economy. It can be easily understood that output lost owing to delays in the starting of the project. China started its economic reforms process in 1979 while India did it in 1991 therefore such delay can be considered a real reason for all such differences.

Socially speaking, both countries are proud of their legacies. China looks more pragmatic in its cultural outlook even captured by the Western food chains like McDonalds, KFC and Pizza Hut etc., as compared to India where flow of information has totally transformed Indian society into an impersonation of the West. It is not only Western food chains, Banks and MNCs are penetrating successfully in India but also films of Hollywood gives a different way of communication for Indian masses. For instance, obscenity is increasing in Indian films. It was not in vogue in last one or two decades of Indian cinemas but in the twenty first century, it has become a part of Indian films. The producers and directors look inspired by the Hollywood movies and never resist in shooting bold scenes. Such obscenity in Chinese films and cinema is still rare. All these impersonations are leading Indian youth towards nowhere.

Indian television is the worst of all as it attracts more audience in India, a real source of ‘relative deprivation’ and ‘migration of dreams.’ Star Plus is an Indian TV channel that telecast such dramas that are usually based on issues of social degradation in the society with a makeup and dresses that are not a part of Indian society. Most of the dramas are based on issues of affairs
of spouses, divorce and conspiracies in families. These are not the only subjects in Indian society. Poverty, pollution, inequality, gender discrimination, and religious intolerance are main issues in India but are hardly shown by any Indian TV channel.

Indian films are more critical towards its political system as compared to China. Chinese TVs usually do not criticize government policies. In China, information and communication resources are totally state controlled. They never talk against the aspirations of Chinese government. However, there are reports regarding sacking of government officials on the information from social media. Analytically speaking, owing to more freedom and democracy, India can take advantage of communication revolution and can do much better things for the uplift of its society through media. China is unable to do that as it is under the thumb of state control media. Corruption is deep rooted in both societies.

Asia is under transition owing to two big powers China and India. Both powers are busy in restructuring their economic and political systems according to prevailing circumstances. They intend to accompany the globalized world. Japan inspired the Asian Tigers like Hong Kong, Singapore, South Korea and, Taiwan. China and India, 40% of the world in population, can shake the world. The Chinese economic growth rate is almost 11 % and India is touching 8-9 % that is fastest in the world. Lee Kuan Yew, (L. K. Yew) founder of Singapore says that “China is the factory of the world; India the outsourcing services center first in call centers and now moving to more sophisticated business process operations and clinical research activities of global corporations.” He further says, both nations are learning from the developed as well as developing world and trying their best to adopt such methods and techniques that may boost their economies in the best way.
L. K. Yew evaluated both China and India in an objective way. In 1950s, he was of the opinion that democratic India would make a rapid growth in future not communist China.

By the 1980s, L. K. Yew became convinced that it might have been an oversimplification to say that liberalism was the only way out for political and economic development. Since L. K. Yew was of the opinion that controlled economy or government interventions in economic affairs slowed down the economic growth in any form of government or political system. Some unseen forces like ideology, norms, values and customs that made a serious impact on the output surprised him.

In the beginning, in the post-World War II, China was facing crises in the form of civil war and weak infrastructure. The communist revolution in 1949 changed the rules of governance in China, and it adopted the economic policies of the erstwhile Soviet Union. Mr. L.K Yew believes that India was much better at the time of independence. It was resourceful in all political, economic, security and social domains. The Indian civil servants were more proficient in policymaking as well as in English language. Gradually Indian government started intervening in the economy and centrally controlled the same. The Indian political elite was willing to make reforms but they indulged in pursuits of personal, party and parochial interests as it was being done in Pakistan. The Indian bureaucracy played with the situation and did not allow the political elite to be empowered. It damaged India owing to the increased centralized policy making process on the part of the bureaucracy. It kept the political elite engaged in regional cold war with the neighbouring countries. Unevenness in political and economic decisions remained in the Indian political system until these regional boundary conflicts with China, Nepal and Pakistan had been in the pipeline.
The question arises, as to how China, which had a meager economy in 1950s, not only left India behind but today also leading the world in economic growth.

**Public Sector in China and India**

In the 1960s, China had a complex system of governance that kept people away from the system. The separation of the common man from the system could not make the system prosperous. Therefore, Deng Xiaoping rightly reviewed the Chinese system in 1970s and did people centered reforms. The people centered political system gave a boost to Chinese economy. The people’s participation in the economic growth took China away from deprivations and reduced poverty on a large scale. These reforms made the governance in China better. It encouraged the Communist Party of China to make policies for the welfare of the public. There were different kinds of taxes in 1960s that prevented people from investing their money in China. Taxes like provincial border tax, municipal tax, provincial and municipal sales tax, excise duties and levies annoyed the people in China, and they showed aloofness from the system. Tax evasion became a routine matter. It kept economic growth rate at the lowest ebb. In the contemporary China, single Value Added Tax (VAT) on manufactured goods has made tax collection well organized and efficient. This shows that efficient extractive capability determines the economic development.

India did its best to impose national VAT, and announced it on April 1, 2005; twenty states adopted it while the remaining eight states still consider the VAT as an April fool. It is believed that bureaucratic red tape and dishonesty slowed down the Indian extractive capability and made the economic system less efficient as compared to China. In India to start a business, permits are delivered to an individual almost in three months as compared to 46 days in China. In

**Private sector in China and India**

The private sector is more developed in India as compared to China. The capitalist nature of Indian economy gives more space to the private sector. Although the Indian private sector does not match the Western or developed world, yet owing to the big business tycoons like Tata Consultancy Services, Infosys and Wipro its private sector is flourishing. Moreover, Indian MNCs are getting hold on international MNCs. Additionally, the role of WTO forced the Indian businessmen to follow international rules of corporate governance give it an edge on Chinese MNCs. Furthermore, India has more transparency and functional capital markets.

China in spite of spending much on research and development could not evolve big MNCs. The copied products, piracy, and violation of intellectual property rights have exposed the business frauds in China.

**What can China and India learn from each other?**

Both China and India can learn many things from each other. China can learn democratic norms and values from India to make its political system more flexible for the outer world. India is number two in the world regarding information technology after Israel. Therefore, China can enhance relations with India in information technology for speeding up its technological advancement in the communication age. Learning English is another passion that China has to cope with the prevailing contemporary world. It may learn faster than India, even though Chinese may never have been used it ever before, as the Indians do, who are good at English language and its literature. Chinese are very fond of learning English as a language and a number of spoken English centers are working in China. It is also believed that today most English
speaking people in the world live in China. India is surely ahead of China in speaking English and growing rapidly in software. China seems interested in following suit and intends to learn English as well as software engineering. For developing a service sector in China, almost 1000 Chinese from Shenzhen have been sent to Bangalore for whetting their skills in software engineering. This is how China is learning from India in managing their business relations with the U.S. and Europe.

Both China and India are interested in FDI but they need to do their homework. That is why China and India are more prone to have a skilled labour. The Chinese labour is more hardworking and disciplined. The Indian labour is less skillful but cheaper as compared to China.

**Challenges facing China and India**

Chinese leaders are unwilling to look back. They wish to look forward for more successes in the world. As they know, there is no success like success. Therefore, both China and India are determined to enjoy the era of globalization. They have to adopt its basics regarding true democratic ideals, human rights, and religious tolerance. The traditional democracies are accusing both countries for being subjective towards other communities. India has to bridge the gap between rural and urban elite; China has to be more pragmatic for coastal areas’ development and incentives. It is still backward and needs attention.

They have to give respect to their neighbours. China should give respect to the autonomy of Taiwan, Tibet, and Hong Kong. Both countries have different forms of disparities. For example, China needs to review its centrally controlled business, banking sector and unemployment. This will plug its political and economic loopholes. Contrary to this India needs development in reconstructing its poor road and rail networks, end bureaucratic delays and large
monetary discrepancies, particularly at the national level. It is keeping India on the back foot especially in attracting investment and increasing employment.

It is expected that in the next five decades, China and other countries in Northeast Asia will make headway in technological advancement while countries in the Southeast Asia may strengthen themselves in manufacturing low-tech consumer goods. While, India will have more technologically sophisticated rural areas as compared to the backward rural areas that are feeling deprivations in every walk of life as it happened in the periphery of the erstwhile Soviet Union that lead it to disintegration. India has to take pragmatic steps for sustaining its political system and has to make thruways, infrastructure, and developed communication for keeping intact to its rural areas.

Why are the Chinese ahead?

The Chinese society is more harmonized as compared to India where a number of races still exist and are extremely heterogeneous. The Chinese have only one script language with different accents. India has more than 25 languages with different scripts and accents. The Chinese are more integrated and less divided on the issues of religion, race, cast, creed or status. India is a highly fragmented society on the issues of caste, creed or status and divided on religious grounds.

Deng Xiaoping initiated reforms in 1979 and started having an access to world economy. It increased the Chinese per capita income by leaps and bound in only 30 years. It made the Chinese prosperous and happy.

Rajiv Gandhi started introducing reforms in 1984 in India but could not earn economic fruits as rapidly as China owing to the age-old issues of India in the region. Boundary and water
conflicts with Pakistan, boundary conflicts with China, Nepal and Tamil issues with Sri Lanka kept India away from being a regional power.

India as a democracy enjoys an advantage over China. At the outset, China undertook reforms quickly and implemented them practically. The social mobilization in China developed it as an urban society. The Chinese leadership is successfully bridging the gap between rural and urban elite and adjusting the rural to urban migration successfully.

Both countries are willing to have good economic relations and are interested in developing a free trade area (FTA). The Chinese students are getting education in the developed world and getting back in their homeland for developing China. Indians are also getting education in the U.S., U.K., and other developed countries in a large number. They are also working with big business tycoons. They are also working in IFIs and MNCs.

Although, China is striving for better Sino-U.S. trade relations, yet it does not have any rivalry with the U.S on trade issues. The China ASEAN FTA is the largest agreement with a populations of 1.9 billion “and a trade volume of US$ 4.5 trillion.” It is the largest free trade agreement in the developing world. An FTA between China and India would benefit almost 2.4 billion people.

China needs to be successful through education in the twenty first century. The government can assist its large population through public sector educational system. The 98 percent of the Chinese children attained five years primary education in 1999 as compare to 53 percent of India.

Kerala is the only state in India where participatory culture increased the students of primary schools that was 90 percent. In most of the states in India, the number of primary school children is less than 30 percent.
At the time of independence, there were some top universities in India while today; admissions in the Indian universities are based on the relationship of the candidate with the influential people. The Indian Institutes of Technology and Indian Institutes of Management have been considered best institutes but are now spoiled by political forces due to their consistent intervention in admission policy.

There were similar conditions in China during the Cultural Revolution. In the contemporary China, university admissions are made through entrance tests. It has a very efficient infrastructure. It has 30,000 km of superhighway, much greater as compared to India. China also has a better telecommunication system than India.

China is aware of its energy need. That is why it has kept itself engaged through an interaction of the China National Petroleum Corporation and the China National Offshore Oil Corporation (CNOOC) with oil and gas fields of Indonesia. China is also in contact with Angola, Sudan and Venezuela for meeting its energy demand.

India have many plans to resolve its energy crises but could not materialize them owing to its relationship with the U.S. It withdrew itself from Iran-Pakistan-India Pipeline project on the instance of the U.S. It formalized a recent contract with Myanmar to import gas by pipeline through Bangladesh. The Indian government is very interested in merging its public sector oil companies and utilizes them effectively as China’s CNOOC. The ASEAN-China FTA is an example of China’s sagacious decision-making. It gets closer ties between ASEAN and China more quickly as compared to India and Japan. It opened up its agricultural sector to ASEAN countries. India remained unsuccessful so far in getting closer to ASEAN.

Now, we move towards the ongoing international economic and financial crises and see how it affected China and India?
Global Financial Crises and its Spill over upon China and India

The Chinese, Indian and Pakistani Diasporas are working in the U.S. and affected by the financial crunch. Indian Diaspora in the U.S. is a significant part of the population. Prime minister Manmohan Singh’s lauded the Indian community in these words, “The fact that there is a large community in the United States, people of Indian origin, the way they have flourished, the way they have contributed to the growth of the American economy, I think has changed the image of India.” There are 2.5 million Indians living in the U.S. at present. This statement of the prime minister is taken from his interview with Fareed Zakria’s programme GPS on the CNN. It can be deduced that such a large number of population may be affected by the ongoing financial crisis in the U.S.

