

Cinasthana Today

Viewing China from India

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To

*All those selfless and honest Indian compatriots who wear
their wealth with dignity and humility and share it innovatively
with those left behind in our rural and urban society,
helping them to be productive and join the main stream.*

*I also dedicate it to all those well-groomed men and
women of modest means who are stretching themselves to
selflessly help the social cause they believe in and help the
community to be more productive, self-reliant and happy.
For all of them, sharing is no sacrifice, it is a duty.*

Cinasthana

China for Indians Since the Times of Chandragupta Maurya

WHEN AN INDIAN WRITES ABOUT a country that shares cultural links with India for the past thousands of years, it would only be natural for the book to have an Indian essence in its title. Luckily, I chanced upon a fascinating opportunity to name this book as *Cinasthana* – China for us dating back to 300 BC, during the reign of Chandragupta Maurya.

The title ‘Cinasthana Today’ has been deliberately chosen as I intend to present *Cinasthana* (pronounced as *sinasthan*) in a contemporary perspective as in 2011 AD. China has been changing extremely fast and, therefore, all one reads about it even in the hundreds of recently published books appears to be history!

Ancient records reveal that the name ‘China’ has its roots in ‘*Cinasthana*’. This is the way Indians referred to China during the Qing (pronounced as ‘*chin*’) dynasty period (221–206 BC). It was during the rule of the Qing dynasty that *Cinasthana* became unified for the first time under one ruler, and the area measured approximately 70 per cent of that of present day China.

In his book, *A Traveller’s History of China*, Stephen G. Haw writes, “The name ‘China’ comes from the Sanskrit name ‘*Cinasthana*’, which is what the Indians called the state of Qing (221–206 BC). It was the First Emperor, Qin Shi Huang, who initiated both the Great Wall and the terracotta army.” Even 100 years earlier to that, during the reign of Chandragupta (324–300 BC), the founder of the

Maurya Empire, one finds mention of *Cinasthana* in Kautilya's '*Arthashastra*'."

One also finds China being referred to as '*Cinasthana*' or rarely as '*Mahacinasthana*' (Greater China) in several Buddhist scriptures in China and Tibet. '*Cinasthana*' became known as 'China' in Portuguese, Dutch, German, and English, and 'Chine' (pronounced as *Sheen*) in French. '*Zhu*' is a Chinese transliteration of the ancient Sanskrit name for India. During his visit to China in 1924, Gurudev Rabindranath Tagore was conferred with the Chinese name '*Zhu Zhendan*' by Liang Qichao, then President of Jiangxuesha (Beijing Lecture Association) on his 63rd birthday. '*Zhu*' is the Chinese term for India derived from Sindhu or Hindu, '*Zhen-Dan*' is a translation of 'Rabindra – Sun and Thunder'. The name symbolises India–China friendship and the unity of India and China.

China has as fascinating a history as India's. The Chinese were responsible for a remarkable number of inventions, with major advances in science and technology occurring around the turn of the first millennium. Among these inventions were paper, the foot stirrup, the collar harness, spinning and weaving machines, the crossbow, the wheelbarrow, the compass, cast iron, and, of course, gunpowder.

From the 8th century AD onwards, till the end of 12th century AD, China was, undoubtedly, the most advanced nation in the world. However, for the next seven centuries, China suffered from invasion and domination, one after the other. First the Mongols, and then the Manchus, took over China for five centuries. Later, it was the turn of the Western powers, notably Britain and France, who provoked many wars and extracted concessions. The most dreadful and cruel of all, however, was the invasion by the Japanese.

The 'Father of Modern China', Sun Jong-San (English name Dr. Sun-Yat-sen), led the overthrow of the Manchu (Qing) Dynasty in 1911 and briefly became the first President of the new republic. After five decades of totalitarian communism experienced by China till 1978, there was a stunning economic transformation of the country during the next 34 years. One can be sure that this progress would now offer several new challenges to the new political order taking over the reins in 2012.

In his book, Mr. Haw makes an interesting observation: “The structure of the machinery of the government today, is fundamentally identical with what it was under the later imperial dynasties. There is no emperor at the top, but instead, there is a small committee of the leading members of the Communist Party, which pretty much holds the same position.”

P. S. Deodhar

Preface

CINASTHANA TODAY IS THE CULMINATION of 29 years of study on China. I felt that the image of China, as projected in the Indian and foreign media, does not accurately reflect reality. The official Chinese information also does not necessarily give the actual picture.

The clouds of suspicion harboured due to the 1962 conflict have blurred our vision. The Indians and Chinese alike are wary of each other. Here is a country that, I thought, should be our friend and not a foe. Indeed, trust and friendship between the two nations is pre-ordained if we wish to ever make the world economy 'India-China Centric' once again, like it was till the middle of the 19th century.

I have been a keen observer of China since 1983, when I visited it for the first time. I took an instant liking to it, as it reminded me of the rural south back home – poor, but clean and tidy. It made me curious, pushing me to learn more about it.

Then in early 1988, my study of China got a further boost when I presented to Prime Minister Rajiv Gandhi my views about China's fast export-led growth taking place since 1980, after it established special economic zones in Shenzhen, Zhuhai and Shantou in Guangdong. I also highlighted the help they were getting from the Chinese in Hong Kong as well as Taiwan! He was to meet Deng Xiaoping, the statesman and the architect of China's revolutionary economic reforms, who achieved the impossible. I briefed him on Xiamen in the Fujian province and its economic closeness to Taiwan. It was clear that the Chinese leadership was focussing on export-led economic growth such as in South Korea and Taiwan. Rajiv too wanted speedy economic progress that would help us to develop rural India. He was surprised that those who briefed him did not tell him about one fact that enabled China to follow the right

policies, both for industrial development as well as acquisition of technology. Unlike his own ministerial colleagues and India's trader-turned industrialists, almost all the communist leaders of China were hands-on engineers. China's technologically sound economic and industrial policies could possibly be only due to its leaders being engineers who were trained to build from a plan. Eight out of the top nine party leaders of the Politburo Standing Committee of the Communist Party of China in 1988 came from an engineering background. This professional background may help explain why they did not buy risky (and mostly US) financial innovations. These engineers presiding over China's fate have all been highly process-oriented and worked strictly within the set performance metrics. It is another story, however, that I later failed to convince Rajiv Gandhi to have 'qualified' ministers to overview respective portfolios!

Today, both China and India have understood the profound importance of economic growth and poverty reduction by allowing public – private partnerships to participate in the process, thereby creating jobs, besides some real wealth. This, of course, needed proper governance that would promote economic productivity. Governance is indeed not just about enactment of policies to help development, but also encompasses its efficient implementation. Public resources need to be effectively used for making public services efficient. Therefore, success depends largely on effectiveness of governance. This is where I find that India greatly differs from China. Poor quality of public service in India is indeed a matter of shame for its public servants.

Credit for China's progress also goes to its people besides its government, while in India it primarily goes to its people. China's spectacular infrastructure shows their zeal and commitment to everything they undertake. A political regime cannot enforce this kind of quality. This quality is ingrained in the Chinese persona. On the other hand, one sees an attitude of smug satisfaction amongst the Indians over their development status. There are exceptions such as the Delhi Metro and the Konkan Railway, which prove that given proper incentive and direction, Indians are also capable of achieving the best. But otherwise, one generally notices complacency, lack of enthusiasm towards innovation or reluctance in putting in extra

effort to achieve excellence and perfection for its own sake. The 2008 Olympic Games and 2010 Commonwealth Games are pointers to this sharp contrast between the attitudes of the Indians and the Chinese. There is also the bane of regional, linguistic and cast biases in India that are detrimental to building a national identity, *vis-à-vis* the Chinese. Indians are generally complacent and often indulge in their favourite national pastime of debate and criticism of each other, without being collectively proactive.

But India too has its profound strengths, which China could learn from, and has done so before. Take, for instance, India's vibrant, but very chaotic democracy. However, it does work amazingly well in spite of being a multi-lingual, multi-cultural country where Hinduism, Buddhism, Jainism and Sikhism were born, and which has the world's second largest Muslim population. Though recognised globally as 'Hindustan' or 'Land of the Hindus', it has been led by three Muslim Presidents in the past, and currently, has a Sikh Prime Minister and a woman President at the helm of affairs. Chinese leaders therefore need not be wary of democracy, though its Western model may need a few adaptations for both India and China. In spite of having poorer governance than China, Indians display remarkable optimism. Freedom of speech has a powerful place in India, which China unfortunately lacks in. India's social vibrancy due to this freedom is seen in its theatre, movies, art, economic growth and electorate.

There is general stability in both the countries today, despite all the incredible challenges and hardships faced by them. The challenges are entirely different, but are alarming in their own way. If only Indians would adopt a few features of the Chinese and vice versa, then 'India plus China' could indeed become a formidable combination, as it was centuries ago.

Through *Cinasthana Today*, I wish to highlight the spheres where China did better than us, and how we need to take lessons from its fast-paced development. India derives its strength from its democracy and the freedom of its social institutions to be watchful of the government's activities.

This is a strength that China completely lacks in, its government being the sole repository for the social well-being of the Chinese

people. In sharp contrast, NGOs are India's strength, and poor administration its biggest weakness.

Corruption is most frequently the outcome of poor implementation of laws by an administration that is largely unmonitored. India suffers more on this account than China. Both countries are large and have the ability to leverage policy reforms into sustained, expeditious growth. A large domestic market and an abundance of low cost labour are their biggest strengths. China's Communist Party has good control over its party leaders to reduce the scope for opportunistic behaviour by them. That cannot be said of the ruling party in India.

While a single party rule for over six decades has benefitted China, in India, since 1991, governance has sharply weakened, since no single party could form the government. Our political coalitions forming the government have disabled governance, and in the process, the administration too has become further lax. For instance, one has to only look at the pace of development in Gujarat, where a single party in power has full control over administration, and the vision for growth is largely similar to that of the Chinese.

I have focussed on some of these missing links that featured prominently in the governance of China. No nation is without its share of shortcomings and failures, and China has many. But the slow progress of our country demands that we learn from the solutions that worked and brought about the desired results in China. Many of these are indeed implementable even in democratic India. Many Indian leaders make democracy an excuse for its slow progress but often it is to cover up the lack of their political will. My study on China has partly been to highlight such areas like China's sharp policy focus on agriculture and manufacturing.

With each successive visit, I realised that the common people of both countries are alike in many ways, in spite of our long isolation and the fact that we speak and write so differently. Our beliefs are so similar, our life philosophies so alike and our cultures so entwined – all of which are not being told to our people. India as well as China have a lot to learn from each other. Even though we have rather warm and friendly bilateral diplomatic relations, they have largely remained only that and nothing more, since both the governments

have not made any significant effort to improve our civil society interaction – people-to-people contact.

My book is an attempt to help Indians to get to know China better and allay their fears and suspicions. Though one has to certainly be cautious – it is a part of any international relationship – I found that the Chinese can learn a lot from us as they did during ancient times. This, I believe, needs Indians to know China more authentically, without bias and with an open mind. Whether we will end up fighting a war, I do not know, but if we do, it would be a great pity for both of us.

The China that I first saw in 1983 and the China of 2012 are, indeed, not the same. Then it was still recouping from the Cultural Revolution, but nowadays, visitors come back overawed and impressed. Most are of the opinion that in terms of infrastructure, we cannot even remotely match up to what China has. Not only do visitors get impressed by the high quality of public works, its cleanliness and careful maintenance, but more importantly, they come back with memories of neatly dressed, disciplined and industrious people.

They feel amazed by its makeover from the Mao days of communist command economy to a liberal economy, and more so for having maintained quality and elegance. As someone has rightly commented, Mikhail Gorbachev tried *glasnost* (openness) and *perestroika* (restructuring), but failed, and the Soviet Union collapsed. The credit for not failing in the same way should indeed go to the Chinese leadership.

Many laud the wisdom of the Chinese leadership in keeping Hong Kong semi-independent with its own political system, thereby preventing uncontrolled migration of the poor Chinese. Independent Hong Kong became a great window for bringing in foreign capital. Forty to fifty per cent of China's FDI came in through this window. Simply put, 'One country, two systems', said Deng Xiaoping, the master change agent.

Many find the Chinese eager to learn new things. A German expert in embedded systems came to India after visiting China. After concluding his meetings in Delhi and Bangalore, he made a courtesy call on me. When asked to compare China and India, he said,

‘The Chinese wanted to hear me out and learn, the Indians I met wanted to tell me more than listen’.

The founding Father of the Singapore Miracle of the 1960s – former Prime Minister Lee Kuan Yew – is a perceptive observer. He said, ‘The Chinese culture is structured on Confucian ideals and, despite the communist rule, it underpins the society’. He also said, ‘British style democracy is not suitable for underdeveloped multi-cultural Asian societies’. According to him, people do not vote for policies; they vote for community allegiances, and so leaders will always find ways to stay in power without delivering, by playing on community allegiances, which in turn can be converted into community antagonisms. Many Indians would agree with him.

There are innumerable books published on modern and ancient China, but most of them are authored by foreigners who indeed are from a distinctly alien culture. For understanding China accurately, one has to be at least an Asian if not an Indian. As an Indian, I view China differently from most of these authors. Even a few tomes that are written by fellow Indians are primarily about business or our 60 year old border conflict which we lost. In *Cinasthana Today*, I wish to present China through distinctly Indian eyes. Hence the name *Cinasthana*, meaning China or ‘Land of the Qin’ as referred to by ancient Indians in Sanskrit.

Cinasthana Today is a collection of my articles on China written during the last many years. For this book, I rewrote all of them and updated them with the latest information. I have grouped them loosely into five segments, each focussing on a specific aspect of China.

There is yet another strong backdrop to my study on China. I have a strong belief that post 1970, the United States started its overall decline by allowing big businesses to bring about a cultural change, thereby creating a lifestyle that promotes thoughtless consumption of resources without any sensitivity to its global consequences, with the sole intention of making huge profits.

The United States not only hurt itself, but also inflicted hurt on Europe. Unfortunately, both China and India are pursuing the same development model. Experts, who foresee the repercussions, are now warning that this is completely unsustainable, ecologically as

well as culturally, for India and China. This model can neither be 'inclusive' as the Indian government wants it to be, nor can it be 'harmonious' as the Chinese dream.