Although, China remained isolated from these financial crises owing to its efficient level of system capabilities yet it was also affected in the area of trade with the U.S. In September, two months before hosting G20 summit meeting in November 2009, Obama administration adopted a protectionist policy by increasing the tariffs by 35 percent on Chinese tyres to save the local tyre industry. This decrease was criticized by the Chinese commerce ministry, which considered it against the rules of the world trade. The United States International Trade Commission demands levying duties up to 55 percent. This is all due to world economic crises. The U.S. facing unemployment at home and is obliged to improve duties on imported goods. Thus, China suffered from the world economic crunch. It shocked the traders. The Chinese ministry of commerce has decided to raise this issue in the forthcoming G20 summit meeting.
Global Distribution of Military Expenditure in 2008

Source: Stockholm International Peace Research Institute Yearbook 2009
This perspective gives us a clear picture as to why the China remained unaffected by the current economic crises as it did not indulge in any ambitious war activity and earned respect and honour in the community of nations by getting membership in the WTO in 2001. China keeps concentrating on its exports to the outer world rather than using muscles against the world. It also spends less on military expenditures as compared to the U.S. The figure shows that in 2008 China spent on military only 5.8 percent of the global military expenditures. It is now 1.88 % of her GDP on military in 2008\textsuperscript{15} and 1.97 % of her GDP in the year 2009.\textsuperscript{16} China has spent more on defence from 2001 to 2010, which estimated 119 billion dollars in the 2010.\textsuperscript{17}
Increased unemployment affected the Asian, African, and Latin American Diasporas in the U.S. who lost their jobs and could not send money back home. This is how the financial crises affected the developing world. There are proper rules and regulations to sustain economy on sustainable grounds. In India, it happens otherwise. A country that exceeds more than a billion in population has to think twice while making economic, political, and social decisions. “In a country where 70% of the population is food-insecure, targeting is both inefficient and iniquitous, as it will tend to exclude a significant part of the food-insecure population.” Poverty is increasing day by day in India. The gap between the rich and the poor is increasing making the political system very vulnerable. More than twenty-seven secessionist movements are on the cards but the political elite in India are unable to make wise decisions regarding the welfare of the people. How Indian economy is under pressure in the wake of ongoing financial and economic crises of the world? An answer is sought.

Venkatesh Athreya says India remained unharmed by the current financial crisis in the world. He believes that those who think so live in a fool’s paradise. He says that the Indian government only invited the big businessmen and talked with them about the financial and economic crises. It reveals that crony capitalism is still deep rooted in the economic affairs of Asia. In a democratic country, it is absolutely against morality that few business tycoons were called for consultation.

The Indian government hesitated and refused to accept any financial crisis. Gradually it started accepting that India had a liquidity crisis but actually, it was a matter of solvency. It means that Reserve Bank of India (RBI) did its best to give loans to industrialists and other big companies but they declined the offer. Even other banks were not interested in taking loans from RBI, as there was no one to utilize those loans owing to uncertain market. “The Reserve bank of
India lowered the interest rates at which it lends to banks, it lowered the statutory liquidity ratio (SLR) and the cash reserve ratio (CRR).” This lowering the interest could not attract the borrowers to lend a loan from the bank due to the lopsided market forces (that means supply and demand).

The question is why the market was uncertain. The answer is very simple that when foreign investors were allowed to invest money in the Indian stock market. It raised it up when the same investors withdrew their money to sustain their economies back home, it crashed the stock market. This is how Indian economy influenced by world financial crisis. The foreign institutional investors (FIIs) usually think about their profit without having any concern for the local economy. India allowed FIIs without any constraints. It caused unfavourable balance of trade in India, as exports are less than imports. This out rightly made an impact on the Indian economy. Indian government must make policies while inviting foreign investors for investment in stock markets that they have to invest for say five years or ten years but no visible policy was made that leads to economic crisis in India. Monopoly of the foreign investors was creeping up as Indian government only focused upon foreign investment without considering the consequences.

These economic crises are due to increased integrated economy of India in the age of globalization. These crises did not prevail in 1991 when Indian economy was less integrated with the world economy. Outsourcing is a major reason for Indian economic and financial crises. Venkatesh Athreya says that, the value of the Indian imports and exports was less than 10% of the GDP in 1991. In 2009, the value of the Indian imports and exports have crossed 40 % of the GDP. Therefore, liberalization has made the Indian economy more open for the global trade.
It is evident that when a country intends to develop itself according to the international environment, it has to open up its economy accordingly; therefore, it was natural for the Indian economy to be influenced by the prevailing financial crises. Besides that, Indian government spends more on defence as compared to education and health, which has always been top priority in the West. Spending more on defence is fruitless as it is a dead investment. Since no missile, bomb or tank produces any economic output or profit that could sustain any economy of the world. It only leads to carcasses, injuries, worries, diseases, and deprivations.

After Indra Gandhi, the Sikh movement in Punjab tried to create Khalistan as an independent state for the Sikhs and such other insurgencies in India started surging quite rapidly. It shook Indian economic and political instability. These secessionist movements are still happening in India and undermining the socio-political and economic development of the country. Such movements start with a sense of deprivation caused by unfulfilled dreams of the peoples of different communities. In such circumstances, these peoples feel isolated from the system and do not participate for the development of the country. This non-participatory character of the peoples leads country towards economic and financial crises. The social capital has been a weapon in the hands of developed economies. It works only in integrated societies not among economically deprived and psychologically torn peoples.

In India, rural and urban political elite could not bridge the gap between leaders and the led to enhance participation of the people in the political system. Therefore, it caused imbalance between core and the periphery. The core got development with the hard work of the population of periphery. It enhances deprivation that leads to insurgencies. Poverty is another factor that caused deprivation in the masses at periphery level. It destabilizes the agriculture sector in India.
Venkatesh Athreya shows his concern over how two decades of liberalization caused the damage in India in five ways. First, the government withdraws the subsidies in agricultural inputs (fertilizers, pesticides, transport and other paraphernalia) that raised the prices of the same, denting the agricultural sector in India. It is an agricultural country. By capturing its agriculture its economy can be easily messed up. This is where Indian policy makers could not figure out that the U.S.-India civil nuclear deal and other such projects assisted the foreigners to weaken Indian economy in a covert action. Second, outsourcing without proper rules and regulation in agricultural products lessened the value of the Indian products at home. Third, the rising rate of interest for agricultural loans depreciated the interest of the farmers. Fourth, with the end of subsidies the agricultural infrastructure in the periphery was weakened. Fifth, the absence of trickledown effect affected the grassroots level and influenced the economy as a whole. These are the five major reasons for prevailing economic and financial crises affected Indian economy.

Contrary to this, joint ventures are the only way to get in to the Chinese system. That is why they were less affected by the international financial and economic crises as compared to India. Second, China distributed the economic fruits of globalization in all parts of the country to amalgamate every sector for state and nation development. It developed not only core areas but also the periphery and injected fiscal stimulus in agricultural and rural areas quite efficiently to bridge the gap between urban and rural sectors. Although the researcher cannot deny the socio-economic and political inequalities in China but it can be perceived more in coastal and far flung rural areas only. It does not damage the Chinese economy altogether. Certainly, it causes deprivations among a few peoples, as in Xinjiang, the capital Urumqi was affected by the recent ethnic riots but China managed to control it effectively.
The Chinese people are participating more efficiently in the development of the country as compared to India. Therefore it gets more economic fruits. This participatory character of Chinese social capital is a real source of their sustainable economic development. Proper rules and regulations for the foreign MNCs restrict their influence in China. Consequently, it reflects the threat of monopoly of the MNCs altogether.

China’s balance of trade is very much favourable for last three decades; it is exporting more as compared to imports. This is the key to Chinese success and keeping it away from ongoing economic and financial crises. It is hard to believe that China remained altogether unaffected by these international financial crunches. However, its environment was damaged heavily as mentioned in the second chapter that China was emitting carbon dioxide almost 14%, second highest after the U.S. Therefore, environmental degradation in China is happening owing to the increased competition in the international market.

The demand for Chinese consumer products is much higher as compared to any other country of the world. Besides that, China is busy in making synthetic products. For example, Apple is an American brand of Macintosh, but I Phone from Apple is being made in China. Toshiba is a Japanese company, but laptops of Toshiba are made in China. Conceding this fact, we move towards the conclusion and findings of the study.
Endnotes


2 Ibid., pp. 55-56.


4 Sunil Khilnani, *India as a Bridging Power*, published in 2005 by The Foreign Policy Centre, 49 Chalton Street London.

5 Prasenjit K. Basu, *India and the Knowledge Economy: The “Stealth Miracle” is Sustainable*, published in 2005 by The Foreign Policy Centre 49, Chalton Street London.

6 http://macroscan.org/cur/cur05/cur0805China_India.htm visited on 26-12-07.

7 Ibid.

8 Ibid.

9 Ibid.


11 http://www.newasiaforum.org/managing_globalisation_India_and_China.htm visited on 26-12-07.
Chapter 5

Conclusion

Globalization is a greater movement of personnel, goods and services across the territorial boundaries of states. It is an interconnectedness that shapes the nature of relationship among nations in economic, political and social domains through its tools like MNCs, IFIs, WTO, marketing, authority, legitimacy, health, education, family ties, and cultural values. These processes have been helped by the communication revolution. The extent, to which a country can benefit from globalization, depends on its system capabilities to turn the imperatives and implications of globalization to its advantage. The countries that have effective ‘system capabilities’ (extractive, regulative, distributive, responsive and symbolic) are living interdependently in the age of globalization. There are four major factors, which determine and shape the impact of globalization on China and India: Industry, investment, information and individuals. All these factors belong to the economic, political and social domains of human activity.

The impact of globalization is varied owing to the varied response of the countries under discussion. It is difficult to find a yardstick to measure the exact impact of globalization on different countries especially on China and India. The areas, which have more industry, more investment, more information and more participation of the people in the economic, political and social activities, are enjoying the fruits of globalization. The areas with less industry, less investment, less information and less individual participation of the people in the same domains are unable to enjoy fruits of globalization.

China, being the most populous country in the world, is using its population for economic growth with a centrally controlled political system. It started reforming its economy in 1979. The
Chinese Diaspora is extracting FDI, giving a boost to the Chinese economy at the international level. At home, the MNCs are working in joint ventures, again giving a lift to the Chinese economy. Not only this, the goods manufactured by these MNCs are usually exported to other countries; it is very hard to find anything made in U.S.A. in America today. For example, buy an I Phone from a Mac store in the U.S. and made in China is written on the phone. Economic fruits are distributed in China at the grass root level, as there is more work for the labour so they earn the money. The relationship between labour and money is debatable in different areas of China. It has increased the participation of the people in the political system of China. They respond to the system positively. It means system capabilities are working in China effectively. However, one negative impact of globalization in China is the decline in social values.

India is the second largest populous country after China. It is described as the largest democracy in the world. It started liberalizing its economy in the early 1980s. It is also taking advantages of globalization. There is a big Indian Diaspora working in different parts of the world, increasing FDI for India. It regulates this FDI through WTO at international level. The MNCs working in India are also helping in the growth the Indian economy. However, these MNCs unlike in China are working more freely and independently. They (MNCs) send back their profits to the native countries. These MNCs are also manufacturing products more for the local people in India. It sometimes becomes critical for the local Indian although that criticism may not be considered valid. They believe that food chains in India are causing health problems for Indians. Different popular brands are damaging the economy of India.

Both China and India are being modernized owing to industrialization and development of infrastructure. Socially and culturally, people are trying to be westernized. All cultures usually absorb other cultures. Countries like China and India are traditional in nature where values
considered important and a debate has started about how much modernization or Westernization they have to accept. As a whole, both countries took advantages of globalization. One disadvantage can be seen in social domain for both entities.

The ongoing world economic crises are affecting every country of the world. China, although remained more or less unaffected from this economic crunch and sustained its economic growth rate due to its efficient leadership and effective work of system capabilities. It earns the legitimacy for the Chinese leadership and authorizes them to continue working for the welfare of the people as a whole.

Both are two major players in the region. They are competing with each other in economic, political, and social domains. In the twenty first century, they are trying their best to increase their resources for their future generations. It has been learnt during the research that both China and India have different forms of governments and ideologies but earning fruits of globalization. It shows that forms of government and any specific ideology do not hamper the process of development.

The strongest link in the socio-political and economic systems of a country has been economy of the country that flourishes with the participation of skillful social capital. The political system and its institutions take the second place in the development of a country. The third and last place is of a social milieu. In the case of China and India, we saw that the West influences both countries and they are imitating the same, disregarding their norms, values, and customs.

It is good for a society to adopt good norms and values of any system to enrich its culture and develop its social systems. Sometimes, western values conflict traditional values. It has started a debate that how western values have polluted the other cultures. One has to get worried
about it or it does not bother anyone in China and India. Western cultures like, fast food, popular music, long term or short term relationship between male and female without marriages, etc. Such norms and values have increased in India and China. It is acceptable for some people and unacceptable for the other. Thus, both types of reactions are found in Chindia.¹

It is natural as inequality and imbalance are going on in the industrial West and populous South. It (South) does not have equal distribution of sources as well as resources between urban and rural peoples and keeps them divided vertically. India seems successful but it has to beware of the people in the deprived territories who can bounce back at any time. ‘Relative deprivation’ and ‘migration of dreams’ can wake up deprived people against the haves. If India really intends to ensure permanent progress, she has to redress the problems of the peoples living in Kashmir, Punjab, Khalistan, Bengal and other parts of India where ethnic groups are not satisfied. Internal satisfaction of the poor or have-nots is necessary for a constant development in all sectors that may give internal harmony to the system.

Economic fruits should be delivered to the grass root level realistically. As far as political globalization is concerned India is very vulnerable under the present government. Recent American-Indian security issues and civil nuclear deal have restricted India from going in energy deal with Iran gas pipeline through Pakistan. It shows how economic choices in one sector contain options in other sectors.

‘Horizontal’ and ‘vertical cleavages’² in both societies (China and India) are increasing as ethnic, religious and parochial differences are increasing and the everlasting gap between rich and the poor rising. The incidents of Hyderabad mass killing, Gujarat massacre (2002) and Mumbai attacks (2008) are pertinent examples of increasing ethnic differences in India, although it is blamed on Pakistan without any empirical evidence. In Urumqi (Xinjiang), that is a Muslim
majority province, ethnic riots caused killing of innocent people in China that has slowed down
the economic growth. In April 2012, Chinese government claims that Muslims from former
Soviet Union’s Central Asian states intervene in the Western part of China and creating problems
for the Han Chinese people.\(^3\)

It is necessary for both countries to improve their productivity and efficiency. This should
be in all domains, economic, political, social, environment, military and foreign policy. India has
16.7 percent of the world population. Its natural sources are depleting day-by-day and increasing
pressure upon the country’s political and economic elite for making the right policy in this
regard. With a land area of 2.0 percent of the world it has to work hard to sustain a good
economic growth rate, that is the most important thing for the development of a political system.

China has 30 percent higher population and a three times greater volume in land area than
India. Therefore, both societies have to be very careful in sustaining their natural resources. “The
need for greater efficiency in the management of natural resources like land, water, and minerals
has become urgent. In a capital-scarce economy like ours, efficient utilization of our capacity
becomes even more critical. For all of these things to happen, well-trained and highly skilled
people are a prerequisite. In the world of today, competition in any field is competition in
knowledge. That is why we need to build institutions of excellence.”\(^4\)

The poverty rate in China is less than in India. The millennium development goals
(MDGs) of the United Nations are eradicating poverty and hunger, promoting universal
education, gender equality, child health and maternal health. The MDGs are also combating
HIV/AIDS and promoting sustainable environment and global partnership. The MDGs are
working for eliminating poverty and hunger by the end of 2015. China is close to meeting all
MDGs. The international poverty line means living on less than 1.25 U.S. dollar per day. It took
almost a quarter of a century for China to reduce its poverty. According to a WB analysis in the 1990s, 60 percent Chinese people were poverty ridden. In the same decade, India’s 51 percent people poor. China, in pursuing the MDGs, reduced poverty to 15 percent as compared to India, which reduced poverty to 38 percent by the year 2005. The way India is working hard to reduce poverty indicates that it will be reduced to 25 percent by 2015.

In the case of China, it seems that poverty will be drastically reduced by 2015. During 1990-2005 India reduced poverty up to 13 percent only because of uneven political and economic developments. On the other hand, during the same period China achieved landmark by reducing poverty to 45 percent. This big difference is owing to the difference in the population size of China and India.

India has been improving her relations with neighbours since 2005 to date. It is a good sign for the Indian economy. It will improve its economic growth rate and reduce poverty. It seems that India will successfully achieve the targets of MDGs by 2015. In China and India, the situation is optimistic; the environmental concerns are there but other aspects look encouraging.

The facts discussed in this research illustrate globalization does not enhance inequality in the world. Leadership and government employ the system capabilities according to their idiosyncrasy, which make a difference in the socio-political and economic development of a country. Secondly, inequality occurs when people of the developed world can travel anywhere in the world for trade, while people from the developing world have to face visa restrictions and other problem in travelling. Therefore, form of government does not make a difference in the socio-political and economic systems of a country. It is the individuals who contribute in the economic progress and social development of a state by their skills and hard work making the system capabilities workable.
India has an edge over China regarding democracy. Although democracy exists in its nascent form in China, it has to be adopted at the national level. India can take the advantage of democracy and integrate its peoples. Information technology (IT) is another domain in which India is far ahead of China. It has the biggest software market in the world at Bangalore. It can make strides in IT with peace and tranquility at home. It only comes through integrating the deprived communities at the domestic level and enjoying good relations with neighbours.

The Chinese labour is more disciplined and cheaper as compared to India; therefore, there is more investment in China. The Chinese are responding to globalization more effectively as compared to India. Foreign investors prefer to invest in a peaceful country. China has been more peaceful than India.

China has to open up its economy and political system, which is centrally controlled by the Communist Party of China. The disintegration of the erstwhile Soviet Union alarmed the Chinese leadership who decided to adopt globalization but use it according to the prevailing environment.

It is very unfortunate that environmental degradation is not taken seriously the world over. Human beings are just busy in achieving industrial and technological advancement without taking care of environment in which they breathe and live. Why are we so overambitious regarding socio-political and economic development and other push other considerations aside? If the world is serious to enjoy the fruits of globalization effectively and sustainably, it has to take care of the environment. We need to be more environment friendly than we have been so far.

The first proposition of the thesis is that India is a democratic country and China is a communist one but globalization has been more favourable to China as compared to India. It is
realized that Indian system capabilities worked slowly owing to its so-called democratic system and could not attain the fruits of globalization as properly as China did. Interestingly it is observed in the case of China that it has to open up its economy and political system in order to adjust itself better to the phenomenon of increased interconnectedness. This openness means embracing democratic values. Democratic norms and values are important for sustainable development.

The second proposition relates to the status of “system capabilities” which are considered more important in the socio-political and economic growth of a country rather than the form of government. In social sciences, mostly various independent and dependent factors overlap each other according to the circumstances. Interdisciplinary approach also plays an important role in determining the success rate of the political system. It is evident that forms of government and system capabilities coordinate to develop a stable political system. Thus, it all depends on the individuals of the society as to how much they are interested in developing their country. It is the behaviour of the people that builds system capabilities on efficient lines. Consequently, it creates a form of government to harmonize their lives.

The third proposition is that the MNCs are consciously giving more space to Chinese consumer goods in the world trade so that it becomes more open and starts following the principles of market economy. China got the membership of the WTO and adopted the principles of mixed economy for sustaining its economic growth rate in double digit. Hence, it is proved that interdependence is indispensable for any form of government.

The last proposition is regarding the impact of the West on Chinese and Indian cultures. The adoption of Western values in by both countries has affected them negatively. Here are the lessons that neighbouring countries, specifically Pakistan, can learn from China and India.
Lessons for Pakistan and other Developing Countries

Pakistan in South Asia has a very significant geographical location. China is located in the North and India to the east of Pakistan. Pakistan can learn many lessons from both neighbours. China’s hard work and participation of its people in the economic development of the country is a guideline for Pakistan in its future planning. India’s leadership took prudent decisions by liberalizing its economy. Although traditionally, Pakistan’s economy has been more open than India’s, it could not get take advantage of globalization owing to the very slow working of the system capabilities.

China started joint ventures with the MNCs and boosted its economy with the help of the world outside. It also enjoys a favourable balance of trade and balance of payment by reducing its imports and increasing the exports. Pakistan has to learn that it should develop a system for the MNCs to sustain the local business. Like China, Pakistan has to think over joint ventures with the MNCs that will not only sustain the local economy but also eliminate the chances of monopoly of the MNCs in the country. The MNCs should not be allowed to degrade the environment at any cost.

China has been successful in bridging the gap between its rural and urban elite. Pakistan should learn how it could follow suit. India can also learn the same thing from China, as it could not achieve that goal yet. The incident of Urumqi, Xinjiang, shows that ethnic riots only cause killing of innocent people and breeds hatred against the government, slowing down economic growth. Pakistan should work towards promoting ethnic and regional harmony and internal security. Pakistan also needs to promote religious-cultural tolerance to uphold national integration. It should selectively adopt the positive elements of the development models of China and India.
The developing world can also learn from China and India: that without undermining the social system, they can develop their economy through hard work, democracy, human rights, religious tolerance, and prudent leadership, which can lead any country to sustainable economic development.

Globalization is a reality that no country can avoid. However, the experience of China and India shows that countries can benefit differently from interconnectedness in various sectors of life. Much depends on the system capabilities, the performance of the leadership, which has to make critical choices about what, is to be adopted from abroad. In addition, what should be the nature and direction of interconnectedness among nations? Globalization is supportive of those systems, which manage the interconnectedness with an intelligent blend of new and old traditional values.
Endnotes

1 The term is generally used for both China and India. It is coined by Jairam Ramesh, an economist and a member of the congress party.
2 Rupert Emerson uses terms in his *From Empire to Nations* and Talukder Maniruzzaman in *his National Integration and Political Development in Pakistan*, published in 1967 by the University of California Press.
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Appendix I
China's Accession to the WTO
"Embracing the Opportunities, Meeting the Challenges"

China's accession to the WTO will undoubtedly go down in history as one of the most significant steps forward in re-sculpturing the global economic landscape of the 21st century. As the major gateway to the Mainland, Hong Kong needs to prepare itself well for the upcoming opportunities and challenges arising from the accession. This Newsletter (jointly produced by TID and TDC) highlights the major implications of the accession as well as detailing the major market opening commitments made by China.

I. Highlights of Implications
   Access to the Mainland Market
   Access to Overseas Markets
   A More Predictable and Transparent Trading Environment

II. Current and Expected Future Market Access Conditions
   Non-Tariff Barriers on Imports
   Tariff Barriers on Imports
   Conditions on Investment
   Trading Rights
   Distribution
   Transport / Distribution-Related Services
   Telecommunications and Internet
   Banking
   Insurance
   Securities / Asset Management
   Professional Services
   Business Services
   Construction & Related Engineering Services
   Audiovisual
   Tourism and Travel
   Other Services

I. Highlights of Implications

Access to the Mainland Market
- Restrictions on domestic sale by foreign manufacturing companies (including Hong Kong companies) will be lifted. Previous requirements of foreign exchange balancing, local content and export performance will be abolished. Free access to the Mainland domestic market for Hong Kong manufacturers who have production on the Mainland.

- Domestically produced consumer goods continue to enjoy a price competitive edge over imports in the Mainland market despite tariff reduction and phasing out of non-tariff measures, given that most consumer goods will still attract tariff at about 10%.

- Significant increase in opportunities for foreign companies as local and foreign companies may import most products into any part of China three years after accession. Foreign companies can engage in the full range of distribution services over a three-year phase-in period for most products.

- On services, foreign investment restrictions on many important services industries, including distribution services, telecommunications, financial services, professional services, business services, audio-visual and tourism will be relaxed. Telecommunications services sector, including the Internet, will be opened to foreign participation for the first time.

- For most services industries, market access liberalization will be phased in over a period of up to 6 years. Majority foreign-owned joint ventures and wholly foreign-owned companies will gradually be allowed with quantitative and geographic restrictions progressively removed. Scope of business will also be expanded in most cases. In banking, for example, foreign banks will be able to serve both local and foreign clients, in both local and foreign currencies, in 5 years' time.

Access to Overseas Markets

- More secure access to overseas markets for China in general. Textiles and clothing sector will be progressively integrated into the General Agreement on Tariffs and Trade 1994, meaning quota restrictions on textiles and clothing exports will be progressively eliminated by end-2004.

- Unrestricted surge of China's exports are however unlikely owing to the existence of specific provisions which subject Chinese products to more stringent safeguards and anti-dumping mechanisms. In the case of textiles, China's textiles and clothing exports will be subject to a textile specific safeguard mechanism up to 2008. This permits other WTO members to take action to limit imports from China if there are market disruptions caused by Chinese textile products.