It is impossible to study China unless one experiences it, studies its history, understands its people and contemplates after reading others' appreciation or criticism. This is the Information Age (I hesitate to call it the Knowledge Age), and one can get millions of bytes by 'googling' blogs and tweets from all over. I have enriched myself constantly from all these sources. Besides these, the most enlightening of all are discussions with friends, acquaintances and colleagues.

P. S. Deodhar

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P. S. Deodhar

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PART A



HISTORICAL AND CULTURAL LINKS

- ❖ Brief Historical Backdrop
- ❖ China India Time Line: 8000 BC to 2000 AD
- ❖ India, China and Buddhism
- ❖ South Indian Links
- ❖ Sino–Indian Socio-cultural Relations
- ❖ Gurudev Rabindranath Tagore in China
- ❖ A Century of Cooperation and Friendship: 1850–1960

CHAPTER 1

Brief Historical Backdrop

ALONG WITH INDIA AND Egypt, China ranks prominently among the great civilisations which have consistently impacted the world, from the time that the ancestors of the Europeans first left the forests and settled down to cultivate food in farms. In pre-historic times, Yellow Emperor Huang Di, who lived about 4000 years ago, was the head of the tribal confederation along the Yellow River watershed. He led his people against a clan headed by Yan Di, and then they formed an alliance that became the origin of the Chinese people. Huang Di has been respected as the ancestor of the Chinese nation, and even today, the Chinese call themselves as the descendants of Yan Di and Huang Di. Emperor Qi abolished the 'abdication' system and replaced it with a 'hereditary' system, made himself King and established the first dynasty, the Xia Dynasty, in Chinese history. However, it is the Shang (also called 'Yin') dynasty after the Xia period which is today considered by many as the real origin of Chinese history. The China they ruled from 1766 BC till 1122 BC was limited to the northern part.

Confucius, Sun Tzu and the Tao

For the next 1000 years, China was ruled by the Zhou dynasty. This period was politically chaotic. The period between 771 BC and 476 BC is called the 'Spring and Autumn Period'. During this time, Chinese philosophy and literature suddenly sprang into existence.

Confucius and Tao TeChing or Lao-tsu (the world's most translated classic work, next to the Bible, is said to have been written by him) belong to this period. Sun Tzu, as an advisor for the Kingdom of Wu, also wrote his highly influential *The Art of War* at this time. The writings and teachings of Confucius and Sun Tzu attempted to end the constant warfare prevalent then. The period 476–221 BC was therefore referred to as the 'Period of Wars'.

The Great Wall and Terracotta Warriors

In 279 BC, the King of Yen, Chao Hsiang Wang of Zhou dynasty, ended the Zhou period. The Ch'in dynasty lasted till 206 BC during which China underwent unification and Qin Shi Huang-Di became the 'First Emperor'. Qin Shi Huang-Di was one of the most ruthless and brutal emperors in Chinese history. He built the Great Wall and expanded Chinese control to the South China Sea. He was buried with the now-famous Chinese terracotta warriors near Xian. It was during the reign of the Ch'in dynasty that the world's first compass was constructed in China, by balancing a piece of lodestone on a copper plate.

Han Dynasty, Gunpowder and the Entry of Buddhist Monks from India

Despite the iron grip of Qin Shi Huang-Di, the Ch'in dynasty soon collapsed and was replaced by the Han dynasty – founded by a former official, Liu Bang. China, during the Han Dynasty, was a strong country; one of the four great empires of the world along with the Kanishka's Kushan empire in India, Rome and Parthia. Because of high prestige of the Han Dynasty, foreign countries began to call the Chinese as the 'Han People', and Han became the general name of the Chinese nation thereafter. Coins and inscriptions of that period reveal a strong trade relation between the Kushan in India and Han in China. There began a long-lasting trade and cultural exchange between north-western India and China along the Silk Routes.

During this time, the great alchemist – Wei Boyang – experimented and wrote about sulphur and saltpetre. This paved the way later for the invention of gunpowder during the rule of the Tang dynasty. The Han Empire continued to expand into Southeast Asia, Korea and Mongolia. According to a legend, Cai Lun invented the paper in 105 AD. It also was during this period that Buddhist missionaries from India arrived in China for the first time.

Kanishka is credited with the construction of an immense *stupa* in Peshawar. Buddhist literary sources in China portray Kanishka as a major patron of Buddhism modelled after the ideal of Ashoka. Buddhist imagery appears on some of Kanishka's coins. Buddhism initially spread from Gandharva and Kashmir via the mountains of northern Pakistan, and later it spread along the Silk Route of the Tarim Basin to China during the period of the Kushans.

Growth of Buddhism and the Grand Canal

As the Han power proved incapable of controlling the entirety of the newly conquered area, the empire split into two kingdoms: the Western Empire and the Eastern Empire. Buddhism took firm roots in China during this period and branched into two innovative forms: Mahâyâna and Zen Buddhism. The Western Empire that lasted from 265 AD to 589 AD had 12 emperors ruling China. For the next 38 years, the Sui dynasty undertook massive building projects such as the construction of the Grand Canal, which required three million workers and the entire duration of its reign!

Tang Dynasty, Empress Wu, Invention of Porcelain and the Tea Ceremony

From 618 AD to 906 AD, the Tang dynasty ruled China, which accounts for possibly the most important period in Chinese history. It was marked not only by conflict and violence, but also by great cultural and technological innovations. Emperor Taizong was the real mastermind behind the rise of the Tang dynasty.

He established the system of civil service examination, which lasted for 1300 years, and was destroyed only with the end of the empire. During his reign, Buddhism was finally accepted officially as a proper Chinese religion. After his death, one of his concubines, Empress Wu seduced his son and took over the rule of the empire, thereby becoming the mother of the next two emperors. Finally, she ruled under her own name from 690 AD to 705 AD. Empress Wu was perhaps the most powerful female figure in Chinese history. She was deposed in 705 AD after holding power for 45 years. The last great figure of the dynasty was her grandson, Xuanzong (712–755 AD). Much of his rule was troubled by rebellion and the defeat of Chinese forces by the invading Arabs in the Battle of Talas in 751 AD. However, many notable aspects of Chinese culture originated in his reign, which included the writing of books, manufacture of porcelain and the drinking of tea as a recreational – rather than medicinal – beverage. It was also during this time that cultural characteristics such as foot-binding and excessively long fingernails of bureaucratic officials became widespread.

Supernova of 1054, Chinese Astronomy and Crab Nebula

A coup resulted in the establishment of the Sung dynasty when China was unified again. The invention of the first moveable type printing press technology, credited to Bi Sheng, occurred in the year 1045 AD. During this period, the Crab Nebula Supernova was observed in China in 1054 AD. A supernova is a particularly large exploding star, which sheds enough light to temporarily turn the night as bright as day, and the supernova of 1054 AD was an extremely large and long-lasting one. Even today, the remains of this star can be seen in the form of the Crab Nebula and its central neutron star. Unlike in Medieval Europe, the Chinese astronomers who observed and recorded this event did so in a neutral and scientific way, which demonstrates their technological superiority at that time.

Mongol Rule and the Massacre of 18 Million Chinese

In 1267 AD, the invading Mongols established their rule. Under Kublai Khan, they defeated the Sung dynasty. The final war went on for 12 long years from 1267 to 1279 and resulted in a reported death toll as high as 18,470,000 Chinese. Kublai Khan, the grandson of the great Genghis Khan, conquered China completely. However, unlike other invaders who indulged in forced conversion of all conquered territories and massive destruction of agriculture and depopulation, Kublai instead chose to make China the centre of his empire. He himself took to the luxurious sedentary Chinese lifestyle. He also chose a Chinese name for his dynasty – Yüan – meaning ‘Beginning’, and began circulation of the world’s first paper currency. But by no means were Kublai’s Mongol colleagues immune to the legendary Mongol’s ferocity. After the final three-week stand of the southern Sung was broken, Kublai ordered all people with the five most common Chinese names to be executed. Kublai’s cultivation of Chinese art and philosophy did not stop the Mongol thirst for conquest. They tried and failed to invade Siam and Japan. The invasion of Japan, however, suffered a more spectacular fate, when almost the entire enormous fleet was destroyed by a massive out-of-season typhoon, known to history as the *Kami kaze* or the Divine Wind. Despite their famed power, the Yuan retained power in China for less than 100 years. The decadence of the Mongols amidst the fertile fields of the Yangtze broke the power of Kublai’s descendant, Toghon-Temur Khan.

Ming Dynasty, China’s Unmatched Sea Power and Kerala Politics

Ming, simply meaning ‘Bright’, was the first Chinese dynasty to rule China after a long time. The name was intended as an auspicious way to begin the revival of Chinese home rule after the embarrassment of Mongol domination. Ming dynasty was founded by a peasant, Zhu Yuanzhang, who was not connected to any ancient aristocracy. Zhu Yuanzhang was highly suspicious of scholars and in an attempt

to balance their influence, created a powerful military presence in his court. He also established the system of emperors establishing an era name for their entire reign. This is convenient historically, as emperors in this period stopped using their given names after taking power and were simply referred to as ‘the Current Emperor’ during their lifetime. Emperor Zhu Di (1403–1425 AD) was perhaps, the most influential in the entire dynasty, and his reign has gained a great deal of publicity since it was in 1421 that the Chinese discovered America. During this entire period, that is, at the very start of the 15th century, large Chinese fleets (known as the *baochuan* or treasure ships) sailed on the high seas under the command of Admiral Zheng He, establishing trade routes to India and the east coast of Africa. These ships may have been as big as 306 feet (93 metres) in length. Compared with the European sailing technology of that time, these were huge monstrosities. The size and magnificence of the *baochuan* helped secure Chinese hegemony in the region. This was also perpetuated by Zheng He’s interference in local Indian politics in Kerala and his occasional amphibious landings intended to support Chinese-friendly local rulers. Zheng He and several of his captains actually managed such feats as reaching the Antarctic sailing around the Americas and circumnavigating the globe centuries before the Europeans even conceived these projects. All records of the treasure fleet were systematically destroyed immediately following the death of Emperor Zhu Di. This was largely due to the influence of the scholars at the court, who were afraid of foreign knowledge and technology.

Rule by Manchurians

Fall of the Ming rule was caused by the Manchus of the Ch’ing dynasty, who came from Manchuria and ruled over China for 250 years – from 1662 AD to 1912 AD. The Qing dynasty ruled Manchu. The Manchus enforced Manchurian clothing and customs on the people of China but in politics they were content to follow the Ming policy of isolationism. This was due to the Manchu emperors’ desire to be perceived as proper Chinese rulers.

The Republic of China, Sun Yat-sen, Chiang Kai-shek and Taiwan

In 1911, when the Qing Dynasty fell, Yuan Shi kai was a General and Commander of the most modern military force in imperial China. He kept his position by supporting the revolutionaries that brought down the Qing Dynasty. After the Qing Dynasty fell, rebellion spread through the Yangtze River valley before revolutionaries from 14 provinces elected Sun Yat-Sen as President of a provincial government, and in January 1912 Sun announced the establishment of the Republic of China. However, the generals controlled China's provinces and refused to give up their powers. China's young republic was essentially the capital of Nanjing.

On March 20, 1913, Yuan Shi kai's agents assassinated Sung Chiao-jen, who helped Sun Yat-Sen become the first President. Sun demanded that those responsible be brought to justice. Yuan Shi kai resisted, sparking a so-called second revolution, and on September 15, 1913, he ordered Sun Yat-sen's arrest. To survive, Sun fled to Japan as a political refugee. He did not return to China until a few months after Yuan Shi kai's death. Yuan Shi kai, supported financially by the British Empire, became China's second President, but the aftermath of the 1914 World War I caused a reduction of Britain's financial support. Weakened, Yuan Shi kai was forced to accept the 21 demands made by Japan, which included giving up Chinese territory. He agreed on May 7, 1916, which is considered National Humiliation Day by the Chinese.

Yuan Shi kai was unable to establish control beyond Nanking so he declared himself Emperor. His attempts to replace the Republic with a monarchy and him as Emperor touched off revolts in southwestern China followed by uprisings of Sun Yat-sen's followers in several other provinces. This resulted in 12 years of warfare between the warlord generals of China's provinces and the weak Republic of China.

Yuan Shi kai died in 1916, after which Sun Yat-Sen returned to lead the Republic. Sun Yat-Sen died in 1925, which caused the civil war between the Chinese Communist Party and Chiang-kai-shek's Nationalists.

The beginning of republicanism in China was a complex and ineffectual business. A popular uprising in the south led by Sun Yat-sen allied with a military faction under the authority of General Yüan Shih-k'ai in Peking. Yüan Shih-k'ai demanded the position of President, and it was granted by Sun Yat-sen, who retired to the south. The new President soon considered declaring himself emperor, which was an unpopular move, but he died before he could achieve it. The authority of the Republic of China fell apart and the country was split among feuding warlords. The power of Peking was recognised only by foreign governments. In 1923, Sun Yat-sen set up his own government, called the *Guomindang*, in Nanking. When he died in 1925, the party was taken over by his disciple Chiang Kai-shek, who marched north against Peking and took power in 1928. Chiang presided over the invasion of China by Japan during World War II but could retain power only until 1949, when he was defeated by Mao's Communists. Chiang Kai-shek fled to Formosa Island, now known as Taiwan.



CHAPTER 2

China and India Time Line: 8000 BC to 2000 AD

THE HISTORY OF BOTH INDIA and China goes back to 7000 BC. It is interesting for readers to browse through and note what has been happening during a certain period in these two continent-sized countries. This History Timeline has been developed to provide a 'snapshot' of the famous people and events during similar historical time periods of India and China. Important dates in a chronological order provide an actual sequence of important past events which were of considerable significance to the famous people involved in this time period. The timeline has been compiled as carefully and in as detailed a fashion as possible. Academics, readers and the intelligentsia can get a wonderful insight into the long and broad sweep of history that links these two ancient civilisations.