- Also, for up to 15 years after China's accession, Mainland producers which are subject to anti-dumping proceedings will continue to bear the burden of proving
that market economy conditions prevail in their industry. Failing that, data of producers in a third country, rather than those of the Chinese products, would be used in the proceedings. To avoid application of this non-market economy (NME) methodology, the industries concerned should pay attention to the specific criteria that importing countries have established under their laws for determining market economy conditions.

**A More Predictable and Transparent Trading Environment**

Accession to the WTO implies in general a more transparent and predictable rule-based system governing the conduct of trade between China and her trading partners, accompanied by significant changes in China's domestic legal infrastructure, some of which have already been reflected in China's existing regulatory regime as shown in the second part of this document:

- Safeguard measures targeted at Mainland exports will have to be consistent with both the transitional safeguard mechanism in the accession protocol and the WTO Agreement on Safeguards. In parallel, China will follow the WTO procedures and guidelines when taking safeguard actions against foreign imports. This provides added clarity for the business community in assessing the impact of possible safeguard measures affecting exports from or imports into the Mainland.

- China's subsidy programs will be more transparent as those within the scope of the Agreement on Subsidies and Countervailing Measures will be made publicly available after accession. Access to up-to-date information on China's subsidization policy and programs will help foreign enterprises make more informed business decisions.

- Upon accession to the WTO, China undertakes to start negotiations to accede to the WTO Agreement on Government Procurement (GPA). As a party to the GPA, for procurement above certain value limits, all government entities at central and sub-central level, as well as certain public entities, are required to conduct their procurement in a transparent manner. Suppliers of other parties and local suppliers will be given equal opportunity to participate in and bid for government procurement contracts.

- With respect to technical barriers to trade, import licensing procedures, customs valuations and preshipment inspection, etc., China has undertaken to bring its relevant laws and regulations into conformity with the WTO obligations, making them more transparent, non-discriminatory and objective.

- Implementation of the Agreement on Trade-Related Intellectual Property Rights (TRIPS Agreement) in full upon accession means that protection of intellectual property rights will be legally guaranteed. For this purpose, the China's Patent Law has been amended, and amendments to the Copyright Law
and Trademark Law will also be complete upon accession.

- Dual pricing practices and differences in treatment accorded to goods for sale in China in comparison with those for export will be eliminated.

II. Current and Expected Future Market Access Conditions

Non-Tariff Barriers on Imports

<table>
<thead>
<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Import quotas and licenses are applied to 33 categories (covering 383 tariff items) of import products.</td>
<td>- Import license requirements and tendering requirements will be eliminated by 2005.</td>
</tr>
<tr>
<td>- Tendering requirements are applied to 62 categories (covering 107 tariff items) of non-government imports of machinery and electrical products.</td>
<td>- All import quotas will be phased out by 2005.</td>
</tr>
</tbody>
</table>

Tariff Barriers on Imports

<table>
<thead>
<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Average import tariffs for all industrial products at 14.8%.</td>
<td>- Average tariffs for industrial products will be cut to 8.9%. The tariff rates will range from 0 to 47%, with the highest rates applied to photographic film, automobiles and related products.</td>
</tr>
<tr>
<td>- Average import tariffs for all agricultural products at 18.9%.</td>
<td>- Average tariff for agricultural products will be cut to 15%.</td>
</tr>
<tr>
<td>- Average import tariffs for all products at 15.3%.</td>
<td>- China will implement a new Tariff Rate Quota (TRQ) system for some of the sensitive agricultural products currently subject to quantitative import restrictions, such as sugar and cotton.</td>
</tr>
<tr>
<td>- Import Tariff Rate Quota (TRQ) applicable to 16 products.</td>
<td>- China will eliminate its existing TRQ system on imports of the following products and subject them only to tariffs: barley, soybeans, rape seed, peanut oil, sunflower seed oil, corn oil and cottonseed oil.</td>
</tr>
<tr>
<td></td>
<td>- Upon accession, China will join the Information Technology Agreement</td>
</tr>
</tbody>
</table>
whereby tariffs on information technology products will be eliminated by 2005 at the latest.

**Conditions on Investment**

<table>
<thead>
<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Foreign investors establishing joint ventures or wholly-owned companies used to be required to include provisions on foreign-exchange balance, local content and export share in their investment contracts as a condition for government approval.</td>
<td>- Bring laws, regulations or measures relating to foreign investments into conformity with relevant WTO Agreements including the Agreement on Trade-Related Investment Measures (TRIMs).</td>
</tr>
<tr>
<td>- Such requirements have been abolished following recent changes to relevant laws and implementation regulations.</td>
<td>- Eliminate and cease to enforce trade and foreign exchange balancing requirements, local content requirements and export performance requirements</td>
</tr>
</tbody>
</table>

**Trading Rights**

<table>
<thead>
<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Foreign manufacturing enterprises can only export their own products and import equipment for their own use in addition to goods and materials necessary for approved production purposes.</td>
<td>- China will provide trading rights to foreign companies, to be progressively phased in over 3 years.</td>
</tr>
<tr>
<td>- Only those foreign manufacturing enterprises with annual export turnover over US$10 million can purchase goods from other enterprises for exports.</td>
<td>- Beginning one year after accession, full rights to import and export will be granted to JVs with minority foreign share, which will be further extended to JVs with majority foreign share beginning two years after accession. All enterprises in China would be granted the right to trade three years after accession.</td>
</tr>
<tr>
<td>- Pilot JV retail enterprises have import-export rights for their own operation, but cannot act as agents for other enterprises.</td>
<td></td>
</tr>
<tr>
<td>- Pilot JV trading companies in Shanghai Pudong and Shenzhen have import-export rights to act as agents for other enterprises.</td>
<td></td>
</tr>
</tbody>
</table>
Foreign investment companies can only purchase products produced by enterprises in which they have investment and sell them to overseas markets.

Foreign R&D centres can import and sell small quantities of hi-tech products manufactured by their parent companies to test the market.

<table>
<thead>
<tr>
<th>Distribution</th>
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</thead>
<tbody>
<tr>
<td><strong>Existing Barriers/Regulations</strong></td>
<td><strong>Future Market Access Conditions</strong></td>
</tr>
<tr>
<td>Commission agents’ services</td>
<td>Commission agents’ services</td>
</tr>
<tr>
<td>Wholesale trade services</td>
<td>Wholesale trade services *</td>
</tr>
</tbody>
</table>

- Except for the pilot JV trading companies, JV retailing companies, JV wholesaling companies, and foreign R&D centres, foreign companies are not allowed to distribute products produced by other enterprises or overseas.

- Except for dealing in the wholesale distribution of their own products produced in China, foreign manufacturing enterprises are prohibited from being involved in the wholesaling of other products.

- Except for JV wholesaling companies, foreign firms are prohibited from being involved in wholesale businesses.

- JV wholesaling companies are only allowed in the centrally administered municipalities (Beijing, Chongqing, Shanghai and Tianjin), and foreign investors can only have minority ownership.

<table>
<thead>
<tr>
<th>Retail services</th>
<th>Retail services **</th>
</tr>
</thead>
</table>

- JVs are only allowed in the capital cities of provinces and autonomous regions, centrally administered municipalities, independent planning cities with provincial status and Special Economic Zones and Beijing, Shanghai, Tianjin, Guangzhou, Dalian, Qingdao, Zhengzhou & Wuhan upon accession, with majority foreign ownership.

- JVs can distribute all imported and domestically produced products within 1 year except that distribution of books, newspapers, magazines, pharmaceuticals, pesticides & mulching film to be allowed in 3 years; and chemical fertilizers, processed oil & crude oil to be allowed in 5 years.

- Foreign-invested enterprises can distribute their products manufactured in China and to provide full range of related subordinate services, including after sales services, for the products they distribute.
Zones.
- For JV retail enterprises with less than 3 outlets, the foreign partner can own up to 65% of the share. Except specifically exempted by the State Council, those with more than 3 outlets should be majority owned by the Chinese partner.
- Approved JV retail enterprises may expand into the wholesale business.

<table>
<thead>
<tr>
<th>Franchising</th>
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</thead>
<tbody>
<tr>
<td>Wholesale/retail away from a fixed location</td>
</tr>
<tr>
<td>- Independent legal entities with registered trademarks, company names, products and patents, as well as no less than one year good operation performance are allowed to act as franchisors.</td>
</tr>
<tr>
<td>- Foreign retail chain stores are not allowed to expand their networks by franchising.</td>
</tr>
<tr>
<td>- There has been a ban on all direct sales</td>
</tr>
</tbody>
</table>

- In Beijing and Shanghai, no more than 4 JVs are allowed. 2 JVs in Beijing can set up branches within Beijing. No more than 2 JVs are allowed in other localities.
- All provincial capitals, Chongqing and Ningbo will also be open to JVs in 2 years.
- No geographic, quantitative restriction, equity/form of establishment restriction within 3 years.
- However, chain stores with more than 30 outlets selling different types and brands of motor vehicles and products subject to state trading from multiple suppliers will be limited to minority-owned JVs only, with the limitation for motor vehicles to be eliminated in 5 years.
- Retailing of all products (excluding books, newspapers and magazines) within 1 year after accession except that retailing of pharmaceuticals, pesticides, mulching films and processed petroleum to be allowed in 3 years while retailing of chemical fertilizers to be allowed in 5 years.

Franchising
Wholesale/retail away from a fixed location
- No restriction on establishment in 3 years.
- China will consult with WTO members when developing regulations on sales away from a fixed location.
activities since Apr 1998. All direct sales enterprises funded by both foreign and domestic capital were shut down or transformed into in-shop sales.

* The market access conditions below do not apply to this distribution of salt and tobacco
** The market access conditions below do not apply to the retailing of tobacco

### Transport / Distribution-Related Services

<table>
<thead>
<tr>
<th><strong>Existing Barriers/Regulations</strong></th>
<th><strong>Future Market Access Conditions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Freight transport by rail and road (in trucks or cars)</strong></td>
<td>Freight transport by rail and road (in trucks or cars)</td>
</tr>
<tr>
<td>- Only Chinese nationals and Chinese-owned companies are permitted to conduct surface transportation.</td>
<td>- Operate only as minority ownership JVs upon accession.</td>
</tr>
<tr>
<td>- Foreign participation for cross-boundary operations with Hong Kong requires JV partnership.</td>
<td>- For road transport, majority ownership JVs and wholly-owned subsidiaries will be allowed in 1 year and 3 years respectively.</td>
</tr>
<tr>
<td>- Foreign participation for cross-boundary operations with Hong Kong requires JV partnership.</td>
<td>- For rail transport, majority ownership JVs and wholly-owned subsidiaries will be allowed in 3 year and 6 years respectively.</td>
</tr>
<tr>
<td><strong>Storage &amp; warehousing</strong></td>
<td><strong>Storage &amp; warehousing</strong></td>
</tr>
<tr>
<td>- Foreign firms are permitted to own warehouses only in foreign trade zones (FTZs), provided that such warehouses are used to store materials necessary to their own production and service activities in China.</td>
<td>- Operate only as minority ownership JVs upon accession.</td>
</tr>
<tr>
<td>- Outside the FTZs, foreign firms are not permitted to own or manage warehouses.</td>
<td>- Majority ownership JVs and wholly-owned subsidiaries will be allowed in 1 year and 3 years respectively.</td>
</tr>
<tr>
<td><strong>Freight forwarding</strong></td>
<td><strong>Freight forwarding</strong></td>
</tr>
<tr>
<td>- Foreign companies may operate only as minority ownership JVs.</td>
<td>- Majority ownership JVs and wholly-owned subsidiaries will be allowed in 1 year and 4 years respectively.</td>
</tr>
<tr>
<td>- Wholly foreign-owned freight forwarders exist but are exceptions.</td>
<td>- JV can set up branches after 1 year of operation (requiring US$ 120,000 in additional registered capital per branch).</td>
</tr>
<tr>
<td>- The business of JVs is limited to certain geographical areas.</td>
<td>- A foreign freight forwarder can set up another JV after its first JV has been in</td>
</tr>
</tbody>
</table>
domestic freight forwarding operation for 5 years. Within two years after accession, the requirement will be reduced to 2 years.

### Aircraft repair and maintenance
- Foreign companies can invest, through minority share in JVs, in aircraft maintenance. Aircraft repair and maintenance

<table>
<thead>
<tr>
<th>Aircraft repair and maintenance</th>
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</thead>
<tbody>
<tr>
<td>- The Chinese side in a JV must hold controlling shares or be in a dominant position.</td>
</tr>
<tr>
<td>- Granting of licenses is subject to economic needs test.</td>
</tr>
<tr>
<td>- Unlike domestic firms, JVs have the obligation to undertake business in the international market.</td>
</tr>
</tbody>
</table>

### Maritime transport
- Operation of international shipping of freight and passengers (e.g. liner, bulk and tramp) is allowed. JVs with minority ownership is also permitted to register for operation under Chinese flag.

### Courier services
- Foreign express operators are allowed to set up JVs in China and required to invest no less than US$ 1 million in an entity whose term may not exceed 20 years. The Chinese partner should hold at least a 50% stake in the JV. JVs are generally not allowed to do domestic express business.

<table>
<thead>
<tr>
<th>Courier services</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Covers courier services using one or more transport modes except services reserved to the postal authorities.</td>
</tr>
<tr>
<td>- Majority ownership JVs and wholly-owned subsidiaries will be allowed in 1 year and 4 years respectively.</td>
</tr>
</tbody>
</table>

### Telecommunications and Internet

<table>
<thead>
<tr>
<th>Telecommunications and Internet</th>
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<tbody>
<tr>
<td>Existing Barriers/Regulations</td>
</tr>
<tr>
<td>- Foreign investment (ownership and/or management) in any form of telecommunications services is not allowed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future Market Access Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
</tr>
<tr>
<td>- China undertakes the obligations contained in the WTO Reference Paper on pro-competitive regulatory principles.</td>
</tr>
</tbody>
</table>

| Value-added services (such as Internet services) and Paging services |
| - Minority-owned (<=30%) JVs allowed upon accession in/and between |
Shanghai, Guangzhou and Beijing.

- Expand to Chengdu, Chongqing, Dalian, Fuzhou, Hangzhou, Nanjing, Ningbo, Qingdao, Shenyang, Shenzhen, Xiamen, Xian, Taiyuan and Wuhan (referred to as "other cities" thereafter) within 1 year after accession. Ownership can rise to 49%.

- No geographic restriction within 2 year after accession. Ownership can rise to 50%.

- (Internet services are subsumed under value-added services)

**Mobile voice & data services**

- Minority-owned (<= 25%) JVs allowed upon accession to provide service in and between Shanghai, Guangzhou and Beijing.

- Expand to "other cities" 1 year after accession. Ownership can rise to 35%.

- 3 years after accession, ownership can rise to 49%

- No geographic restriction 5 years after accession.

**Domestic and international services**

- Minority-owned (<= 25%) JVs allowed within 3 years after accession to provide service in and between Shanghai, Guangzhou and Beijing.

- Expand to "other cities" within 5 years after accession. Ownership can rise to 35%.

- No geographic restriction within 6 years after accession. Ownership can rise to 49%.
Satellite services
- China has attached and signed "Notes for Scheduling Basic Telecom Services" which provides that unless explicitly excluded, any basic services may be provided through any means of technology, incl. satellites.

## Banking

<table>
<thead>
<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
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</thead>
<tbody>
<tr>
<td><strong>Overall</strong></td>
<td><strong>Overall</strong></td>
</tr>
<tr>
<td>- Wholly foreign-owned banks and joint-ventures are allowed.</td>
<td>- All geographic and client restrictions will be removed within 5 years after accession.</td>
</tr>
<tr>
<td>- Foreign banks are allowed to open one branch in each of all major cities.</td>
<td>- Licensing to be based on prudential criteria only. Within 5 years after accession, any existing non-prudential measures restricting ownership, operation and juridical form of foreign banks, including on internal branching and licenses, shall be eliminated.</td>
</tr>
<tr>
<td>- Local firms and individuals are off-limits to foreign banks. Domestic banks are thus effectively shielded from foreign competition.</td>
<td>- Financial leasing will be allowed for foreign banks when allowed for domestic banks.</td>
</tr>
<tr>
<td><strong>Foreign currency business</strong></td>
<td></td>
</tr>
<tr>
<td>- Most foreign banks can only conduct</td>
<td><strong>Foreign currency business</strong></td>
</tr>
<tr>
<td></td>
<td>- No geographical and client restriction on</td>
</tr>
</tbody>
</table>
business in foreign currencies with foreign firms and individuals.

foreign currency business upon accession.

**RMB business**

- 32 foreign banks have been licensed to conduct limited RMB business in Shanghai (24) and Shenzhen (8) with foreign firms and individuals.

- Those in Shanghai can also serve clients in Jiangsu and Zhejiang, while those in Shenzhen can also serve Guangdong, Guangxi and Hunan.

**RMB business**

- Renminbi (RMB) business will be restricted to Shanghai, Shenzhen, Dalian, Tianjin upon accession; expand to Guangzhou, Zhuhai, Qingdao, Nanjing and Wuhan within 1 year; to Jinan, Fuzhou, Chengdu and Chongqing within 2 years; to Kunming, Beijing and Xiamen within 3 years; to Shantou, Ningbo, Shenyang and Xian within 4 years. No geographic restriction within 5 years after accession.

- Foreign banks can conduct RMB business with local firms within 2 years after accession.

- Foreign banks can conduct RMB business with local individuals within 5 years after accession.

- Foreign banks licensed for RMB business in one region may service clients in other regions that have been opened for such business.

- To qualify for RMB business, a foreign bank needs to have at least 3 years business operation in China and has been profit-making for the previous 2 years.

**Insurance**

<table>
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<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
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</thead>
<tbody>
<tr>
<td><strong>Overall</strong></td>
<td><strong>Overall</strong></td>
</tr>
<tr>
<td>- Less than 20 foreign insurers have been allowed to operate in China. Strict geographic and scope of business restrictions.</td>
<td>- Prudential criteria for licensing. Foreign insurers are qualified for a license if they have more than 30 years of experience in a WTO member country; a representative office established in China for 2 consecutive years; and global assets of over US$ 5 billion. Asset requirements for brokers will be set at US$500 million upon accession</td>
</tr>
<tr>
<td>- Foreign insurance companies are allowed to operate only in Shanghai and Guangzhou, though AIG has branches in Shenzhen and Foshan.</td>
<td></td>
</tr>
</tbody>
</table>
- One branch is allowed in each city.

- and be gradually reduced to US$200 million in 4 years.

- Upon accession, foreign insurers and insurance brokers can provide services in Shanghai, Guangzhou, Dalian, Shenzhen and Foshan. Within 2 years, areas will be expanded to Beijing, Chengdu, Chongqing, Fuzhou, Suzhou, Xiamen, Ningbo, Shenyang, Wuhan and Tianjin. All geographic restrictions will be eliminated within 3 years.

- Internal branching will be permitted consistent with the phase out of geographic restrictions.

### Non-life insurance

- Foreign non-life insurers are allowed to establish branches, but their clients are restricted to organisations involving foreign investment. Moreover, foreign insurers cannot underwrite vehicle insurance. Non-life insurance

- Branch or JVs with 51% foreign ownership will be allowed upon accession. Wholly-owned subsidiaries will be allowed in 2 years.

- Upon accession, foreign insurers can provide master policy and/or large scale commercial risk insurance, which has no geographic restriction. The can also provide insurance of enterprises abroad, property insurance, related liability insurance and credit insurance of foreign-invested companies consistent with geographical restrictions as outlined in the Overall section.

- Consistent with the geographical restrictions as outlined in the Overall section, foreign insurers can provide the full range of non-life insurance services to both foreign and local clients in 2 years.
**Life insurance**
- Wholly foreign-owned insurance companies exist but are the exceptions for life insurers. Since 1997, only JVs have been approved for life insurers. Foreign life insurers are restricted to write individual life products.
- JVs with 50% foreign ownership will be allowed upon accession.
- Consistent with geographical restrictions as outlined in the Overall section, foreign insurers can provide individual insurance to foreign and Chinese citizens upon accession and provide health, group and pension/annuities insurance in 3 years.

**Reinsurance**
- Overseas reinsurers are not allowed to write local currency business.
- Property/casualty insurers are obliged to have 20% of their business reinsured by China Reinsurance Company.
- Upon accession, foreign insurers will be permitted to provide reinsurance services for life and non-life insurance as a branch, JV or wholly foreign-owned subsidiary without geographic or quantitative restrictions.
- The 20% obligatory reinsurance cession to China Reinsurance Company to be phased out four years after accession.

**Securities / Asset Management**

<table>
<thead>
<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
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</thead>
<tbody>
<tr>
<td><strong>Overall</strong></td>
<td>- Prudential criteria for authorization.</td>
</tr>
</tbody>
</table>

**Securities**
- Foreign securities firms can only trade B-shares (issues that can only be bought and sold by foreign investors) via shared commission.
- Foreign securities firms can access the B-share market for underwriting business.
- Foreign securities firms may underwrite international offerings of debt and equity.

**Securities**
- Foreign securities firms can establish JVs (with ownership <1/3) to engage (without Chinese intermediary) in underwriting A-shares and in underwriting and trading B- and H-shares as well as government and corporate debt, launching of funds within 3 years after accession.
- Foreign securities institutions can also engage in direct cross-border trading in B shares (without Chinese intermediary) upon accession.
<table>
<thead>
<tr>
<th>Professional Services</th>
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<thead>
<tr>
<th><strong>Asset management</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- No foreign access for asset management.</td>
</tr>
<tr>
<td>- Foreign fund management companies can act as advisors for domestic fund companies.</td>
</tr>
<tr>
<td>- Minority ownership (33%) in JVs will be allowed to engage in domestic securities investment fund management business upon accession; ownership ceiling to rise to 49% within 3 years after accession.</td>
</tr>
</tbody>
</table>

**Existing Barriers/Regulations**

- Foreign law firms cannot engage in Chinese law practice.

- Foreign law firms can set up profit-making representative offices in Beijing, Shanghai, Guangzhou, Shenzhen, Haikou, Dalian, Qingdao, Ningbo, Yantai, Tianjin, Suzhou, Xiamen, Zhuhai, Hangzhou, Fuzhou, Wuhan, Chengdu, Shenyang and Kunming.

- A foreign law firm can have only 1 office in China.

**Future Market Access Conditions**

- Legal

- Representing office, while can neither practice Chinese law nor employ Chinese national registered lawyers, can enter into long-term "entrustment" contracts providing for close working relationships with firms practicing Chinese law.

- Geographic and quantitative restrictions to be eliminated within 1 year after accession.

- The representative shall be practitioner lawyers in a WTO member and have practiced for no less than 2 years outside China. The chief representative shall be a partner or equivalent and have practiced for at least 3 years outside China.

- All representatives shall be resident in China no less than 6 months each year.
### Accounting

- JVs exist, but approvals for new JVs unlikely in the future. Foreign accounting firms can accept Chinese accounting firms as member firms.

- Foreign accounting firms can provide consulting services to foreign companies, Chinese firms listed overseas and on B-share market.

- Foreigners are allowed to sit for Chinese CPA examination. Qualified foreign accountants can only provide consulting services.

- Partnership or incorporated accounting firms are limited to CPAs licensed by Chinese authorities.

- Foreign accounting firms can affiliate with Chinese firms and enter into contractual agreement with their affiliated firms in other WTO members.

- Foreigners who have passed the Chinese CPA examination will receive national treatment upon accession (i.e. they can form partnership or incorporated accounting firms).

- Existing JVs are not limited only to CPAs licensed by Chinese authorities.

- Accounting firms providing taxation and management consulting services will not be subject to JV restriction.

- No mandatory localization requirement.

### Medical and dental services

- JV hospitals or clinics allowed. Such JVs must operate as a "profit-making" entity. No religious activities are allowed.

- Foreign doctors can provide medical services in China only after obtaining approval from Ministry of Health.

- JV hospitals or clinics with foreign majority ownership permitted.

- Quantitative limitations in line with China's needs.

- The majority of doctors and medical personnel shall be of Chinese nationality.

- Foreign doctors can provide short-term medical services in China after they obtain licenses from Ministry of Health.