Table 2.1 China and India Time Line

Time	India	China
8000–5000 BC	<ul style="list-style-type: none">■ 7350–7260 BC: Period of Ramayana■ 7323 BC: Birth of Rama – December 4	<ul style="list-style-type: none">■ 7500 BC: Pengtoushan culture rice domestication■ 7000 BC: Peiligang culture■ 6000 BC: Cishan culture – Evidence of dogs and chicken domestication■ 5000 BC: Baijia culture – Evidence of oxen and sheep domestication
5000–2500 BC	<ul style="list-style-type: none">■ 5600–5500 BC: Period of Mahabharat■ 5561 BC: Mahabharat War began – October 16■ 3000–2500 BC: Beginning of the Indus Valley Civilisation	<ul style="list-style-type: none">■ 5000–3500 BC: Yangshao culture in China■ 3630 BC: Discovery of silk■ 2570 BC: Silk belts and woven silk found in Zhejiang■ 3500–2500 BC: Longshan culture in China■ 2296 BC: The Chinese sighting of comets
2500–2000 BC	<ul style="list-style-type: none">■ The cities of Harappa and Mohenjo-Daro in the Indus Valley established in north-western India.	<ul style="list-style-type: none">■ This period is part of Chinese mythology■ Legend of Cangjia, inventor of the Chinese characters■ 2194 BC: Bronze age in China
2000–1500 BC	<ul style="list-style-type: none">■ Decline of the Indus Valley Civilisation■ 1900 BC: Saraswati River goes dry	<ul style="list-style-type: none">■ 1766 BC: King Tang of Shang
1500–1000 BC	<ul style="list-style-type: none">■ Vedic Period■ India is supposedly invaded by the Aryans from the West driving the Dravidians to South. Start of the iron tools age■ Rig-Veda, the earliest Holy Scripture, is composed	<ul style="list-style-type: none">■ 1600–1027 BC: Shang dynasty

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|-------------|---|--|
| 1000–600 BC | <ul style="list-style-type: none"> ■ 1000 BC: Iron Age ■ 750 BC: Caste system firmly established in India ■ 700 BC: Beginning of the Caste System ■ 600 BC: The Upanishads are composed in Sanskrit | <ul style="list-style-type: none"> ■ 600 BC: Chinese practice cultivating crops in rows and hoeing intensively |
| 600–500 BC | <ul style="list-style-type: none"> ■ 527 BC: Prince Siddhartha Gautama attains enlightenment and becomes the Buddha ■ Aryabhatta proposes his Planetary Theories | <ul style="list-style-type: none"> ■ 551–478 BC: Confucius ■ 550 BC: Lao-Tzu outlines the philosophy of Taoism |
| 500–250 BC | <ul style="list-style-type: none"> ■ 500 BC: The ascetic Prince Mahavira establishes the Jain Religion in North India ■ 327 BC: Alexander the Great of Macedonia invades the Indus valley; King Porus is the gallant and chivalrous loser ■ 304 BC: Start of Maurya dynasty by the Magadha king Chandragupta within the Indus valley at Pataliputra (Bihar) ■ 300 BC: Ramayana, the epic, composed ■ 300 BC: Chola Dynasty established over Southern India at Thanjavur (Capital) ■ 273–232 BC: The pillars of Ashoka ■ 273–232 BC: The Great Stupa at Sanchi ■ 350 BC: Panini Sanskrit Grammar | <ul style="list-style-type: none"> ■ Beginning of the Warring States Period with the earliest known maps made in China, from the Qin state Confucianism in the Wei state, and employing able advisors such as the legalist Li Kui |

(Continued)

Time	India	China
250–100 BC	<ul style="list-style-type: none"> ■ 259 BC: Maurya Emperor Ashoka converts to Buddhism, sends out Buddhist missionaries ■ 200 BC: Mahabharata, another famous epic, is composed ■ 200 BC: Andhras occupy the east coast of India ■ 150 BC: Patanjali writes the Yoga Sutras – Artha Shastra ■ 50 BC–40 AD: Invention of the Zero ■ 200–100 BC: Tholkappiyam describes the grammar and morphology of Tamil 	<ul style="list-style-type: none"> ■ 140 BC: First Chinese ambassadors to India ■ 221–206 BC: Qin Dynasty ■ Cinasthana – China unified for first time ■ 221–206 BC: The Great Wall of China built ■ 210 BC: The mausoleum of Emperor Qin Shi Huang, buried with the famous Terracotta Army ■ Destruction of Confucian literature under Legalist regime
100–000 BC	<ul style="list-style-type: none"> ■ 100 AD: Bhagwad Gita composed ■ Shaka and Kushan invasions in northern India ■ The Kushan emperor Kanishka promotes Buddhism in India 	<ul style="list-style-type: none"> ■ 206 BC–220 AD: Han Dynasty ■ 150 BC: Invention of paper ■ 139 BC: Silk Road opened ■ Zhang Qian, first diplomat goes to India
000–250 AD	<ul style="list-style-type: none"> ■ 50 AD: The first Buddhist stupa is constructed at Sanchi ■ 50 AD: Apostle of Jesus Christ, St. Thomas, visits India ■ 200 AD: The Manu code puts down the rules of everyday life and divides Hindus into four major castes (Brahmins, warriors, farmers/traders, non-Aryans) 	<ul style="list-style-type: none"> ■ 206 BC–220 AD: Han Dynasty ■ 241 AD: Great Wall completed ■ 271 AD: Invention of the compass ■ 68 AD: White Horse Temple, the first Buddhist place of worship in China
250–500 AD	<ul style="list-style-type: none"> ■ 320 AD: Chandragupta ascends to power ■ 350 AD: The Sangam is compiled in the Tamil language in the kingdom of Madurai 	<ul style="list-style-type: none"> ■ 220–265 AD: Wei Dynasty ■ 350–800 AD: Climax of Buddhist art

- 450 AD: Kumaragupta of Gupta Dynasty builds the monastic University of Nalanda
- 499 AD: Hindu mathematician Aryabhata writes the *Aryabhatiyam*, the first book on Algebra
- 550 AD: Chalukya Dynasty is established in central India with its capital at Badami
- 600 AD: Pallava Dynasty governs South India from Kanchi
- 606 AD: Harsha Vardhana, a Buddhist king, builds his kingdom in North India and Nepal with its capital at Kannauj (Punjab)
- 753 AD: Rashtrakutas, a Chalukya Dynasty, expands from the Deccan into the south and central India
- 800–1000 AD
 - 985 AD: Rajaraja Chola extends the Chola Empire to all of South India and constructs the temple of Thanjavur
 - 997 AD: Mahmud of Ghazni invades Northern India
- 497 AD: The Shaolin temples, Chinese Coinage in China
- 475 AD: Bodhidharma arrives in China from South India
- Manufacture of glass and magnetic compass in China
- 618–907 AD: Tang Dynasty
 - Tea cultivation, Porcelain developed
 - First Christian missionaries arrive in China
 - Imperial examinations are instituted, beginning a long bureaucratic tradition of scholar-officialdom in China
 - Buddhist monk Xuanzang goes through the Gobi Desert, Kucha, Tashkent, Samarkand, Gandhara and finally to India where he studies at Nalanda
- 837 AD: Huang Chao burns and loots the international seaport at Guangzhou, killing thousands of native Chinese and foreign merchants
- 960–1279 AD: Song Dynasty
 - Gunpowder invented
 - 1206–1264 AD: Genghis Khan

(Continued)

Time	India	China
1000–1200 AD	<ul style="list-style-type: none"> ■ 1050 AD: Chola Empire conquers Malaya & Maldives ■ 1190 AD: Chalukya Empire is split among Hoysalas, Yadavas and Kakatiyas ■ 1192 AD: Mohammad Ghori defeats Prithvi Raj and establishes a Muslim Kingdom with its capital at Delhi 	<ul style="list-style-type: none"> ■ Song troops construct and defend a floating pontoon bridge across the Yangtze River ■ Development of neo-Confucianism ■ Bi Sheng invents the earliest movable type of printing
1200–1300 AD	<ul style="list-style-type: none"> ■ 1223 AD: Destruction of Buddhism in India ■ 1250 AD: Chola dynasty comes to an end ■ 1290 AD: Jalal ud-Din Firuz establishes the Khilji Sultanate at Delhi 	<ul style="list-style-type: none"> ■ 1271–1368 AD: Mongol Yuan Dynasty ■ Kublai Khan makes the Tibetan lama, Drogon Chogyal Pragma, State Preceptor and grants him power over Tibet ■ Gaocheng Astronomical Observatory is built
1300–1400 AD	<ul style="list-style-type: none"> ■ 1325 AD: The Turks invade and Muhammad bin Tughlaq becomes the sultan of Delhi ■ 1343 AD: The Southern Kingdom builds its capital at Vijayanagar (Hampi) ■ 1345 AD: The Bahamani kingdom is established in South ■ 1370 AD: Vijayanagar kingdom defeats Muslim Sultan of Madurai in Tamil Nadu 	<ul style="list-style-type: none"> ■ Marco Polo travels in China ■ Guo Shoujing fixes Gregorian Calendar and builds an artificial Kunming Lake in Beijing. Also develops spherical trigonometry
1400–1500 AD	<ul style="list-style-type: none"> ■ 1490 AD: Guru Nanak Dev establishes the Sikh Religion in the city of Amritsar. ■ 1497 AD: Babur, Afghan Ruler, establishes the Mughal Dynasty in India 	<ul style="list-style-type: none"> ■ 1368–1644 AD: Ming Dynasty ■ 1420 AD: Construction of The Temple of Heaven, Beijing, China, started

- 1498 AD: Vasco da Gama becomes the first European explorer to reach the Malabar coast, India
- Admiral Zheng He begins his overseas voyages, sailing around Southeast Asia, visits Kerala, Sri Lanka going as far as East Africa establishing tributary relations of foreign countries with China
- Forbidden City in Beijing completed
- Ming Dynasty
- 1514 AD: First Portuguese contact by Jorge Alvares in Macau
- 1550 AD: Altan Khan breaches the Great Wall, besieges Beijing and burns down its suburbs after looting the city
- 1587 AD: Physician and pharmacologist Li Shizhen publishes the Bencao Gangmu, detailing the use of over 1,800 medicinal drugs:
- 1644–1912 AD: Qing Dynasty
- Ming general Wu Sangui and the Manchu prince Dorgon occupy Beijing; soon after, the Shunzhi Emperor is proclaimed ruler of China under the Qing Dynasty
- 1530 AD: Babur dies and his son Humayun succeeds as the next Mughal emperor
- 1540 AD: Humayun defeated by Afghan Leader Sher Shah and goes into exile in Persia
- 1555 AD: Humayun returns and defeats Sher Shah regaining the Indian Empire
- 1556 AD: Humayun dies and his son Akbar becomes one of the greatest rulers of India (1556–1605)
- 1628 AD: Jehangir dies and his son Shah Jahan takes over
- 1630 AD: Shivaji is born
- 1658 AD: Shah Jahan builds Taj Mahal, Jamia Masjid and Red Fort
- 1659 AD: Shivaji defeats Adilshahi troops at Pratapgah
- 1674 AD: Maratha Empire established
- 1680 AD: Shivaji dies

(Continued)

Time	India	China
1700–1800 AD	<ul style="list-style-type: none"> ■ 1707 AD: Aurangzeb dies and is succeeded by Bahadur Shah I ■ 1737 AD: Bajirao I of Maratha Empire conquers Delhi ■ 1757 AD: Battle of Plassey, Robert Clive defeats the Mughal Empire Nawab ■ 1761 AD: Battle of Panipat limits the Maratha Empire growth ■ 1766–98 AD: English forces fight Tipu Sultan in South and Marathas in Western India ■ 1799 AD: Tipu Sultan dies, Wodeyar dynasty restored in Mysore 	<ul style="list-style-type: none"> ■ Qing Dynasty ■ 1711 AD: British East India Company establishes a trading post in Guangzhou ■ 1722 AD: Death of Jiang Tingxi, a painter, calligrapher, and encyclopaedia creator ■ 1742 AD: In a culmination of the Chinese Rites controversy, the Kangxi Emperor delivers a decree banning Christian preaching in China in response to a papal bull by Pope Clement XI ■ 1793 AD: Anglo–Chinese relations and the Macartney Embassy; Lord Macartney, the first British envoy to Beijing ■ 1796 AD: White Lotus Rebellion
1800–1900 AD	<ul style="list-style-type: none"> ■ 1803 AD: Second Anglo–Maratha War begins ■ 1816 AD: Third Anglo–Maratha War begins ■ 1818 AD: End of the Maratha Empire and British control over most of India ■ 1818–1947 AD: British Empire rules entire India ■ 1857 AD: First Indian war of Independence Indian Mutiny ■ 1885 AD: Indian National Congress was formed ■ 1858–1947 AD: British Raj in India 	<ul style="list-style-type: none"> ■ 1839 AD: First Opium War ■ 1942 AD: First of the Unequal Treaties of Nanjing ■ 1844 AD: Treaty of Wanghia between the Qing Empire and the United States, with the first US Ambassador to China ■ 1851 AD: Taiping Rebellion ■ 1958 AD: Second Opium War ■ 1860 AD: Burning of Old Summer Palace ■ 1870 AD: Tianjin Massacre ■ 1884 AD: Sino–French War ■ 1894 AD: First China–Japan War

1900–1950 AD

- 1919 AD: Jallianwala Bagh massacre
- 1920 AD: Non-cooperation movement
- 1929 AD: Purna Swaraj resolution.
- 1930 AD: Salt Satyagraha
- 1930 AD: Round Table Conferences (India)
- 1942 AD: Quit India Movement
- 1943 AD: Indian National Army established by Subhas Chandra Bose
- 1943 AD: Arzi Hukumat-e-Azad Hind
- 1944 AD: Subhas Chandra Bose calls Mahatma Gandhi the Father of the Nation
- 1946 AD: Royal Indian Navy Mutiny, Bombay
- 1947 AD: Partition of India
- 1947 AD: Freedom from British Raj
- 1947–1948 AD: Communal bloodshed after partition, over 100,000 die
- 1948 AD: Mahatma Gandhi assassinated by a nationalist
- 1948 AD: War with Pakistan over disputed territory of Kashmir
- 1948 AD: Telangana and other princely states integrated in Indian union
- 1951 AD: India becomes a Republic
- 1900 AD: Boxer Rebellion
- 1911 AD: Xinhai Revolution
- 1911 AD: Imperialism in China ends
- 1912–1913 AD: Sun Yat-Sen rule: Foundation of Kountintang
- 1919 AD: May Fourth Movement
- 1921 AD: Foundation Communist Party of China
- 1927 AD: Koumintang–communist split
- 1927 AD: Nanchang Uprising
- 1930–31 AD: Chiang Kai-shek Rule
- 1931 AD: China's Great Flood
- 1934 AD: Long March: New Life Movement Mao Zedong
- 1937 AD: Nanjing Massacre by the Japanese. A hundred thousand butchered
- 1939–1944 AD: Second Sino-Japanese War
- 1948 AD: Liaoshen Campaign, Pingjin Campaign and Huathai Campaign
- 1949 AD: Chiang Kai-shek's Kuomintang troops retreat to Formosa Island (Now Taiwan)
- 1949 AD: Founding of the People's Republic of China
- 1950 AD: Hainan Island taken over by PRC