### Business Services

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<thead>
<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
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<tbody>
<tr>
<td>Management consulting</td>
<td>Management consulting</td>
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<tr>
<td>Taxation services</td>
<td>Taxation services</td>
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<tr>
<td>- JVs allowed.</td>
<td>- Majority ownership in JVs will continue to be allowed upon accession. Wholly-</td>
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<tr>
<td><strong>Advertising</strong></td>
<td><strong>Advertising</strong></td>
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<tr>
<td>- Foreign companies may operate only as minority ownership JVs.</td>
<td>- Only in the form of JV. Majority ownership and wholly-owned subsidiary permitted in 2 and 4 years respectively.</td>
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<tr>
<th><strong>Computer services</strong></th>
<th><strong>Computer services</strong></th>
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<tbody>
<tr>
<td>- Foreign service suppliers who are certified engineers or who hold a bachelor's degree and have had 3 years experience can provide services in China.</td>
<td>- For software implementation and data processing services, commercial presence is limited to JV only.</td>
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<tr>
<th><strong>Technical testing &amp; analysis services and freight inspection</strong></th>
<th><strong>Technical testing &amp; analysis services and freight inspection</strong></th>
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<tbody>
<tr>
<td>- Exclude statutory inspection services for freight inspection services.</td>
<td>- Foreign partner in a JV should have over 3 years operating history. Registered capital of the JV should be no less than US$350,000. Majority ownership and wholly owned subsidiary permitted in 2 and 4 years respectively.</td>
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<tr>
<th><strong>Others</strong></th>
<th><strong>Others</strong></th>
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<tr>
<td>- JV with foreign majority ownership are also allowed for other business services such as photographing, convention, translation and interpretation.</td>
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### Construction & Related Engineering Services

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<th><strong>Existing Barriers/Regulations</strong></th>
<th><strong>Future Market Access Conditions</strong></th>
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<tbody>
<tr>
<td><strong>Architecture services</strong></td>
<td><strong>Architectural services</strong></td>
</tr>
<tr>
<td>- Although minority-owned JV is allowed, foreign architectural firms are unlikely to obtain an architect business license and establish a wholly-owned presence in China.</td>
<td><strong>Engineering services</strong></td>
</tr>
<tr>
<td>- The government has strict requirements on qualified employees for different</td>
<td><strong>Integrated engineering services</strong></td>
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<td></td>
<td><strong>Urban planning</strong></td>
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<tr>
<td></td>
<td>- Majority-owned JVs allowed.</td>
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<tr>
<td></td>
<td>- For cross-border supply of services, can only take place through cooperation with Chinese professional organizations</td>
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categories of design institutes.

- Most foreign architectural firms are operating under license of individual projects in China. Such license only allows the architectural firm to work on a single project.

*Engineering services*
- Wholly or majority foreign-owned engineering firms are only allowed in Shanghai. Otherwise, minority-owned JV is the norm for foreign participation.

*Construction & related engineering services*
- JVs with majority foreign ownership allowed upon accession. Wholly foreign-owned enterprises permitted within 3 years for undertaking foreign-funded projects as well as certain Chinese invested projects.
- Registered capital requirements for domestic and JV construction enterprises are slightly different.
- JV construction enterprises have the obligation to undertake foreign-invested construction projects.

*Real estate services*
- It is difficult for a wholly or majority foreign-owned real estate services provider to obtain a business licence in China. Most of them have to form joint venture with a Chinese partner in order to enter the market.
- Various practitioner licences are required to provide different kinds of property services. Foreigners are not eligible to obtain those licences issued by the municipal construction commission.

*Real estate services*
- Wholly owned firms are permitted for own or leased properties except for high standard real estate projects.
- For services on a fee/contract basis, JVs with foreign majority ownership permitted.

*Maintenance & repair services Rental & leasing services*
- Only in the form of JV. Majority
ownership and wholly owned subsidiary permitted in 1 year and 3 years respectively.

**Audiovisual**

<table>
<thead>
<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
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<tbody>
<tr>
<td><strong>Films</strong>&lt;br&gt;- Imports of 10 foreign films per year on a revenue-sharing basis.</td>
<td><strong>Films</strong>&lt;br&gt;- Imports of 20 foreign films per year on a revenue-sharing basis.</td>
</tr>
<tr>
<td><strong>Audio-visual products</strong>&lt;br&gt;- Foreign participation in distribution is prohibited.</td>
<td><strong>Audio-visual products</strong>&lt;br&gt;- Distribution of audio-visual products (excl. films) in the form of contractual JV permitted.</td>
</tr>
<tr>
<td><strong>Cinema Theatre</strong>&lt;br&gt;- Foreign investors are allowed to build cinemas in China in the form of minority-owned JV.</td>
<td><strong>Cinema Theatre</strong>&lt;br&gt;- JV with foreign ownership up to 49% will continue to be allowed.</td>
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**Tourism and Travel**

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<tr>
<th>Existing Barriers/Regulations</th>
<th>Future Market Access Conditions</th>
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<tr>
<td><strong>Hotel</strong>&lt;br&gt;- JVs allowed.</td>
<td><strong>Hotel</strong>&lt;br&gt;- Allow unrestricted access and wholly owned hotels within 4 years after accession, with majority ownership allowed upon accession.</td>
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</table>
| - Foreign managers and specialists with contracts with JV hotels and restaurants in China shall be permitted to provide services in China.
<table>
<thead>
<tr>
<th>Travel agency and tour operator</th>
<th>Travel agency and tour operator</th>
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<tbody>
<tr>
<td>- Minority ownership in JV travel agencies.</td>
<td>- Allowed to operate in government designated holiday resorts as well as Beijing, Shanghai, Guangzhou and Xian.</td>
</tr>
<tr>
<td>- Foreign partner in a JV should have annual turnover of over US$ 50 million. Registered capital of the JV should be no less than RMB 5 million.</td>
<td>- Majority ownership allowed within 3 years after accession. Wholly owned enterprises within 6 years after accession with geographic restriction removed.</td>
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<td>- on branching within 6 years after accession.</td>
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### Other Services

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<tr>
<th>Existing Barriers/Regulations</th>
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<tr>
<td><strong>Environmental</strong></td>
<td><strong>Environmental</strong></td>
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<tr>
<td>- JVs allowed.</td>
<td>- JVs with majority foreign ownership will continue to be allowed upon accession.</td>
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<tr>
<td><strong>Education</strong></td>
<td><strong>Education</strong></td>
</tr>
<tr>
<td>- JVs allowed in non-profit-making educational activities, but restricted to those areas that do not compete with China’s compulsory education.</td>
<td>- Joint schools with majority ownership permitted for delivering primary, secondary, higher, adult and other education services.</td>
</tr>
<tr>
<td>- Individuals with Bachelor’s degree or above and appropriate professional titles/certificate with two years professional experiences can also be employed to provide service.</td>
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Source: [http://www.tdctrade.com/wto/tid.htm](http://www.tdctrade.com/wto/tid.htm). Website visited on 16-09-06
Appendix II

In-depth interviews conducted during visit of China

Interview with Mr. Luo Peisen

Mr. Luo Peisen had been the major General in the Chinese army. Presently he is a senior advisor at the China Institute for International Strategic Studies, explains his view point about globalization’s impact on the Chinese economic political and social systems it is all being stated as he spoke to the researcher in Beijing at his earlier mentioned institution on July 21, 2006.

Question- Do you think that China will continue making economic development with same pace in next 20 years or so?

Answer- Not easy to say that China may go with same speed, matter of fact is that we have a new five year plan, starting this year it is 11th five year plan. The GDP during last ten five year plans was 9.5% and we are expecting 8 % in our next five year plan. As we know the realities that it is very difficult to maintain and we are not ambitious, need moderate economic growth. Growth rate have been 9% 1990-2000 but in twenty first century it became faster. There are certain factors can resist China’s development.

Q- Which are the factors responsible for the rapid economic development in China and how far these factors would continue to help in the next 20 years?

A- China has a State planned economy. Before1980s new policy of reform open to world for reviving economic system, in which state economy was replaced by market economy, incentives being given to agriculture and Information Technology sectors(IT). we are still developing new policy. We wish to have more exports, more consumers in other countries.
We are learning from other successful countries for last ten years and reforming after being member of the WTO. We are also trying to merge ourselves with world business.

**Q-** What are the major challenges in the way of Chinese modernization and economic development?

**A-** Having an ample size of population consumption of resources, environmental degradation and financial risks may be considered as major challenges in China. There may be some contradictions in policy of the government and consumers so that is why we are still working moderately not pouncing upon every thing.

**Q-** What is status of an average man in China? Is he getting fruits of this economic growth?

**A-** Well he is happy altogether as his past life is not good, raising standard of his life, optimistic for his bright future-government is also focusing in 11th five year plan to boost countryside people, as income of a farmer living in country side is less than a worker in the city therefore, still people have complaints of low income we are developing farmers for raising their income. We need to transform development in whole China.

**Q-** How widespread are the benefits of modernization and economic development?

**A-** Most of the cities are growing very quickly and capital of every province is flourishing.

**Q-** Have all regions and all sections of population benefited from modernization and development?

**A-** We are improving climate and environment and removing polluted factories towards countryside. In 2008, we are arranging Olympic Games in Beijing and going to have under ground railway system for smooth traffic flow and Shanghai is more developed than Beijing even it started modernization later.
Q- China is market dominant minority in Burma and Vietnam and even in Asia do not you believe that it may sow the seeds of hatred among the local population?

A- No I do not think so, as we are having joint ventures with local people in Myanmar and Vietnam. Matter of fact is that in 1930s and many 1940s people from China migrated to Indonesia, Malaysia and Singapore and started making good business so they are happy there. Vietnam has conflict with China over south China Sea it has been resolved now. After 1980s Vietnam inclusion in ASEAN shows that we have good relation with Vietnam.

Q- China is making many things in different grades and qualities do you think that China can sustain its economic growth by making such low profile consumer goods?

A- People in China are very hard working and participating in the development of China we wish to have world factory-it needs maintenance of same commitment on the part of people and government-we need development in IT and other sophisticated industry-we are making goods for each and every segment of society especially for Chinese people and then to other parts of the world.

Q- How long it could go as we see that most of the developed countries do not do that but maintain standard of its goods.

A- In fact our young generation is getting skills and we will be able to have good quality-second in world market competition is very much, convincing us to raise quality of the goods. We are improving year by year and gradually.

Q- Does China have any national level/state level market dominant minority?

A- There are five hundred top enterprises of the world are having investment in China in a joint venture. For example General Motors in Shanghai, Mercedez Benz in Beijing and now starting in Shanghai also-Mitsubishi of Germany and other like French Renault all have joint
ventures in China. Now all famous cars are being manufactured in China. So you can say that we always believe in joint venture and do not allow any minority to dominate.

Q- Are there any powerful economic groups emerging in China?
A- The Haier is example which is working under a group and they have occupied a good part of economy we cannot say even it a private enterprise-a lot of stockholders are dominant. We are introducing a Chinese Blue Ocean strategy in contrast with The Western Red Ocean. The Western Red Ocean was based on war, conflict, unending competition, in contrast we believe in peace, friendship, affection, and giving our farmers more powers. China has paid much to this economic development and growth. We did work hard for this; it was not a child’s play.

Q- What is the role of MNCs in China?
A- They have become part of the society-their role is how to contribute in Chinese economy-infact Chinese have molded all MNCs in a way that they do not intend to increase their business only but also Chinese economy. Sometimes if they feel difficulty government assist them- so there is an ideal environment-these MNCs are not allowed to have monopoly- there is an anti monopoly law in China that never allow them to dominate over any other group in China. We look upon their price level that can not increase without government consultation.

Q- Do you believe that form of government make difference in the economic, political and social development of the country? What is the relationship between the form of government and economic development?
A- Chinese Kuomintang Revolutionary Committee has relationship with Taiwan Kuomintang- our party’s main purpose is to be positive in its approach having the traditional outfit in contact. So in crises government of china help people efficiently that holds people
together and realize them that they are part of the system so they also response with participation in the system and do work hard. We have our own philosophy of government.

**Q-** What is the Role of women in economic and societal development in China? How far Chinese women have contributed to these processes?

**A-** Government intends to have a harmonious development so women are also taking advantage and participating in the economic development of the country. In last twenty years china has entirely changed its outlook. The 40% of occupation occupied by women-men and women are equal in China. Society cannot help them-women in China are also managing homes very well.

**Q-** Is there any challenge to China of globalization?

**A-** Globalization is like a tidal power so you have to adjust yourself according to that. It provides both opportunity and challenges-China is trying to take maximum advantages of it but less challenges owing to its efficient management and government.

**Q-** How much China has given up its traditional outfit in the wake of modernization?

**A-** We are keeping our traditional outfit but also taking good things of modernization we have to manage migration of the people from rural to urban. We are making multi storey buildings to adjust them but we are not destroying our ancient monuments and architecture. Shien is an ancient city we are keeping its palaces safe and sound. Undoubtedly, we have loose some traditional things but on that we have a difference of opinion some say that is right and other say that is wrong. We wish to take advantage of new technology and equipments giving up something but maintaining the most.

**Q-** What type of economy China should have, liberal, command or controlled?
A- We have our own system that is very special, that based on Chinese Socialist Market Economy that is neither liberal nor controlled-a kind of combination of two-what is good for Chinese we adopt that, not copy others make use of only good things.