(Continued)

Time	India	China
1950–2000 AD	<ul style="list-style-type: none"> ■ 1962 AD: India loses border war with China ■ 1964 AD: Prime Minister Jawaharlal Nehru dies ■ 1965 AD: Second war with Pakistan over Kashmir – Death of PM Shastri in Tashkent ■ 1966 AD: Indira Gandhi becomes prime minister ■ 1971 AD: Third war with Pakistan – India helps creation of Bangladesh, former East Pakistan ■ 1971 AD: 20 Year friendship Treaty with Soviet Union ■ 1974 AD: India explodes first nuclear device in an underground test ■ 1975 AD: Indira Gandhi declares state of emergency ■ 1977 AD: Congress Party loses power to Janata Party ■ 1980 AD: Indira Gandhi returns to power heading “Indira Congress” faction ■ 1984 AD: Golden Temple action to flush out Sikh militants pressing for self-rule ■ 1984 AD: Indira Gandhi assassinated by Sikh bodyguards ■ 1985 AD: Prime Minister Rajiv Gandhi wins election with a huge majority ■ 1988 AD: PM Rajiv Gandhi’s visit to China, a relationship revived after 26 years 	<ul style="list-style-type: none"> ■ 1950 AD: Chairman Mao Zedong Period begins ■ 1950 AD: Agreement for liberation of Tibet ■ 1953 AD: First 5-Year Plan of PRC ■ 1956 AD: Hundred Flowers Campaign ■ 1958 AD: Great Leap Forward ■ 1959–1961 AD: Sparrow Campaign causes famine and three years of natural disasters ■ 1960 AD: USSR–China relations end bitterly ■ 1962 AD: India–China Border War ■ 1962 AD: Chairman Mao steps down ■ 1964 AD: Atom Bomb Exploded by PRC ■ 1966 AD: Cultural Revolution Begins ■ 1966 AD: Red Book, Red Guard rules PRC ■ 1969 AD: Sino–Soviet Border War ■ 1970 AD: First Satellite Launch by PRC ■ 1971 AD: Henry Kissinger’s Visit to PRC ■ 1972 AD: President Nixon’s Visit to Beijing ■ 1974 AD: Four Modernisations ■ 1976 AD: Death of Zhou Enlai ■ 1976 AD: Death of Mao Zedong

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| <ul style="list-style-type: none"> ■ 1989 AD: Congress loses power ■ 1991 AD: Rajiv Gandhi assassinated ■ 1991 AD: Economic reforms – end of Soviet model ■ 1992 AD: Hindus demolish mosque in Ayodhya ■ 1996 AD: BJP defeats Congress (Indira) ■ 1998 AD: Prime Minister Atal Behari Vajpayee visits China ■ 1998 AD: India's Nuclear tests, leading to an international ban on fuel selling to India ■ 1999 AD: Kargil War with Pakistan | <ul style="list-style-type: none"> ■ 1978 AD: Deng Xiaoping initiated Economic Reforms ■ 1979 AD: One Child Policy ■ 1980 AD: Special Economic Zone in Shenzhen ■ 1979 AD: Sino–Vietnam Border War lost by PRC ■ 1980 AD: Gang of Four Trial begins ■ 1984 AD: Margaret Thatcher visit and the Sino–British Business Accord ■ 1989 AD: Tiananmen Protests curbed violently ■ 1989 AD: PRC declares Martial Law in Lhasa, Tibet ■ 1990 AD: Wife of Mao Zedong dies in prison ■ 1997 AD: Hong Kong Handover – One country – Two political systems – Special Administrative Region ■ Death of Deng Xiaoping: 1997 AD: ■ 1998 AD: Great Firewall of China – Internet filter ■ 1999 AD: Falun Gong banned in PRC ■ 2000 AD: China surpasses Japan as the country with the largest trade deficit with the United States ■ 2000 AD: Macau handover – Special Administrative Region |
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CHAPTER 3

India, China and Buddhism

CIVILISATIONS, THEY SAY, GREW ALONG the banks of rivers which were the life line of ancient communities. The world's oldest international highway – the Silk Route – played an integral part in the export of Buddhism to China. Besides silk, paper and other goods, the Silk Route carried another commodity – Buddhism – which was equally significant in world history. Trade became the vehicle which spread Buddhism through Afghanistan, Central Asia, Xinjiang (Chinese Turkistan), China, Korea and Japan. Buddhism not only affected the lives and cultures in those regions but also bestowed upon them a world of wonders in art and literature.

Buddhism penetrated China as early as the 2nd century BC, but took firm roots after 65 AD, when the Han emperor Mingdi dreamt about Buddha and sent his official Cai Yin to India, to learn more about Buddhism. Cai Yin returned with two Buddhist monks, She-mo-teng and Chu-fa-lan, to preach in China. Soon, a Buddhist community was established in Loyang the capital, and it continued to grow with time. Later, Kublai Khan also clearly showed his preference of Buddhism. Marco Polo, a Venetian merchant traveller who was the first European to travel along the Silk Route to China and Mongolia in 1200 AD, has noted that Kublai Khan accorded a magnificent ceremonial reception to the relics of the Buddha sent to him by the Raja of Ceylon. Most of Kublai's successors were equally fervent Buddhists. The Buddhist scholar Bodhidharma, travelled from India to China along with other monks in 475 AD. He introduced the teachings of the Buddha to the Chinese, and they

were greatly influenced by them. Buddhism and Chinese Taoism intermingled with one another. Buddhism in China reached its apogee during the Sui and Tang dynasties (581 AD–907 AD), but Chinese Buddhism was distinctly different from Indian Buddhism.

Buddhism was born in India. Lord Gautama Buddha was born in the 6th century BC in Lumbini village in Kapilavastu on the borders of Nepal and India. He was born in a noble family of *Shakyas* and grew up as Prince Siddhartha. He is also known as *Shakyamuni*, ‘the Sage of the *Shakyas*’. He renounced his worldly life and left home in search of enlightenment after witnessing sights of suffering, sickness, ageing and death. He achieved enlightenment at *Bodhi-Gaya* and gave the first sermon at Sarnath. Hence, the name ‘Buddha’ – meaning ‘The Enlightened One’. He spent his life in travelling, teaching and spreading Buddhism till he passed away at the age of 80 in 484 BC. Two centuries later, it was the Maurya King Ashoka who converted to Buddhism after getting disillusioned by a deadly war at Kalinga. It was he who vigorously promulgated the religion across India to areas as far as Hindu Kush, Kabul, Gandhara and other parts of north-western India. This provided an ideal medium for the further spread of Buddhism along the trade route.

Buddhism in India and China

For a variety of reasons, Buddhism was not accepted in China in its purely Indian form. Bodhidharma introduced various forms of Buddhism in China but actually, there were gradual textural changes as Buddhism permeated into the life of the Chinese society. It was natural, since China was already a rich and diversified nation before the arrival of Buddhism across the Himalayas. It slowly trickled into the minds and imaginations of the people. Much of this trickling occurred during the time of Emperor Ming, who built the first Buddhist temple in China – the White House Temple at Luoyang. By 200 AD, Chinese translations of Buddhist scriptures began to appear. The main reason for Chinese reluctance rooted in the fact that Indian Buddhism inherited the tradition of asceticism from Hindu thought. But the Chinese, being very practical, focussed more

on some compelling ideas and qualities in Buddhism, which they found of value for their lives as individuals and as a society.

Actually, Buddhism was the only religion which was assimilated into Chinese civilisation before Christianity arrived. Prior to it, the Chinese philosophy of life hinged on what crystallised in Confucianism and Taoism between 250 and 600 BC, with their emphasis on practical matters such as family, civic duty, harmonious living and blending life with the natural order. Unlike in India, it emphasised on the particular rather than the general and its conduciveness to a harmonious resolution rather than debate.

Experts point out that Indian and Chinese thought and culture have always been divided by more than just their languages, which influenced the ideas, attitudes and even social conventions of their people. Therefore, the Chinese, in ancient times, philosophically lived in 'the here and now' and had little concern for ideas focussed on the possible life after death. They point out that the limitation of word-symbols of the Chinese language to express ideas of existence beyond reality, as perceived through the senses, has probably caused this. Early Indian sages and thinkers, however, expressed the opinion that life was suffering and a sort of test or ironic game of Brahma, the Creator. They thought and believed that life truly begins with death and that the physical senses often mislead people into a world of pain and misery until enlightenment frees them from their torments. This is the reason Indian religious scriptures teem with words dealing with philosophical and religious abstractions. This is why one can see that the now globally popular Yoga uses classical Indian terms such as *samsara*, *maya*, *atman*, etc. For example, the average Indian sees man's role within the context of a larger, abstract whole, while the Chinese interprets everything from a personal point of view, since most Chinese grow up to be utilitarian and pragmatic.

The differences between Indian and Chinese culture can also be seen in common visual symbols. In Indian thought, the sphere – a three-dimensional embodiment of harmony – was the preferred symbol for the perfect expression of reality. Indian thinkers also considered the wheel to be a symbol of perfect reality. Here, the idea of motion was inherent in the symbolism of the wheel. Life was a

wheel, in the sense that human life rolls from birth to death to rebirth over countless incarnations.

Chinese thinkers, however, once again revealed a different dimension in their thought processes. While the Indian symbol of perfect reality is three-dimensional and kinetic, the Chinese symbol – the circle – appears throughout Chinese culture in many important contexts such as the unit of the yin and yang icon.

One of the most appealing aspects of Buddhism is its emphasis on individual exploration, deliberation, debate and practice. According to the Buddha himself, enlightenment cannot be reached by a team effort. Ultimately, it is one man or woman working alone who can uncover the path to truth. Buddha reportedly said, 'Accept my words only after you have examined them for yourselves; do not accept them simply because of the reverence you have for me'. It was this emphasis on individual action and practical rewards in the here and now, which greatly appealed to many Chinese once the philosophy crossed their border. This idiosyncratic quality which was developed in China, took shape in the form of the *Mahayana* school. Buddhism in India was a rational evolution emerging from the context of Hindu philosophy. It accepted the Vedic posture that sense-based life leads to suffering and must be transcended to experience a higher state of realisation. However, it differed from Hinduism on a number of important points such as the use of rites, moral precepts, definition of God, etc.

The Four 'Noble Truths' in Buddhism state that 'suffering exists, there is a cause to suffering, suffering can cease and there is a path which leads to permanent cessation of suffering'. It is interesting to note that Buddhism holds that life is suffering and not evil as some of the Hindu pundits proclaimed. *Mahayana* Buddhism which was accepted in China, contradicted the doctrine of *Nirvana* (complete awareness) as conceived by other Hindu thinkers. The *Nirvana* of the Hindu *yogis* was a complete annihilation of being, for they thought that existence is evil, and evil is misery, and the only way to escape misery is to destroy the root of existence, which is nothing less than the total cessation of human desires, sensual pleasures and activities. This point of view is antithetical to Chinese thought. It is also a view point which Paramahansa Yogananda, a highly regarded *yogi*

of the 20th century, did not endorse. He said that existence is not evil, but the game of God. Buddha did not teach that *Nirvana* could be achieved through complete cessation of existence, as we commonly know it. The way to conquer suffering and attain *Nirvana* is outlined in the 'Eightfold Path', which holds that one must develop 'right' understanding, thought or motive, speech, action, means of livelihood, effort, mindfulness and concentration. Underlying these precepts are injunctions to mindfulness and compassion which add warmth through personalisation and concern for others, making the Eightfold Path more than a cold list of required commandments.

Chinese thinkers were especially attracted to the idea that the doctrine (*Dharma*) and rules of conduct were not an end unto themselves, but rather practical guides to help individuals achieve their highest potential. Buddhism gradually adapted itself to Chinese attitudes and customs. The earthy Chinese were especially suspect of any philosophy that taught 'suffering in this life, happiness in the next'. During the rule of the Han and T'ang dynasties, Buddhist ideas benefitted due to the state of instability and uncertainty of those times – just the sort of environment which welcomed the idea that life is tough and that there is a way to overcome it, at least on a personal level. With the disillusionment with Confucianism, widespread anarchy and invasions by non-Chinese in the north, Buddhism made major inroads into China and also adapted itself along the way. It was during this time in the 6th century that the 28th Bodhidharma and thousands of less well-remembered monks communicated an alternative way of living and thinking to men and women searching for a new answer to ancient concerns.

Chinese Buddhism, *Mahayana* and Zen took on a very different cast from its expression in India. Chinese scholars were quick to translate the *sutras* into their native tongue, but not without reflecting certain national idiosyncrasies. China's classical conservative way of thinking modified the form of its reception of Buddhism. Chinese Buddhists took over the doctrine founded and taught by *Shakyamuni*, and considered it their duty to exalt their interpretation of his teaching, in spite of the fact that Chinese Buddhism differs from Indian Buddhism in many respects. Therefore, they arbitrarily rewrote even the sentences of the *sutra*. This modified *Mahayana*

Buddhism therefore appealed to the Chinese during its period of greatest acceptance, when the promise of a higher life beyond the suffering of the present, was a strong cultural idea; something which neither Confucianism nor Taoism could provide. Unlike the *Theravada* school popular in southern Asia, however, *Mahayana* Buddhism placed more focus on helping others achieve the goal of liberation. This led to the ideal of the *Bodhisattva*, the saint who came to the threshold of *Nirvana* and proceeded no further, accepting reincarnation in the world until others experienced freedom. Bodhisattva philosophers too were not content with thinking things through for themselves; they wouldn't rest until their students too were well on their way to understanding.