Q- How can we describe the Chinese economy, mixed or liberal?

A- Economy can not be controlled by people it is out of personal control. If we wish to live in the world economic market we have to follow the rules of market. So it makes no difference that we have mixed or liberal economy.

Q- Why WTO is important for China?

A- It is very important for China. It gives us a good chance to exchange our views in other countries more independently. It not only helps us to guide world economy but also assist us in developing our economy. After being a member of the WTO in December 2001, China’s trade goes up rapidly. Before the year 2000, China has a trade with the world, was 400 billion US dollar and after 2001 it was 1400 billion US dollar. Now we have more friends in the world.

Q- What are the advantages and disadvantages China has after being a member of the WTO?

A- Well we have some disadvantages as Europe is having high tariff duty on Chinese goods, they have adopted anti-dumping policy to decrease Chinese trade towards Europe. So we believe that protectionism is not right in the age of globalization. Therefore, sometimes we have to suffer owing to the laws of the WTO. Infact in China labour cost is very cheap so we have cheaper rates for our consumer goods. That is not acceptable for Europe.

Q- How does the gap between haves and have nots can be removed in China?
A- There are 60 million total people poor in China- government is trying hard to raise their standard of life. The 11th five year plan may reduce 10 to 20 million poor people in China and will raise them at a respectable level. Poor people will be benefited in this plan.

Q- What are the economic disparities in Chinese Political system?

A- Yes there is a difference in income level in China that is increasing crime rate in China. There is more plundering and killing in China as compare to last 20 to 30 years.

Q- How these disparities can be removed?

A- Well, government idea is to reduce difference in wage system; second, government is supporting people very much at country sides. We know that it is very difficult to remove those economic disparities at once but it is an incremental process may get better results ultimately.

Q- How has China dealt with the issue of migrations from rural to urban areas?

A- Twenty years back people were not allowed to migrate from their native lands and they were threatened that there would be no guarantee of their life, health or their children education. Now we encourage people, getting labour for different cities and other works as house keeping and other like. They are serving urban people. They are also permitted for jobs in cities. Their children are protected, guarantee of their life and health is provided.

Q- China takes the idea of free market and has joined the WTO why it is not accepting norms and values of democracy?

A- We joined the WTO not democracy, we have our own policy. We do no hate democracy but want people’s democracy as Moa wrote in his columns people’s democracy and people’s dictatorship, first for the people and later for enemies. Our constitution give full rights to people West propagate against us. We respect our people’s rights. We have bottom to top
strata election system. In our system result will be like western democracy but form may be different

Q- Will China also adopt Western Democracy?
A- In Chinese system, people are more democratic and comfortable for their rights but form will be Chinese not Western.

Q- Is it really a Chinese Century?
A- Not really. We intend to share, exchange and do trade with other nations-still long way to go to be powerful, strong and wealthy. By 2050 China will be a middle developed country. It is our leaders calculation.

Q- China is making a headway in low tech labour goods why its not progressing in high tech labour goods?
A- No I do not think so, we have some good air space technology but not all kind of industrial development.

Q- It is my opinion that Developed World including America is intentionally giving space to China in the world economic system to penetrate in to social and political system of China?
A- I agree with you our young generation is taking advantage of modernization in China and has adopted the Western style of life they usually enjoy Jazz, Rock n Roll, but we do not allow pornography in our publications. It all has also increased crime rate in China it was not as much twenty years back. I believe that government should take steps to check such discrepancies.

Q- Why is the West, especially the U.S., is now accommodating towards China?
A- Yes you are right America never allowed China to have any role in international community ever before. It has the policy of congagement (containment + engagement). It means they (West/Americans) kept on engaging China on its containment policy. But now the West has more engagement with China.

Q- Does China culturally as safe as it was one or two decades back?

A- Thousand years old Chinese traditions cannot be easily subjugated. Yes you are right our family system is broken a little bit, as divorce rate has been increased in China but still not alarming. Chinese festivals sustain the Chinese traditions, like Mid-Autumn festival starts in September-October and Spring Festival starts in January-February. All family members get together in these festivals and come from far flung areas of the world. Politically, we always veto Japan’s sanctions against Iran and Korea.

Q- Are the Chinese scares of Cultural invasion?

A- We have no fear as such, our young people are learning much from technological advancement of the world and they are not restricted in anyway.

Q- Why China has more trade with America as compare to European Union (EU)?

A- America needs Chinese goods and China needs export. American markets are easy to access as compare to EU as in E.U. there is high tariff rate on Chinese goods.

Q- What type of relations China have with the U.S. and the E.U.?

A- Politically, China has better relations with E.U. than America. We and E.U. have Common language in international community on international issues. As E.U. does not have any unilateral, hegemonic attitude in its policies so we are more comfortable with E.U. politically but in economics we have better chemistry with America. Socially and culturally both the U.S. and the E.U. have same cultures and we also appreciate their culture as Chinese
visit Italy, France and other like countries, always admire their cultures, architecture and
sculpture. Chinese are more interested in visiting Europe not America as they are respected
in Europe not very much in America. Owing to American visa restrictions, racial
discrimination, and arrogant behaviour of Americans, Chinese hate visiting America.

Q- What is a greater China Concept? (The PRC, Hong Kong, Taiwan, Singapore).

A- In the main land we do not say any greater China. This all written in the Newspapers of
Hong Kong and Singapore, we wish to reunify as one country including Taiwan, Hong Kong.
At the time of New China in 1949, the U.S. protected Taiwan and it could not become part of
China, we want independence of Taiwan that is historically part of China.

Q- Why China is called a Middle Kingdom?

A- In Chinese ‘Ko’ means Kingdom or country and it is also considered that China is middle
part of this planet. It is surrounded by many peoples and minorities as in the North East
Manchuria, Kins, Liais, in the West there are Tibetan, Uighars, Turks, in the North,
Mongolians, in the South there are Miao, Yi, Li, Tai, Zhuang etc.

Q- Without the capabilities in finance, logistic services and the like, do you believe that
Chinese MNC will be successful?

A- Well Chinese MNCs are not as powerful as other developed countries have but after
sometime we will have powerful MNCs in the world.

Q- Is China a new Japan in the twenty first century?

A- Japan has advantage in finance and technology; I would not say that China will replace
Japan, as it is not declining. Japanese high technology is very sophisticated, Japan is a unified
nation will go ahead still, but of course China will catch up very soon with Japan. Sometimes
we are at the same levels but cannot replace Japan.
Q- Why does China reluctant in political development?
A- China has its own system, China want to be independent, wish to be its own master. Only Chinese Communist Party can save the country-socialism is good for China. We want to be strong and powerful in the world and will stick to this system

Q- Is Corruption not deep rooted in Chinese Society?
A- Yes it is more as compare to twenty years back, because in this market economy everyone wants to earn money by hook or crook.

Q- Corruption is on rise, is that not an alarming situation for the Chinese Government and social system?
A- No corruption is not allowed in China.

Q- Does China have any regulations for MNCs to save the environment?
A- We have Environmental Protection Law of China that calls for health environment, if some factory pushed contaminates water it is punished with heavy penalty.

Q- How China can surpass American economy through Social Capitalism?
A- We allowed capitalist values in society. Through Socialist Market Economy we can surpass any economy of the world. Although some groups are having capitalist ways of earning, as some estate groups though not reported in the newspapers but we know they exist and making much money.

Mr. Su Jingxiang

Dr. Su Jingxiang is a research professor and vice director at The Centre for Globalization Studies in China institutes of Contemporary International Relations, located in A-2 Wanshousi, Haidian, Beijing.
Q- Do you think that China will continue making economic development with same pace in next 20 years or so?

A- Yes I am sure that China will make development with good speed for next twenty or more years in significant way as there is a long history for this economic growth. China has many Characters from rural to urban that are participating in the development of china. And it is just a small part that is making development.

Q- Which are the factors responsible for the rapid economic development in China and how far these factors would continue to help in the next 20 years?

A- A very long peace time, and the Communist Party in China can control everything, technological progress, education skillful population are other factors that have contributed a lot in the progress of China.

Q- What were the major challenges on way to modernization and economic development?

A- If China had Taiwan with itself we can have more development. So Taiwan is a big challenge in the way of modernization and economic development. We have no conflict with neighboring country.

Q- What is status of an average man in China? Is he also getting fruits of this economic growth?

A- I believe that every man in China is happy in big cities but still in country side people are not happy.

Q- How widespread are the benefits of modernization and economic development?

A- In fact we need a good government for social adjustment for our modernization and economic development.

Q- Is this government not good?
A- This government is not too bad. But still need more accuracy and support of the people.

Q- Have all regions and all sections of population benefited from modernization and development?

A- Yes most of the people are getting but few do not.

Q- China is making many things in different grades and qualities do you think that China can sustain its economic growth by making such low profile consumer goods?

A- Its world market, Chinese goods are liked and so I believe that within ten years there will be more better quality goods of China.

Q- How long it could go as we see that most of the developed countries do not do that but maintain standard of its goods.

A- I think it will need twenty years.

Q- Chinese things are cheaper in the market but we know that consumer ultimately look for quality?

A- Chinese can make much better goods, if foreign peoples need.

Q- Does China have any national level/state level market dominant minority?

A- Yes. It has. For example, China Telecommunication, Uni Com both are state owned dominant groups in the market.

Q- Are there any powerful economic groups emerging in China?

A- Maybe some years later.

Q- What is the role the role of MNCs in China?

A- Very important for technology, capital and foreign exchange markets.

Q- What is the relationship between the form of government and economic development?

A- A strong government is very important for economic development.
Q- Do you need a particular type of government to pursue economic and societal development?
A- Yes.

Q- What is the Role of women in economic and societal development? How far Chinese women have contributed to these processes?
A- Women should work as men. Chinese women contributed 35-40% of our economy.

Q- What is the percentage of Chinese women in the Communist Party and in the government?
A- They are 50% in the Communist Party, in real power or in government maybe 20%.

Q- Do women have same freedom before 1980 as they have today in China?
A- Since 1950s, it was not as much; they got more independence and freedom after 1980.

Q- Is there any challenge to China of globalization?
A- Yes there are challenges for Chinese in traditional culture and society structure.

Q- How does China give up its traditional outfit in the wake of modernization?
A- Chinese leaders (Deng Xiaoping) know more.

Q- Which foreign TV or News Channels are allowed in China?
A- Common people can see CNN, BBC, NHK, more than 20 foreign channels.

Q- Are CNN and BBC watched in China?
A- Yes.

Q- What type of economy China should have, liberal, command or controlled?
A- Liberal.

Q- Can we describe the Chinese economy as mixed or liberal?
A- Yes Mixed.
Q- Why WTO is important for China?
A- For world market.

Q- What are the advantages and disadvantages China has after being a member of the WTO?
A- Advantages are world markets, disadvantages is not so important for China.

Q- How does the gap between haves and have-nots can be removed in China?
A- We need a better government.

Q- What are the economic disparities in Chinese Political system?
A- I think China has a best political system in this world; even it is not so good.

Q- How these disparities can be removed?
A- It is a project of twenty years.

Q- How has China dealt with the issue of migrations from rural to urban areas?
A- By industrialization in countryside.

Q- China takes the idea of free market and has joined the WTO why it is not accepting norms and values of democracy?
A- Chinese have traditional intelligence there are many types and forms of democracy in the world so which type of democracy we need. So we have a better system.

Q- Will China also adopt Western Democracy?
A- No

Q- Is it really a Chinese Century?
A- Yes, next will be of India. In the past 500 years, rule over the world through science and technology but Chinese people will rule with peaceful relationship between human beings of the world. After having knowhow in research and development Chinese people will become similar to that of Europe.
Q- China is making a headway in low tech labour goods why its not progressing in high tech labour goods?

A- It is not true we have good technology everywhere.

Q- It is my opinion that Developed World including America are intentionally giving space to China in the world economic system to penetrate in Chinese social and political systems?

A- May be you are right but China will produce more new space for the world.

Q- Why is the West, especially the U.S., is now accommodating towards China?

A- Western Europe and the U.S., think they should stand in the center of the world.

Q- Does China culturally as safe as it was one or two decades back?

A- I believe that China is safe.

Q- Are the Chinese scare of Cultural invasion?

A- No problem right now but may be after 10 years.

Q- Why China has more trade with America as compare to European Union (EU)?

A- America has less tariff rate on Chinese goods but EU has more, so that is why we are not inclined towards Europe.

Q- Why is the U.S. the most vulnerable to Chinese exports?

A- These are better in the world.

Q- What type of relations China has with the U.S. and the EU?