Zen Buddhism, on the other hand, is the most and least mystical of religion-philosophies; the most, if by mysticism you mean focus on the inner life and cultivation of insight; the least, to the extent that Zen teaches that there is no other reality than everyday life. China was, after all, the home of Taoism, one of the premier mystical traditions of the world. Taoism, most noted for its colourful rituals and magic, has a profound tradition of introspection as its foundation. It has an understanding of the essential elements of life as expressed through nature and beauty. The Chinese have always been utilitarian, down-to-earth people, more concerned with creature comforts and practicality than the abstract concepts addressed by Buddhism. Therefore, Chinese hunger for ideas, as opposed to a specific religious 'solution', led to the unique symbiosis of Buddhism, Confucianism and Taoism in China through modern times – a situation where worldly people and intellectuals alike combined elements of all three philosophies in constructing their own individual perspectives.

The emphasis on individualism is also a Chinese characteristic which shaded its approach to Buddhism. As Buddhism became more 'human' in China, it also had something to contribute to Chinese ideas about man and his place in society. Apart from the strict social codes of Confucianism, there was little in Chinese ethical thought relating to the obligations of the individual to others not in his family. One of the ways in which Buddhist ideas freshened stale patterns of thought and enriched the moral fabric of the nation was through

the introduction of altruism and the concept of the *bodhisattva* mentioned above.

Like in India, in China too, ethics was written and taught for the use of those literate few who were the potential leaders of the people. The common people, being illiterate, were expected to follow the practices of the literate; hence, if morality was taught to the literates, it would spread through society. What started out in India as an abstract concept, took firm root in China because it was an idea with practical consequences. From the 1st century onwards, Buddhist ideas about man's responsibility to others resulted in the growth of relief measures to aid the poor, medical treatment for the indigent and education offered through the temple. Chinese Buddhists performed these acts not out of individual concern for others, but rather 'to identify with others', in the sense that one should achieve oneness with the Tao and identify with all sentient beings.

Bodhidharma is credited with introducing Zen in the 6th century to a China which had already proven fertile ground for the development of Buddhism. It suited the Chinese tradition of practicality, common sense and its matter-of-factness. However, once the path of non-verbal direct awareness entered the Chinese consciousness, profound changes occurred. To many observers, the convergence of Buddhism and Taoism in China, and its later refinement in Japan, produced the philosophy we today know as Zen.

In China, Zen challenged the ritual trappings which impeded intellectual and spiritual progress. Ritual, at the popular level, persisted in all religious practices, Zen-like practices included. It was Zen's emphasis on a monastic, more contemplative existence which inspired intellectual consideration of the role of ritual in the pursuit of truth. Zen masters criticised reliance on rituals for a number of reasons: one begins to depend on the practice of rites for the comfort of a pseudo-religious atmosphere; rites encourage personal laziness and discourage individual search for answers; one becomes attached to temples or other sites and to certain modes of behaviour, none of which inspire bold individual initiatives; rituals can lull us to sleep philosophically and spiritually, acting as a kind of Novocaine for the mind and soul. Today, this manifestation of religion is seen everywhere in India; more so among the educated rich than the poor have-nots!

The Indian goal, whether intellectual or spiritual, is to transcend nature. This is often portrayed as a deluder of the senses, in order to attain a higher order of consciousness. In contrast, the practical Chinese mind delights in a nature which is the source of all good things. For this reason, when Buddhism became part of the Chinese mindscape, love of nature and what is 'natural' became a significant part of its philosophy. *Nirvana*, which in India was perceived as a state akin to Samadhi or ultimate transcendence, became in China a state of heightened, all-absorbing awareness of a reality, which included nature and the ordinary. Members of a Buddhist sect taught that all existences – even grass, trees and earth – can attain Buddha-hood. As they were forced to express this unique philosophy in non-logical terms and due to the limitations of the Chinese language, Zen adepts became masters of art such as calligraphy, ink painting, archery, flower arrangement and impressionistic poetry.

According to the Zen practitioner, it is about the search for answers to the most ordinary of questions: 'why am I here?' and 'what am I supposed to do about it?' Even at the outer limits of philosophical inquiry, the Chinese manage to bring a 'down to earth' attitude to whatever they undertake. As a result of these adaptations, Buddhism flourished in its Chinese incarnation in China by the 11th century AD, whereas it had all but disappeared in India by then!

Status of Religions in China in 2011

Since around 1980, freedom of belief is a government policy, and normal religious activities are protected by the constitution. China is today a multi-religious country. Taoism, Buddhism, Islam, Protestantism and Catholicism all have a sizeable following.

There was government hostility towards religion in China, both before and after the 1949 revolution. It was, in part, a reaction to the negative colonial and missionary experiences. In India, a more constructive relationship exists between secularism, nationalism and democracy. Generally speaking, however, Chinese people do not have a strong religious inclination, but despite this, the three main faiths are developing a considerable following. Confucianism is

a philosophy rather than a religion. It indeed is an orthodox doctrine for Chinese intellectuals in the days of the feudal society. However, these Chinese intellectuals too are said to have followed the teachings of Confucius when they were successful, but would turn to Taoism when they were frustrated! The current Chinese government expects that the officials follow the teachings of Confucius in their work.

Many friends told me that very few Chinese Buddhists have read the sutras. Most people I have met, however, say that they believe in gods, destiny, fate, luck and an afterlife. Even so, on most occasions, rather than rely on prayer, people make decisions all by themselves or resort to either family or friends for help. A visible human being is considered far more reliable than invisible gods or spirits. In rural China, however, there are local deity temples that people visit for worship. This, I find, is somewhat similar to that in India.

Indians, in contrast, seem to be becoming very religious in their beliefs. Unlike the Chinese, almost all Indians follow their religion. India also has a huge number of people following their gurus and godmen, and Indians seem to have grown more fatalistic since the last three decades. Many temples, churches and mosques have huge earnings showered by the devotees.

Buddhism

Chinese Buddhism, as is practised in China today, may be classified based on languages into three communities: Mandarin, Tibetan and Bali. Most of the Mandarin Buddhist believers are Han Chinese, while Tibetan Buddhists (generally called Lamaists) are people from the Tibetan, Mongolian and Yugur regions. Bali Buddhist believers are people of the Dai and Bulang ethnic groups, and they mainly live in Yunnan Province. The Buddhist communities are the largest religious communities in China. The Jade Buddha Temple in Shanghai, Yonghe Lama Temple in Beijing, Wild Goose Pagoda in Xian, Potala Palace in Lhasa and Mount Emei in Sichuan Province, are very famous Buddhist shrines.

Taoism

Taoism was born in China about 1700 years ago. It was founded by Lao tzu. Taoism is still quite influential in many rural areas in south-eastern and northern China. Mount Tai in Shandong and Mount Huangshan in Anhui Province are two famous places for Taoism.

Islam

Islam spread from the Arab Countries to China more than 1,300 years ago. It now has more than 14 million believers among the Hui, Yugur, Kazak and Ozbek people living in the provinces of Xinjiang, Ningxia, Ganxu and Qinghai in north-west China. It is interesting to note that these Chinese Muslims do not eat pork, dogs, horses, donkeys or mules!

Christianity

Catholicism and other forms of Christianity began in the 7th century, but it developed rather strongly after the Sino–British Opium War in 1840 under British patronage. Today, the Chinese Catholic and Christian communities are delinked from Rome and are self-administered.

No religion has ever assumed a dominant position in China. Foreign religions, influenced and assimilated by the Chinese culture, have today become religions with Chinese characteristics. Religious believers, however, make up only a tiny proportion of the 1.3 billion Chinese people. Culturally, the Chinese are very similar to Indians; family traditions and beliefs are the primary sources of culture. The elderly in the local society are also important in inculcating values, imbibing social discipline and prescribing the dos and don'ts of behaviour.



CHAPTER 4

South Indian Links

STUDYING INDIAN HISTORY AS A student in Maharashtra had its limitations. It is strange that our syllabus was restricted mainly to north India, with a focus on Maratha history. There was very little coverage, if any, on the history of south India, especially Tamil Nadu, Andhra Pradesh and Kerala. During the course of my study on India–China historical relations, I found that very little was said about the links between China and southern India. Buddhism is known to have spread along the trade routes like the Silk Road, spreading itself eastward into North China, westward into Afghanistan and beyond. Often, we ignore the sea trade route that linked China not only with south-eastern nations, but also with India’s southern regions like Tamil Nadu and Kerala. Buddhism spread to south India from northern India and surprisingly, also via the sea trade route.

The Kerala–China connection has some hard evidence that shows noticeable Chinese influence in Kerala. It is reflected in the omni-presence of silk, porcelain, frying pans, fishing nets, etc. in Kerala. These are still referred to as ‘Chinese’ items in Kerala. The word *samprani* in Malayalam and Tamil seems to have been an adjective applied to items of Chinese origin like incense sticks or a special class of sailing vessels. In fact, some believe that the common rituals of burning incense sticks are copied by us from China. The *chempavu* strain of rice – a traditional favourite with Keralites – is almost certainly the *champa*, which was first bred in China. The temple and housing architecture of Kerala too has distinct Chinese overtones. Malayalam language is known to borrow heavily from

Tamil, Sanskrit, and to a little extent, from Kannada. One speciality of Malayalam is the way its verbs are used; depending only on the tense. This is identical to Chinese language. Is this also, supposedly, a Chinese influence? However, *prima facie*, this does sound rather far-fetched.

While studying about India–China relations, I came across two significant links that are of great essence to this book. One is about Shri Bodhidharma, the Keralite prince and a hand combat expert, who is now credited to have given China its Ch’an Buddhism and Japan, its Zen Buddhism. It makes for an amazing story that tells us about Kung Fu and its Indian derivative – the Tamil *Silambam* – the ancient south Indian martial art that predates *Kalaripayattu*. The other is about Zheng He, the famous Commander of the mighty Chinese merchant navy, and his influence on Kerala in the 11th century. Both are fascinating, to say the least.

Bodhidharma

Bodhidharma was born in Kerala in southern India around 440 AD during the rule of the Pallava dynasty. He is said to have been born as a clan prince in the poor hunter class and was well-versed in martial arts – now surviving as *Kalaripayattu*. In the 6th century, when the Pallava and Chera kings ruled southern India, Kerala and Tamil Nadu had a booming trade with the countries now known as Malaysia, Thailand and Indonesia, thereby keeping the Kalinga port busy. It was also the time when Buddhism was well-spread over south India, especially in Kerala. It was during these times that Bodhidharma was born and spent his early youth in Malabar, the south Indian state of Kerala. Like Gautama, legend portrays him as a south Indian prince who renounced his family life and, upon attaining enlightenment (*bodhi*), became the 28th patriarch of Buddhism. All historians seem to agree that he was a South Indian prince excelling in martial arts. There is, however, a debate whether he was a Nair, a Chera or a Pallava. Some experts are, however, emphatic that the martial arts of Shaolin are more in tune with the Tamil *Silambam* that predates *Kalaripayattu*.

According to the legend, Bodhidharma arrived in Canton via the sea in 526 AD, and was invited to the court of Emperor Wu, founder of the Liang dynasty in the south. Bodhidharma then left for the north and arrived at the Shaolin Temple. The Shaolin Temple is a Cha'n Buddhism temple at Song Mountain near Zhengzhou City in Henan province in China. It is said that upon finding the resident monks weak in facing the menace of local bandits, he taught them exercises and self-defence, from which evolved the famous Shaolin style of martial arts. He then sequestered himself in a cave for nine years and sat gazing at the wall.

According to a book written in 645 AD by Dao Xuan, Bodhidharma came from a South Indian Kshatriya warrior class and was a master of staff fighting. He developed a system of 18 dynamic tension exercises. These movements found their way into print in 550 AD as the Yi Gin Ching or Changing Muscle/Tendon Classic. These 18 hand movements form the basis of Chinese Temple Boxing and the Shaolin Arts. Later, towards the 12th century, Zen Buddhism was adopted by the Samurai of Japan.

Kung Fu began at Shaolin and evolved from the series of exercises that Bodhidharma introduced at Shaolin. He is said to have had a deep insight into hand-to-hand combat during his formative years. In ancient Malabar, now Kerala State, the Nairs formed the warrior class. Their combat skills included bows and arrows, swords and daggers and hand to hand, collectively called the Kalari School. Along with the honour, stealth was the key to this combat training. With the advent of modern forms of combat with weapons like revolvers and cannons, this martial art lost its importance in the 16th century. Science overtook art in combat supremacy.

Bodhidharma is revered as the father of Ch'an and Zen Buddhism. The word 'Ch'an' is a rendition of the Pali word '*Dhyana*' or '*Dhyanam*', meaning meditation. The word Zen, similarly, is a rendition of the Chinese word Ch'an. Historians confirm that the Ch'an or Zen Buddhism was founded by an Indian monk named Bodhidharma.

Today, all Ch'an and Zen followers consider Bodhidharma as a Buddha or Divinity. After Emperor Wu brought Bodhidharma to China, the latter became the first Chinese patriarch creating Chinese and Japanese Buddhism, Ch'an and Zen, respectively.

Bodhidharma died around 535 AD. Some legends say that Bodhidharma lived to be 150 and was buried in the mountains of Henan in China. Some others say that soon after his death, a messenger named Sung Yun from Eastern Wei supposedly met Bodhidharma walking back towards India, barefoot, and with a single shoe in hand. His grave was later exhumed, and according to the legend, the only thing found in it was the shoe he left behind. Common people, both in China and India, are largely unaware of these interesting historical links.



Bodhidharma



Daruma Doll

One of the enduring symbols of Bodhidharma is the Japanese Daruma Doll – an egg-shaped doll that tilts back upright when knocked over. Its wide-open eyes and lack of legs come from the legends of Bodhidharma. It is mythically said that Bodhidharma was enraged at his difficulty in keeping awake while silently meditating, and legend has it that he ripped off his eyelids so that they would not close ever again; and threw them down to the ground where they sprouted as tea plants! In addition, his legs seemingly withered away because of his constant sitting pose. Throughout Buddhist art, however, Bodhidharma is depicted as a rather ill-tempered, profusely bearded and wide-eyed barbarian. He is described as ‘The Blue-Eyed Barbarian’ in Chinese texts.

Zheng He

Zheng He was the admiral of China's formidable merchant navy. Amazingly tall with a height of seven feet, he was a Mongol Hui Muslim and a favourite of the third Ming emperor Zhu Di. Zheng He is remembered today for his astounding navigational quests. As a young castrated slave serving in the palace, he helped the new emperor win the throne after three years of vicious warfare. Between 1405 and 1433, the Ming government sponsored a series of seven naval expeditions. Emperor Zhu Di designed them to establish a Chinese presence and impress the foreign people in the Indian Ocean basin. Much is written about these seven voyages and Zheng He's exploits. He was promoted as Admiral in charge of the ships and later headed these voyages.

During those times Calicut was ruled by Zamorin. He was powerful and well-known, since the pepper trade was in the hands of the Moors of Calicut. Zamorin apparently ordered craftsmen to draw fifty ounces of gold into fine hair-like threads, and weave them into a ribbon to make a gold girdle embedded with pearls and precious stones like in a *Kasavu Mundu*. He sent his envoy Naina to present the gold girdle to the Ming emperor as a tribute. The Ming emperor Zhu Di returned the gesture by deputing Zheng He with a shipload of presents. Zheng He navigated his huge fleet consisting of 317 ships holding almost 28,000 armed troops. Many of these ships were mammoth, nine-masted 'treasure ships' which were, by far, the largest marine crafts the world had ever seen. If the accounts can be taken as factual, Zheng He's treasure ships were capable of accommodating more than 500 passengers as well as a massive amount of cargo.

One day in 1405, Zheng He, in his majestic silk robes, stepped out from the huge Chinese junk berthed at Calicut's historic harbour. It is said that, viewed from the Calicut shores, the first sighting of the Ming fleet was a massive shadow on the horizon – a floating city, like nothing the world had ever seen before. No warning could have prepared officials, moors or the awestruck peasants, who stood near the beach for the scene that was to unfold before them. When the Chinese sailors reached Calicut, their giant ships certainly created a stir. The Chinese were entertained with music and songs. Later Zheng

He made four more expeditions visiting Calicut, as recorded by Ma Huan, the translator moving with the armada. By 1413, the fleet had 63 ships and 28,560 men. His book, titled *The Overall Survey of the Ocean's Shore*, has distinctive descriptions such as the Indians' musical instruments (*Veena*) were 'made of gourds with strings of copper wire, and the sound and rhythm were pleasant to the ears'.

Calicut was an important port of call on the trade journey of Zheng He's naval fleet. They picked up spices, but of course, as return cargo on the journey eastwards, back to China. They did stop in Calicut on each of their seven voyages. They recuperated, replenished their stores and continued on their journey to the west. For the westerly trade, they bartered in Calicut with gold coins, spices from South East Asia and mainly rice picked up at Orissa, to purchase silver for the trip to Zanzibar. Ian Blanchard, in his book on mining, gives the reasons in detail. Curiously, in Zanzibar, they bartered the silver for Rhodesian native gold and more spices!



Giant Chinese Ship

In Zheng He's time China and India together, accounted for more than half of the world's gross national product, as they had been doing for most of human history. Even as recently as 1820, China accounted for 29 per cent of the global economy and India another 16 per cent, according to the calculations of Angus Maddison, a leading British economic historian.

After the Ming Emperor died in 1424, China endured a series of brutal power struggles. Confucius' teachings were against sea travel, and ultimately the scholars emerged triumphant. They put an end to the voyages, halted construction of new ships and imposed curbs on private shipping. By 1500, the government ordered the destruction of all sea-faring ships and made it a capital offense to build a boat with more than two masts. Basically, the Chinese rulers decided that the outside world had nothing to offer them. Zheng and his crew were slandered by the Confucian court officials as indulgent adventurers who wasted the country's resources. Zheng He's trip logs were 'lost' by officials seeking to suppress further overseas travels. Some say that Zheng He brought in the Chinese fishing net technology to Cochin. India was known to produce very fine quality steel and skilled metallurgists. It appears that Indian miners and artisans travelled back with the treasure fleets of Zheng He. Zheng He finally died at Calicut. According to Fei Xin, his shoes and a braid of his hair, at his request, were taken to Nanjing and buried near the Buddhist caves outside the city. Today, Zheng He is revered in China. There are museums depicting his contribution. In 1985, his tomb in Nanjing was honourably restored.

Legend also has it that Zheng He arrived in Calicut in 1406, to get the Buddha's tooth relic, but had to go without it. He came back in 1411, abducted the Sri Lankan King, Vira Alakasvera and also took the relic Tooth of Buddha to China. In 1960, Chou en Lai returned the Buddha Tooth to Sri Lanka.

Most of the Indians in northern, eastern and western India know very little about the romantic and eventful history of South India. Even after gaining independence, for over two decades, British India's history was covered in great detail rather than exposing all Indians to the exciting history of Kerala, Tamil Nadu, Andhra and Telangana. Growth of Buddhism in the South and the existence of the southern silk route via Calicut have always excited my friends when I shared these nuances with them.



CHAPTER 5

Sino–Indian Socio-cultural Relations

INDIA AND CHINA ARE THE two oldest, and still expanding, civilisations of the world. Ancient history reveals that a two-way trade and cultural relations between these two have existed since time immemorial. Bilateral relations between the two countries were not limited just to trade, but also included spiritual and cultural links. The trade route from China to the middle-eastern and south European countries like Persia (Iran), Greece, Turkey and Italy via central Asia is known as the famous Silk Route. The other routes of bilateral trade were mainly the Assam–Yunnan route via Myanmar (Burma) across the Himalayas and the sea route via south-east Asia to Malabar (Kerala) and Tamil Nadu called the Maritime Silk Route.

In 100 BC, the western Han dynasty defeated the Huns and drove them further away towards the Greek kingdom of Bactria, now known as Afghanistan, in the west. The Han kingdom initially covered that part of China which is today's Henan province, and soon expanded itself rapidly towards the west. In fact, it was the Han Dynasty that established the famous Silk Roads – routes to the Middle East, Persia, Italy and India. The eastern Han dynasty which followed, ruled till 220 AD, and oversaw a great flowering of their civilisation. Trade with Rome and other cities in southern Europe and the Middle East in silk and porcelain was booming. Paper was invented around 100 AD and Buddhism began to make inroads from north-western India and Afghanistan, then ruled over by the Greeks.

It was during the rule of China's first Emperor, Wang of the Ch'in dynasty, that China became an integrated country. The Greek word for China in that period was *Tzinista*, and scholars believed it to be a derivative of the Sanskrit name for China – *Cinasthana*. During that era, Indians referred to China as *Cinasthana*, thereby influencing my choice of this term as a worthy title for this book. What is indicative of our close links is seen in the Chinese word for lion – *shih*. It is clearly derived from the Sanskrit word, *simha*. In fact, the Indian civilisation has had a deep impact on China. Both Arnold Toynbee (1889–1975), an English historian and historical philosopher, and Sir Leonard Woolley (1880–1960), a British archaeologist, have put it very interestingly and commented on the Vedic culture as being a 'readymade' culture which found its way into China! In his book *The Wisdom of China*, Lin Yutang (1895–1976), a renowned Chinese scholar and inventor writes, 'India was China's teacher in religion and imaginative literature, and the world's teacher in trigonometry, quadratic equations, grammar, phonetics, Arabian Nights, animal fables, chess, as well as in philosophy, and that she inspired Boccaccio, Goethe, Herder, Schopenhauer, Emerson, and probably, even old Aesop'.

Trade relations grew more rapidly from 600 AD onwards during the first 300 years of the rule of the Tang dynasty, followed by another 300 years of the Song dynasty and further on till 1368 AD under the Yuan dynasty. Trade also developed along the Maritime Silk Route. Calicut and Cochin were regular ports of call for ships from Canton in south-east China. It is said that during this period, Indian astronomy, traditional medicines, south Indian music and sugar manufacturing technology made their way into China. Trade was also carried out through sea ports such as Mahabalipuram, Nagapattam, Quilon, etc.

While trade between the two grew over the centuries, the Silk Routes also established cultural bonds between India and China. This spiritual linkage transformed the relationship into a deeper one, touching the lives of the common people. Buddhism entered China via the northern Silk Route during the rule of the Han Emperor, Mingdi, around 65 AD. Two eminent Indian Buddhist monks, Kashyapa Matanga and Dharmaraksha, went to China and

established a monastery in Luoyang. This is a popular tourist place today. In May 2010, the Indian President, Pratibha Patil, went to Luoyang during her visit to China and inaugurated the Indian built Buddhist complex located next to the monastery.

Buddhism took firm roots in China when several Indian monks went there in the 3rd century. The 4th and the 5th century saw many more Indian Buddhist monks going to China. Throughout this period, many scholar monks from China also visited India, pursuing their studies at the Nalanda University. One of the famous Indian scholars, Kumarajiva, stayed in China for several decades until his death in 413 AD. He made the greatest contribution to the Sino-Indian cultural exchange. Emperor Yao Xing of Qin dynasty gave him the title of '*Rajyaguru*' – the highest honour conferred during his rule. Kumarajiva translated 74 Buddhist scriptures in 384 fascicles into Chinese. Bodhidharma was another Indian who was highly popular in China. He went to China in 6th century AD, and is believed to be the founder of the Shaolin martial art in China. The Shaolin monastery in Luoyang till date reminds us of this Keralite, who became a great Indian cultural ambassador to China. Bodhidharma is credited for giving China its Cha'n Buddhism, and Japan its Zen Buddhism! You will find more information on Bodhidharma in this book. Indian monks visiting China during the next two centuries significantly increased the influence of Buddhism in China.

Similarly, major contributions to Buddhism were made by the Chinese Buddhist scholars who visited India and went back between the middle of the 3rd century to the 7th century AD. One such monk scholar, Faxian, spent several decades of learning in India. The other important ones are Xuanzang (600–664 AD) and Yijing (635–713 AD). Faxian was the first Chinese to travel to India in search of Buddhist *sutras* from reliable literary sources. He travelled all over India, visiting the northern, central, western, eastern and southern kingdoms, and returned to China by the sea route in 412 AD. In 414 AD, he completed his monumental work, *Accounts of a Buddhist Country*. Xuanzang and Yi jing, who followed him, were sponsored by the Tang Emperor Taizong and Empress Wu Zetian, respectively, in the 7th century AD. Both Xuanzang and Yi jing studied at Nalanda and became proficient in Sanskrit. India, China, Japan and Singapore

have now come together to rebuild Nalanda. It will be built in Rajgir, 10 km from the site of the historic university. Nalanda Mentor Group Chairman and Nobel laureate, Amartya Sen, has said that the courses like Buddhist philosophy and religious studies will connect the modern university to its historic past when Nalanda was the centre of learning that attracted students from all over the world.

Chinese as well as Indian scholars and monks visiting each other had to go through several hardships. Not many of those who went to India were fortunate enough to return to China safely. This was also true for Indians who went to China. In those times, the journey was hazardous. One had to travel thousands of miles through Central Asia on foot and on mules. En route, there were difficult deserts to cross, dense forests to pass, snowy mountains to climb, wild animals to encounter, terrible hunger and cold to suffer. It took years of hardship for them to reach their destination after overcoming such difficulties. These trials and tribulations are easier imagined than faced, but the pious souls of these monks made them defy every trial and every difficulty. This brave, vigorous and persevering spirit of our ancient sages naturally commands our heartiest reverence.

Amongst these great men, Xuanzang in the 7th century was unique. He acted as a bridge between India and China, for strengthening diplomatic relations between the two. Harshavardhana, the Indian King of Magadha, was so impressed by his narratives about China that he dispatched his envoy to the Chinese capital Chang'an in 641 AD. The Chinese emperor, Taizong, responded positively and in return, sent his envoy Wang Xuance thrice to India. This inspired Wu Cheng's novel written during the Ming Dynasty, entitled *Pilgrimage to the West*, which is one of the four most popular classic works of China. The hero of this novel, Monkey King, has its origin in Hanuman deity from Ramayana.

References to the India–China trade in early times are found in the writings of Arya Chanakya (350–283 BC), the strategist Prime Minister of Chandragupta Maurya and eminent guru at the Takshashila University. He refers to Chinese silk as *cinamsuka* (Chinese silk dress) and *cinapatta* (Chinese silk bundle) in his treatise on political science – *Arthashastra*. It is also interesting to know that the Chinese way of counting dates (since 2600 BC) had

been adopted by India. The Chinese time count involves a complete cycle of 60 years, divided into 12 year elements. Each of these 12 years, around the 4th century, were named after animals favoured by the Buddha. This Chinese 60 year cycle has a strong resemblance to a similar cycle in the ancient Tamil calendar! This was knowledge migration via the Maritime Silk Route!

It is a little known fact that Hinduism too entered China, but via the Maritime route. There was a small Hindu community in China, mostly situated in south-eastern China. Bilingual Tamil and Chinese-language inscriptions of late 13th century have been found associated with the remains of a Siva temple at Quanzhou. Statues of Lord Krishna and Shiva have been unearthed from the Quanzhou temple site. This is a South Indian style Hindu temple. The Four Kings of Heaven are supposed to have originated from the Lokpals – guardians of the four directions; Kubera in the north, Yama in the south, Indra in the east and Varuna in the west. Some scholars believe Hanuman to be an inspiration for the Chinese mythological character Sun Wukong. The *Yaksha* (Chinese: 夜叉) has indeed originated from Hindu history. Belief in the *Yaksha* made its way to China around 290 AD. It was superseded in 406 AD by a translation in seven fascicles by Kumarajiva.

The influence of Hinduism is also seen in the discoveries of Hindu cultural relics at sites such as Lopnor in Xinjiang, Kizil and Dunhuang grottoes in Gansu, Dali in Yunnan and Quanzhou in Guangdong provinces of China. Frescoes of Kizil and Dunhuang have the portraits of many Hindu deities like Hanuman, Ganesha, Laxmi and Shakti.

In the 13th century, China was hit by a catastrophe due to the Mongol invasion. The level of genocide is illustrated by the drop in the population from approximately 120 million in 1200, to half that level 125 years later! Although China began to recover under the Ming and Qing Dynasties (1368–1911), there was little growth. Problems developed in the Chinese economy, as China failed to maintain a commitment to continual scientific and technological progress.