A- Just partnership for business.

Q- What is a greater China Concept? (The PRC, Hong Kong, Taiwan,

A- No Singapore but rest will be a part of China, we wish for that...
Q- Without the capabilities in finance, logistic services and the like, do you believe that Chinese MNCs will be successful?

A- We need long time.

Q- Is China a new Japan in the twenty first century?

A- Yes I believe that but China is much better.

Q- Is Corruption not deep rooted in Chinese Society?

A- Yes it is. Every society has that.

Q- Corruption is on rise, is that not an alarming situation for the Chinese Government and social system?

A- Yes it is.

Q- Does China have any regulations for MNCs to save the environment?

A- Yes

Mr. Zhao Gancheng

Mr. Zhao Gancheng, Director Department of South Asia Studies and a senior fellow, speaks to me on July 25, 2006 at the Shanghai Institute for International Studies, situated in 845-1 Julu Road, Shanghai.

Q- Do you think that China will continue making economic development with same pace in next 20 years or so?

A- Just hard to say, debatable in the past Chinese average growth GDP was 8% so it changing- next 20 years two opinions. Yes owing to regional disparities China can sustain economic growth activity will shift from coastal to inner China. Not necessary to maintain-it is very energy consuming-we need harmonious development. In twenty years GDP is less important. Unemployment not acceptable, government should flexible to adjust people.
Q- Which are the factors responsible for the rapid economic development in China and how far these factors would continue to help in the next 20 years?

A- Role of the government should be very effective. It should be planned economic market to market economy, though not completed yet. Individual welfare by the government along with developed infrastructure, capital investment of MNCs and development of private sector developing in China very fast. More than 70% of Chinese annual GDP today come from private sector. For example, Gome an electronics company or Kelong makes refrigerators and air conditioners of international standards, are such classical examples in private sector-there are scores other that are contributing in Chinese economic growth. In China we encourage entrepreneurship that is a resultant of privatization. Education is another factor that is considerable as government is making good reforms for improving this sector.

Q- What are the major challenges on way to modernization and economic development?

A- Increasing disparities among the rich and the poor in China for last two decades. We have a big difference in the life style of the rural and urban areas people. Rural incomes are very less and even in the wake of globalization some people in the rural areas have reduced their wealth. In fact wealth in few hands has created a sense of deprivation among our people so they are a serious concern and challenge for China in this new age.

Q- What is status of an average man in China? Is he happy with this economic progress?

A- Yes mostly are raising their income level, and developing their families. As far as happiness of individual is concerned it is very difficult to measure that level. Since many people have money but they are not happy. Now people have expectations from themselves for future that is a good sign for China as people will struggle for themselves that will boost Chinese economy.
Q- How widespread are the benefits of modernization and economic development?

A- It is widespread everywhere in China even in remote places. Like Xingjian province of China is very developed. Now there is more communication development and scientific network. This development is now transferring from Coastal areas of China to middle and inner areas.

Q- China is market dominant minority in Burma and Vietnam and even in Asia don’t you believe that it may sow the seeds of hatred among the local population?

A- China’s investment is welcomed everywhere in the world especially in neighbouring states for mutual benefits. It is not matter of market dominant minority in Myanmar or Vietnam, second thing is that Chinese people earning in these two states is insignificant for China but yes in Philippine and Indonesia where Chinese people have been migrated for many years and making much money there that may be disliking for the native land people. But we do not want that we want to have mutual benefits.

Q- China is making many things in different grades and qualities do you think that China can sustain its economic growth by making such low profile consumer goods?

A- No we can not sustain in the world market with such substandard consumer goods. It is also causing environmental degradation, it may be better for the U.S. but China should concentrate on creating things rather copying; As creation gives life to any industry (and copying cause death to the industry).

Q- How long it could go as we see that most of the developed countries do not do that but maintain standard of its goods.

A- China is poor country it is developing so it is an incremental process we have come out of revolutionary process now all development will be evolutionary. I cannot determine any
definite time. But it will become quality goods very soon. Right now we have the largest foreign exchange reserves in the world, Japan is on second number. Now we do not need surplus, as have already.

Q- Chinese things are cheaper in the market but we know that consumer ultimately look for quality, what do you think?

A- Yes, it does not mean that we do not have quality, if the world market taking our products it means that has quality but it is true that we need to have more quality to sustain our products in the market.

Q- Does China have any national level/state level market dominant minority?

A- Yes there are many state owned companies have monopoly in China that is not good. For example China telecommunication is one of the biggest companies in the world; controlled directly by the State Council it has total monopoly in China as there is concern for national security. Uni Com China is again a part of China Telecommunication it is also state owned now we have two masters. When there will be no competitor monopoly will give rise to any market dominant minority. China needs antimonopoly law that has been drafted but could not get consensus in the party so not yet passed. No compromise on national security. No country likes to give security of its own into the hands of any foreign company.

Q- What is the role of MNCs in China?

A- It is very positive; the MNCs bring advancement and technology in China, along with concept of human resource management that was not ever before in China. Now China has better managers. We believe in mutual development so these MNCs are doing mutual business in all kinds of goods. Now China is at the top.
Q- Do you believe that form of government makes difference in the economic, political and social development of the country? What is the relationship between the form of government and economic development?

A- China has its very special system that is very good; I do not label Chinese system with any name. What is good for the West not necessarily good for China? We are making reforms. I think there should be good governance in China. Our leaders are not sure what would happen. In fact corruption is too much in high officials spreading in the society as a social cancer it needs many surgeries.

Q- Do you need a particular type of government to pursue economic and societal development?

A- In fact government is always particular, we need good governance.

Q- What is good governance according to you?

A- Well, in very simple words as said Abraham Lincoln Government for the people, by the people and of the people. So I think same. Since elections do not guarantee to have good government. For example election held in the U.S. but people do not like President Bush but election guarantee removal of bad government. In the case of China who will be removed, only one party, one goes other may be the worse. We need a government that is supported by the people. In China, government has proved its capability in economic development but not in political domain. A government talks about having a harmonious society. What type of harmony they needed that nobody should criticize upon them that kind of harmony! We need a workable relationship between government and people. It seems very hard in China. People at grassroots level are not satisfied; government should have to think in time.
Q - What is the Role of women in economic and societal development? How far Chinese women have contributed to these processes?

A - Women role is very important as in the mainland of Shanghai women are more important than men, they are contributing very much in the society, family, education. Almost 60% women are student in Chinese educational campuses. China is traditionally a male dominant society but after the feminist movement in China in the early twentieth century supported by the communist government. After 1949 in New China woman has come out of kitchen and started working in very domain of life. Even in SIIS president is a woman. So like this in many departments women are working very efficiently.

Q - Is there any challenge to China of globalization?

A - China definitely have challenges of globalization some are positive and other are negative. Chinese mainstream consider those challenges positive and believe that China has no challenges of globalization. But few people in China think that China has challenges of globalization (regarding to culture, traditions and social system) but we have more concern for developing countries as they have more challenges and we consider their challenges as our own. I believe that in next twenty years gap between the North and the South will increase, we need balance in the world. China should take care of other countries’ sensitivities.

Q - How does China give up its traditional outfit in the wake of modernization?

A - There is no need to think about giving up anything. We have no time to think on such irrelevant things. China should learn new things, developments should be adopted.

Q - What type of economy China should have, liberal, command or controlled?
A- Chinese economy should have freedom and less government intervention and it should be more market oriented. Total market liberal economy cannot be successful in China.

Q- Can we describe the Chinese economy as mixed or liberal?

A- It is mixed.

Q- Why WTO is important for China?

A- The WTO is very important for China; it is necessary for Chinese economic interpretation in the world market.

Q- What are the advantages and disadvantages China has after being a member of the WTO?

A- A big advantage is now China is an important part of the world trade system. China is the fourth largest economy in the world after the U.S., Japan and Germany. Chinese disadvantages lie only with the laws of WTO about antidumping and protectionism.

Q- It is quoted in the books that China is second largest economy after the U.S.?

A- It is exaggerated only.

Q- How does the gap between haves and have nots can be removed in China?

A- It all depends on the government that how it perceives peoples problems. Government has to remove all disparities from the society.

Q- What are the economic disparities in Chinese Political system?

A- Unevenness in the society, unequal distribution of wealth in rural and urban areas. Different sectors have preference in different sectors; coastal areas are more developed than the inner areas of China. So, monopoly sector is taking advantage.

Q- How these disparities can be removed?
A- Well government tax system should be reformed as we know that 80% people are giving tax to the government so in response government should take care of the people living in rural areas especially.

Q- How has China dealt with the issue of migrations from rural to urban areas?

A- Well we got 2 million surplus labour during rural to urban immigration of the people, it is encouraged in China, it helped out in serving urban areas and developed Chinese economy. It also helped in leveling income. There is Resident Registration Law in China for their rehabilitation in urban areas. Immigrants are still in minority in urban areas. Mostly are still in countryside.

Q- China takes the idea of free market and has joined the WTO why it is not accepting norms and values of democracy?

A- Democracy is important for China. But the question is what type of democracy? It will be U.S. like or U.K. based. It is a consensus in China that democracy is good and it is our national target now.

Q- Will China also adopt Western Democracy?

A- We have our own philosophy I cannot say that.

Is it really a Chinese Century?

A- Not really. It is not Chinese century but it is Asian century, we wish to go with all Asian nations with cooperation and mutual development. You can say that it is a shift now from Europe to Asia for economic development not in the sense of political development.

Q- China is making headway in low tech labour goods why it is not progressing in high tech labour goods?
A- We have not high technology. We are in learning process. You cannot expect as much from China. But we are still 20 to 25 years ahead of India. Right now China’s GDP is triple as compare to India, even India has a bit better GDP than China in 1979-80.

Q- It is my opinion that Developed World including America are intentionally giving space to China in the world economic system?

A- No I do not think so as U.S. would like to squeeze space for China.

Q- Why is the West, especially the U.S., is now accommodating China?

A- Out of a compromise, as Chinese economy is the major part of world economy, major part of U.S. Market so for mutual benefits, we are preferred.

Q- Does China culturally as safe as it was one or two decades back?

A- No, as we know for twenty years culture cannot remain same. Modern ideas and similarities between China and the West are increasing.

Q- Are the Chinese scare of Cultural invasion?

A- No not at all we welcome all cultures and adopt good things.

Q- Why China has more trade with America as compare to European Union (EU)?

A- China’s number one trade partner is Japan, the U.S. is number two. E.U. has 25 members and we have more trade with them. But individual we can say that we have better trade ties with the U.S.

Q- Why is the U.S. the most vulnerable to Chinese exports?

A- As China is making lot of goods for world market as well as for the U.S.

Q- What type of relations China has with the U.S. and the EU?

A- We usually call U.S. China relations as fragile but sustained and with E.U. no more relation want to keep. As it has not any unified foreign policy. As E.U. put arms embargo on
China we argued that it was wrong, when America said Europe should not have arms embargo, it was ended t once. Therefore, E.U. has no more political standing in future. Since, we do not care about E.U.

Q- What is a greater China Concept? (The PRC, Hong Kong, Taiwan, Singapore).
A- We have stopped talking about greater China concept. As only our mainland earns 30-40 billion U.S. dollar every year surplus, so we do not need that concept.

Q- Why China is called a Middle Kingdom?
A- It is believed by our ancestors that China is in the middle of heavens so it is called like that.

Q- Without the capabilities in finance, logistic services and the like, do you believe that Chinese MNC will be successful?
A- Yes China has no strong MNCs. We have to improve a lot.

Q- Is China a new Japan in the twenty first century?
A- No it is not as simple, it is very difficult to say like that, Japan is an island country so it has very expensive tendency and China is a continent and cheaper. We hope to be as powerful as Japan. If ever China could do so it would be a superpower. It seems impossible to me.

Q- Corruption is on rise, is that not an alarming situation for the Chinese government and social system?
A- Yes it is well deep rooted and alarming. It is spreading like disease.

Q- Does China have any regulations for MNCs to save the environment?
A- Yes MNCs have to guarantee environment protection; there are detailed laws in China for this.
Q- How China can surpass American economy through Social Capitalism?
A- As I earlier told that I will not label Chinese system, but China does not have the target to surpass American economy in next hundred years, it may be very optimistic view. Pessimists in China do not think so.

Q- Do you believe that Chinese economic development is hyped in the media?
A- Chinese media tell people stories of everything good but the West tends to exaggerate its bad effects both are wrong I suggest you read between lines and derive something out of it.

Q- Which foreign TV Channels are allowed to watch in China?
A- There are number of TV and news Channels that are watched in China by common people.