Although China grew in area and population, the percentage of the population living in urban centres actually decreased following

the Mongol invasion. Risk to life and property drove millions to migrate to rural china. India too went through Muslim invasions who, over the next 500 years, ruled over India. Both China and India went through a long period of self-preservation. China did better than India and remained largely, a nation under a strong central rule, unlike India with its many independent rulers and linguistic isolation. During this long period, the two nations totally lost their cultural and political links.



Dr. Dwarkanath Kotnis Statue in
Front of Kotnis Memorial Hospital in
Shijiazhuang, Hebei, China

The British looted India in the 18th century and China in the 19th. The destructive effect of British opium trafficking on China during the 19th century cannot be underestimated. The amount of money looted out of China was so massive that it caused a severe disruption of the economy and society. After centuries of isolation, it was during this period that Indians and Chinese joined their ranks to fight the British. By 1900, a great part of government revenues went in paying debts forced on the Chinese as war reparations, for attempting to defend themselves from the British opium traffickers. Even worse, it was precisely the intelligentsia who would have mastered and introduced the new technologies of the West, who were destroyed. By 1880, there were an estimated 30–40 million opium addicts, or possibly, even more.

The anti-imperialist mood of the Indian and Chinese people manifested in a major way as a challenge to the colonial order during the First War of Independence (1857–1859) in India and as the Taiping Rebellion (1850–1864) in China. For the first time, Indian soldiers stationed in China, switched over to the support of the Taiping rebels and fought shoulder to shoulder against the British imperialists and the Qing government. As can be seen mentioned in the memorials of the Qing army, Generals or other officials of the throne were directly involved in this peasant uprising. With this began the cooperation between the nationalists and revolutionaries of India and China during their anti-imperialist struggle. These activities had active support of the Chinese nationalists such as Zhang Taiyan and Sun Yat-Sen. Sun Yat-Sen developed strong links with various Indian nationalists and revolutionaries, and introduced them to the Chinese leaders, thus enabling them to carry out their anti-British activities unhindered. He had close contacts with nationalists like Rash Behari Bose, M.N. Roy, Barakatullah, Lala Lajpat Rai and many other outstanding pioneers of the Indian freedom movement.

Mahatma Gandhi, however, was largely criticised for his peaceful movements of non-cooperation and civil disobedience. Sun Yat-Sen, as well as Chairman Mao after him, never approved of his weapon of non-violence. They were of the view that an armed struggle was indispensable for national liberation. Gandhi even suggested these techniques and the principle of non-violence to the Chinese people, but came round to the Chinese viewpoint that it cannot be applied to China's national situation, especially since its war was with the Japanese.

Buddhism, as well as Hinduism, faced obstacles during the rise of communism in China. The Chinese communist government discouraged any practice of religion, as it was considered anti-socialist, as well as a symbol of feudalism and foreign colonialism. During the Communist Cultural Revolution from 1966 to 1977, religious people of all faiths were severely persecuted. However, after 1990, China not only allowed practice of any religion of choice, but has also given Confucius' teachings an official status. It is interesting to note that the Chinese government has invited the

Swaminarayan Trust that runs the Akshardham temples in Noida and in Gandhinagar, to build a similar temple in China. A huge piece of land has been earmarked in Foshan province that will not only house the temple, but will also establish an Indian cultural centre.

Misunderstanding and conflict between the two countries began in 1954, when India published new maps that included the Aksai Chin region within the boundaries of India. When an Indian reconnaissance party discovered a completed Chinese road running through the Aksai Chin region near Ladakh, border clashes and Indian protests became more frequent and serious. In January 1959, PRC Premier Zhou En-lai wrote to Nehru, rejecting the latter's contention that the border was based on treaty and custom and pointed out that no government in China had accepted as legal the McMahon line decided by the British in 1914. In March 1959, the Dalai Lama, along with thousands of Tibetan refugees, sought sanctuary in Dharamshala, a hill town in Himachal Pradesh. This angered the Chinese. China accused India of expansionism and imperialism in Tibet. It claimed entire Tibet and demanded 'rectification' of the entire border. Zhou proposed that China relinquish its claim to most of India's north-east in exchange for India's abandonment of its claim to Aksai Chin. The Indian government, constrained by domestic public opinion, rejected the idea of a settlement based on uncompensated loss of territory as being humiliating and unequal. This finally culminated in the 1962 border dispute where India lost. One feels that both India and China, did not handle their relations well and both went through complete diplomatic as well as social and cultural isolation for almost two decades. Visits of Prime Ministers Atal Bihari Vajpayee and Narasimha Rao as well as that of China's President Jiang Zemin and various diplomatic initiatives taken by both helped to rekindle our friendly relations after 1997.

Today, the rapid progress of science and technology is speeding up the introduction of new production equipment and technological processes in China, and to some extent in India. Both countries have good economic growth, but China is leading in many ways. Deng Xiaoping changed China with a conscious commitment to raising their level of scientific and general knowledge. This, he

believed, would allow them to achieve a higher level of productivity than other nations.

China's President Jiang Zemin has also located the development of the creative powers of the human mind as the central task for China. He stated, 'The progress of human civilisation has more and more convincingly proved that science and technology constitute a primary productive force and an important driving force for economic development and social progress.... Human wisdom is inexhaustible. Science and technology is a shining beacon of this wisdom'.

Following him, the current President, Hu Jintao, has focussed more strongly on the development of science and technology. By allowing in materialistic Westerners, China has managed to acquire and improve on production and process technologies that turn out world class products using the latest technologies. The Chinese people have also become big consumers of the latest technology in their everyday life. They not only make cell phones and laptops for the entire world, but also use them extensively. Chinese language software is the prime mover for the wide use of Internet in China. However, China's military ambition and its race with the United States have made it invest heavily in strengthening its army and building up its weapons arsenal, as is seen in its ever-growing defence spending. It is unfortunate that the political and business world, while talking of peace, engages itself on the quiet to find brutal weapons of bloodshed and massacre. Prior to the 13th century, neither India nor China had focussed on using science and technology for destructive use. The Mongol invasion and America's ambitious military business changed it all for the world.



CHAPTER 6

Gurudev Rabindranath Tagore in China

Revival of India–China Cultural Exchange

THE YEAR 2011 SAW THE 150th birth anniversary of Gurudev Rabindranath Tagore. He is the only Indian Nobel Laureate in literature so far and has been not just a literary giant but also a thinker, philosopher and a social and cultural guide to Indians during the period when India was engaged in a prolonged struggle for freedom. Although he wrote mostly in Bengali, most of his great masterpieces have been translated into almost every major language in India and abroad. As an essayist, he displayed his strong commitment to nationalism and was respected as a cosmopolitan and rational leader of his time.

Not many know that Gurudev had a huge following amongst the intellectuals in China. Known in China as ‘Taiger’, he is credited for the revival of India’s cultural relations with China. India–China cultural relations can be traced back to times before Christ. During these 2000 years’ contact, people of the two countries have contributed to each other’s fund of goodwill and knowledge in various fields. Cultural interactions between us make for a fascinating study. A number of Indian monks like Dharmaraksha, Kasyapa Matanga and others visited China. Similarly, a large number of Chinese monks took hazardous travel to study at the Nalanda University.



Gurudev Rabindranath Tagore on his China Trip

Monks like Xuan Zang, Fa Xian, Yi Jing and others travelled to India to collect Buddhist texts. This chain, however, was broken after foreigners invaded both countries. Gurudev Tagore has to be credited for the revival of our cultural relations with his writings and his two visits to China.

Even today, his poems, translated in Mandarin, are widely read. In mid 1920, his poems were extremely popular amongst the Chinese and had a great impact on contemporary Chinese poetry.

On the occasion of his 150th birth anniversary, a scholarly volume entitled *Tagore and China*, edited by eminent personalities from India and China, like Tan Chung, Amiya Dey, Wang Bangwei and Wei Liming, was released. It has chronicled various aspects of Tagore's relationship with China in great detail. Through this chapter, I hope to briefly touch upon this significant part of our bilateral history. One should read *Tagore and China* for getting a detailed understanding about his relations with China. Several of the essays in this volume provide comprehensive insights into Tagore's understanding and appreciation of China, as well as the admiration of the Chinese for him. The book is a collection of articles by eminent academics and scholars including the likes of Amartya Sen, Prasenjit

Duara, Uma Das Gupta and Patricia Uberoi. It also includes some rare photographs and some of his great poems. Gurudev's glorious one, *Jana Gana Mana*, is India's national anthem and another, *Amar Sonar Bangla*, has been adopted by Bangladesh as its national anthem! His prize winning collection *Gitanjali* is indeed a gift of words which arouse both agony and enthusiasm.

For us Indians, Gurudev expressed great solicitude and pointed out a bright future for national rejuvenation and eulogised the heroic deeds of freedom fighters. Even in the case of China, Gurudev not only appreciated the great Chinese civilisation but also became a great friend of the Chinese people. Our bilateral relations, even in the 1920s, were not very cordial, but he brought focus on our cordiality over several centuries in the past, and many Chinese were impressed by his great humanitarianism, compassion and kindness towards them. He indeed helped the two countries in re-establishing a friendly relationship, which led to cooperation soon thereafter. Gurudev sympathised with the Chinese people's struggle for national liberation. He condemned Japan's aggression against China and wrote letters twice to refute the blatant excuses given by the Japanese anti-China literati in support of their aggressive stand against China.

Wang Bangwei from the Peking University, in his editorial comments in the book, has paid a rare tribute to Gurudev. He says, 'From *Sakyamuni* (Gautama Buddha), we have enjoyed more of a reverent godliness, and from Tagore, we have enjoyed a tangible humanness that was noble and admirable'.

During Gurudev's third visit to China in 1924, his Chinese friends and followers celebrated his 63rd birthday by conferring on him the Chinese name of *Zhu Zhendan*. (*Zhu* meaning India and *Zhendan* meaning the sun showing up after a day-storm.) Another editor, Tan Chung, the famous pioneer of Chinese studies in India, points out that Gurudev's influence on Jawaharlal Nehru augmented Nehru's own idealism for a special friendly relation with China during the 1950s, which culminated in the *Hindi Chini Bhai Bhai* sentiments.

Amartya Sen has pointed out that Gurudev had deep sympathy for the people of China. He says that even as a young man of 20, in 1881, Tagore condemned the opium trade which had been imposed on China by the British and was having a devastating impact on the

Chinese people, simultaneously regretting the fact that the opium itself came from Indian soil.

Gurudev's visit to China in 1924 was, however, very traumatic, to say the least. Mr. Liang Qichao, President of the Beijing Lecture Association, had invited Gurudev in September 1923 to deliver a series of talks as part of the association's objective to have foreign scholars talk to Chinese intellectuals. However, the invitation to Gurudev created an unprecedented uproar, which culminated in strong hostility against him as well as the association by radical student circles and some ultra-left-oriented political leaders. Communist freedom fighters did not like Gurudev's idea of the non-violent movement and his objection to armed struggle. He set foot in China on April 12, 1924, but a group of poets and intellectuals in Beijing came out openly to criticise Tagore's thoughts and writings, which they considered a 'great threat' to the youth of China. Before sailing for China, Gurudev had told the press that this invitation was an invitation to India herself, and as her humble son, he would accept it. He hoped that his visit would re-establish cultural and spiritual ties between the two civilisations.

But it was not to be. Gurudev, in his speech in Nanjing, appealed, 'A new time has come – the time to discover another great power, the power that gives us strength to suffer and not merely to cause suffering, the immense power of sacrifice... Come to the rescue and free the human soul from the dungeon of the machine guns. Proclaim the Spirit of Man and prove that it lies not in machine guns and cleverness, but in simple faith'. He added, 'I ask you, my young princes, to feel this enthusiasm in your hearts and to be willing to rescue the human soul from the grip of greed which keeps it chained'. He concluded that a 'combination of brute and intellect has given rise to a terror which is stupid in its passion, and yet, cunning in its weapons; it is blindness made efficient and, therefore, more destructive than all other forces in the world'. This did not go well at all with the communists. His meeting with the deposed Emperor Puyi at the Forbidden City, the first one by any foreigner since 1912, added fuel to the fire of criticism that had been spreading. Before he reached Beijing, Gurudev must have got an inkling of the feelings of antagonism towards him, though he was not aware of

the magnitude and intensity of these feelings. Yun Daiying, one of the founders of the Communist Party of China, who was the editor of the party newspaper *Xin Qingnian* (The New Youth), and also the Director of the Department of Propaganda of the Communist Youth League, wrote, 'We will not attack Tagore personally out of any malice, but there is a possibility that he may be used by others. We, therefore, have no option but to oppose him'. Students in Shanghai distributed leaflets against Gurudev.

Liang in his welcome address explained the reasons for inviting Tagore. He reminded the audience that Tagore came from a 'country which is our nearest and dearest brother – India'. He talked about the history of India–China relationship from the ancient days in the fields of religion and philosophy, music, painting and architecture, sculpture, drama and poetry, astronomy and calendar, medicine and education. 'Rabindranath Tagore is as important to us as *Asvaghosha*', he said. (*Asvaghosha* was the spiritual advisor to Kanishka and wrote sacred volumes on Buddhism.) Despite the storm of hostility that was gathering momentum, Liang spoke with emotion, 'the responsibility that we bear to the whole of mankind is great indeed, and there should be, I think, a warm spirit of cooperation between India and China'.

However, criticism and opposition to Gurudev continued to grow unabated. But, he was bold and said, 'My enemies may dominate and slay my body, but they cannot make me adopt their methods or hate them. The devil helps in the sphere in which he is master, but we must reject such aid if we want to save our life from utter destruction. Seek righteousness even though success be lost'. This shows his courage, conviction and determination to go along his chosen path.

At the National Peking University, while addressing hostile students, Gurudev appeared withdrawn and dejected, and spoke with pain: 'What do you want from me? You may call me uneducated, uncultured, just a foolish poet; you may grow great as scholars and philosophers, and yet, I think I would still retain the right to laugh at your prudent scholarship'. He added, 'I have come to the secret of existence in some other way – not through analysis, but as the mother's chamber can be approached by a child. I have kept the spirit of the child fresh within me; because of this I have found entry

to my mother's chamber, wherein a symphony of awakening light sang to me from the distant horizon, in response to which I also sing, because of this I stand close to you, the young hearts of a foreign country whom my heart recognises as its fellow voyagers in the path of dreamland'.

Today, Gurudev is one of the most widely read Indian authors in China. He is the most widely translated foreign author in China after Shakespeare. In 2006, the *People's Daily* elected Tagore as one of the 50 foreign personalities who have influenced modern Chinese thinking. In 2010, young Chinese people quoted from Tagore in Valentine's Day messages! We have spoken to many young men and women in China in the last few years and found that his views are well appreciated even today. One must admit that his visit to the 'Middle Kingdom' unfolded a new era of dialogue between the two great civilisations, injected a new vigour in mutual exchanges between these two countries. It was he who has helped to rebuild the bridge between India and China after more than a thousand years.



CHAPTER 7

A Century of Cooperation and Friendship: 1850–1960

MUCH BEFORE THE BRITISH ARRIVED on the scene, China and India had lost their global supremacy and were slowly driven into isolation between the 8th and the 18th century. Buddhism had lost its base in India and the people of both countries suffered a series of Muslim invasions over several centuries, causing drastic social, political and cultural changes. It took several centuries for Islam to spread across India, and the way it did is a topic of intense debate. Many invaders like Mahmud of Ghazni and Muhammad Ghori repeatedly invaded the Indian provinces. Indian rulers like Prithviraj Chauhan were defeated and lost their kingdoms to these invaders. Similarly, the 8th–12th century saw China's most promising period of growth and prosperity, but it came to an end with invasions and widespread destruction, first by the Mongols and then by the Manchus, which ended the Han supremacy. However, both these invaders integrated with the locals over a period, took to the Chinese way of life and formed their own Chinese dynasties. During this period, bilateral trade declined, and there was little communication between the Indians and the Chinese. Technological progress too came to a standstill.

This period of five centuries of aggression, exploitation and atrocities by the Muslims brought untold miseries to the people of China as well as India. The suffering did not end here but was replaced by the colonial rule of the Western powers during the

18th–19th century. They turned India into their colony and brought the weak Chinese empire to its knees. The Western imperialist powers cruelly exploited and looted both India and China, and the people lived in abysmal suffering. Initially, the Westerners came in to strengthen trade, but soon became rulers due to the weakness of the local population, lack of mutual support and unity amongst the local rulers, and superior political cunning and firepower of the Western aggressors.

Slowly, the resistance to the British in India and China became a common cause for their leaders to supplement each other's efforts to achieve freedom. In 1857, the people of India challenged the British with their Mutiny. Historical records show that the Chinese received this news with delight, since this mutiny forced the British to withdraw the troops which were on their way to China. This mutiny made the British delay their second Opium War against China. China's misery started in 1840, when Britain launched the 'Opium War' to defend its right of trafficking opium to China. Unlike India, China remained independent even though very weak and vulnerable. Many parts of China were taken over by the Western powers to set up their so-called trading settlements. It was a pity that both China and India, the two most powerful regions in the world, were languishing under foreign colonial rule. During the 12-year Taiping Rebellion in China which began in 1850, many Indian soldiers in the British army defected to the Taiping army, and turned their rifles back at the imperialists and the Manchu feudalists suppressors. Later, even during the Boxer Rebellion from 1897–1901, Indian soldiers condemned the atrocities committed by the imperialists and expressed sympathy with the just cause of the Chinese people.

A fresh start towards building mutual relations began slowly in 1911, when Sun Yat-Sen fought to end the 1000 year old rule of the Emperors in China. During this period of modern history, the people of both countries, once again, closed their ranks in their common struggle against imperialism and colonialism. They extended their sympathy towards each other and offered their hands to each other. They shared opposition and common hatred against their enemies. Nationalist forces in China realised the commonality of destiny between the people of the two nations and the need to cooperate

with each other in the anti-imperialist struggle. Kang Youwei and Liang Qichao of the Chinese Reformist Movement visited India and wrote articles about British Colonialism in India. They urged the Chinese people not to suffer the atrocities showered on the Indians by the British. K. C. Sen demanded, as early as 1870, that the British government should stop opium trafficking. He pointed out that it was a 'dirty trick' to kill thousands of pitiable Chinese. An editorial of the *Amrita Bazar Patrika* in 1874 entitled 'Chinese and British' looked upon the British as 'devils' and listed out the instances of how the British Colonialists had fleeced the Chinese. As a young man of 20, Gurudev Rabindranath Tagore wrote articles condemning opium trade as one that manufactured death. The famous Marathi Congress leader Gopal Krishna Gokhale also exposed and condemned with righteous dignity, the shameful opium trade and the Opium War launched by Britain against China. It was especially tragic for both China and India that the opium which was forcefully sold in China by Britain was grown in India and shipped from Calcutta. This shameful, blood money made up about 20 per cent of the British Indian Government's annual revenue, and was later used to suppress India's national movement and the Boxer Rebellion in China around 1900.

The anti-British agitation in India was led by Bal Gangadhar Tilak, the President of the Indian National Congress, and in China, by Sun Yat-Sen – the leader of the bourgeois Revolutionary Group. Both believed in similar revolutionary strategies. The India–China friendship started in earnest, once again. Sun Yat-Sen has referred to India a number of times in his writings and speeches. He was of the opinion that India became a colony due to the advantage taken by the English East India Company, of the internal split of the Indian feudal society. He thought that the British were the most cunning conquerors making a foray first to buy raw materials and sell weapons to Indian kings, and then taking over India to loot its riches. While the British took away huge quantities of food grains, 19 million Indians died of hunger over a period of 10 years. He wrote, 'In India lies the economic foundation of Britain, the life-line of Britain'. 'Without India, the British Empire is, but a third rate state'. and 'Without India, the British Empire is

bound to disintegrate'. Chinese leader Zhang Taiyan had several meetings with Subhash Chandra Bose and later wrote, 'I think the two countries have been old bosom friends. We should consider the pros and cons and complement each other'. Zhang wrote of their friendship, 'Though we are foreigners to each other, there is rapport between us. We are good brothers'. On April 20, 1907, Zhang Taiyan attended a function commemorating Shivaji, held in a girls' college in Tokyo, under the auspices of the Indian patriots. Indian radical leaders Bal Gangadhar Tilak and Aurobindo Ghose expressed their concerns about the Chinese national struggle. Tilak observed in an article that the boycott of American goods by the Chinese in 1905, demonstrated that the people of a subjugated country could defeat an arrogant ruler by resorting to unity with courage and determination. He used the example of the Chinese struggle to stimulate Indians repeatedly. This resulted in the boycott of British goods in 1905 by the Indians in protest against the British attempt to partition India. The activities of the Chinese bourgeois reformists and revolutionaries at the end of the 19th and the beginning of the 20th century inspired Aurobindo Ghose and Mahatma Gandhi, who was then in South Africa. Aurobindo Ghose categorised the spread of nationalism as 'the progress of China', while Gandhi called it 'the awakening of China'. The 1911 Revolution was a powerful morale booster of the Indian patriots. Indian revolutionaries M. N. Roy, Sachindra Sen and Vishnu Ganesh Pingle had all met Sun Yat-Sen in China, and Sun spared no effort in helping them. Sun Yat-Sen also maintained close contacts and established cooperation with the well-known Indian revolutionary Barkatullah. Indian revolutionaries greatly admired Sun Yat-Sen. They also knew that Sun was an advocate for armed struggle. It was but natural that they would seek his help. Rash Bihari Bose recorded the unforgettable memory of how he had been helped by Sun in his book entitled *The Revolutionary India*. When Gandhiji launched the non-cooperation movement, Sun Yat-Sen had become the President of the provisional government, ready to launch his Northern Expedition against the war-lords. He hailed Gandhiji's movement as the 'awakening of India'. In 1921, he said in a speech: 'The Indians have long been

oppressed by the British. They have now reacted with a change in their revolutionary thinking ... There is progress in their revolutionary spirit; they will not be cowed down by Britain’.

In 1924, departing from his prepared speech, Sun Yat-Sen commended Gandhiji’s doctrine of non-cooperation while he was speaking and propounded a doctrine of his own, ‘Three People’s Principles’. He said: ‘What is non-cooperation? It is to not supply what the British want. It is to not accept what the British are eager to supply. If the British need workers, no Indian would work for them; if the British bring up a lot of imported goods for Indian consumption, the Indians would refuse to use them, and only consume their native products’. In the beginning, the British had taken this idea lightly. With the passage of time, non-cooperation organisations mushroomed in India, and this greatly hurt the British economy. Sun, then, called upon the Chinese people to emulate the Indian example, become united and act to sever economic ties with the imperialists. He continued: ‘If all the Chinese would emulate the Indian example of non-cooperation, we will not be cowed down even if the foreign powers resort to the suppression of armed forces, economic measures, and the presence of their people’. It was strange that a revolutionary like Sun Yat-Sen was favourably disposed towards a non-violent non-cooperation movement, but he had a broad vision to view the strategies and tactics of the national struggle from various angles. In 1925, the British government sent large contingents of Indian troops to suppress the Chinese people’s anti-imperialist struggle. Sun Yat-Sen’s revolutionary government sent a telegram to Gandhiji, calling upon him and his party to use their influence to stop the British imperialists from using the Indian troops to massacre the Chinese people. Gandhiji immediately published this letter in the journal, *Young India*, and condemned the British authorities for sending troops to China. In September 1925, the All India Congress Committee discussed the China issue and passed an unprecedented resolution in the history of the Congress. The resolution expressed sympathy for the Chinese people in their struggle against foreign domination and also strongly protested against the Indian government’s despatch of Indian soldiers to suppress the Chinese freedom movement.

The India–China friendship continued even after the untimely death of Dr. Sun Yat-Sen. Kuomintang had decided to send a delegation of its leaders, led by Madam Sun Yat-Sen, to visit India. However, the British government refused to issue a visa to her for fear of the powerful impact that would be created by her visit. Madam Sun Yat-Sen expressed indignation in her letter addressed to the Indian Congress, saying that though the British colonialist authorities could stop her from going to India so ungracefully, they could not prevent her from expressing her sentiments through letters. She assured the Indian people that all the loyal followers of Dr. Sun Yat-Sen would continue paying attention and expressing sympathy for the Indian independence struggle. She also wrote a letter to the women of India. Nehru wrote to her, ‘It is humiliating for us that a foreign power should prevent one whom India honours, from visiting our country. We trust, however, that the time is not too far away, when you will be able to come to this country’.

The Gadar Party in India had their branch in China as early as World War I. The party had passed many resolutions in support of the Chinese people’s struggle and hailed the victory of the Chinese revolutionary army. It believed that by pushing forward the revolutionary movement in India at the same time, it could help the Chinese revolution as the two were complementary. Some experienced political workers were sent to Shanghai, Beijing, Guangzhou and Hankou. The party established a publishing house and started their newspaper. Its leaders appealed to the Sikhs and all Indians who stayed in China to not serve the British imperialists and to not oppose the Chinese national struggle. The article said that the true sons and daughters of China were fighting for the freedom of their motherland. The freedom of China was closely linked with that of India. If China won her freedom, it would bring about Indian freedom in the near future. The task of the Indians was to help the Chinese nationalist force.

During the period of the Anti-Japanese War (1937–1945), collaboration between the nationalist forces of China and India reached its pinnacle. Indian political parties sympathised with the Chinese people’s determination to resist aggression. Jawaharlal Nehru publicly criticised the non-resistance policy of Chiang Kai-shek; for this he was greatly respected by the Chinese people. Gandhi, Nehru and

Tagore in their speeches and writings pointed out the just cause of Chinese resistance against Japan. They appealed to the Indian people to do their best in aid of the Chinese struggle for national honour and survival. Nehru wrote, 'Our attitude is one of complete opposition to Japanese aggression, and of sympathy to China'. Indians boycotted Japanese goods to express solidarity with the Chinese people. A nation-wide boycott movement was created. Businessmen pledged not to sell Japanese goods. The famous dancer Uday Shankar held a charity performance in London and donated all the proceeds to the cause of the Chinese people. In 1938, Subhash Chandra Bose became the President of the Indian Congress. He pushed up the 'Aid-China' wave from strength to strength. June 12 was observed as 'China Day' in India. The most memorable event was the Congress decision to send a medical team to China. It included five doctors Atal, Cholkar, Kotnis, Basu and Mukherjee. Dr. Kotnis and Basu worked in the frontier for some time. Dr. Kotnis died in China because of overwork. He personified the symbol of everlasting magnificence of Sino-Indian friendship. Mao Zedong mourned his death by observing, 'The army has lost a helping hand, and the nation has lost a friend. Let us always bear in mind his internationalist spirit...' The relentless service of the Indian medical team had become a household story in India and China. Chairman Mao extended a hearty gratitude for the Indian Congress and the Indian People. In August 1939, Nehru visited China and was warmly received by Chiang Kai-shek, the high ranking officers of the Kuomintang Party as well as the representatives of the Communist Party in Chongqing. On November 2, the leaders of the Chinese Communist Party, Mao Zedong, Zhou Enlai, Chen Shaoyu, Qing Bangxian and Ye Jianying sent a joint telegram to Nehru saying, 'The Chinese people are grateful for your warm kindness in campaigning for support of their cause in the war against Japan. We deeply believe that you and the national leaders, who have been struggling for the Indian people's liberation, will soon be released and can carry on your struggle, now that all the people of India and the progressive personalities of the world are demanding for your freedom'.

In early 1942, Chiang Kai-shek and Madam Chiang visited India and appealed that Britain should put into practice the joint

declaration signed by Roosevelt and Churchill by granting political power to the Indian people, and thereby allowing them to enjoy freedom and liberation. After World War II, the Indian Congress began to build up a nationalist country, while China opted for a new democratic revolution. This new development created complexity for Sino–Indian relations. Yet, strengthening the friendship between the two countries remained their common desire. Nehru, the leader of the Congress, sincerely hoped that China would be united in its stand to reconstruct the nation and play an important role in safeguarding peace in Asia and the world. He adopted a policy of non-intervention towards China's civil war. He also quickly came to terms with reality. After the founding of the People's Republic of China, India became the second country among the non-communist countries, to recognise it. After the Indian Republic and the People's Republic of China established diplomatic relations, India actively advocated on the restoration of China's UN seat, and increased her cooperation with the new China in the struggle against colonialism and the pursuance of independent foreign policy. The Chinese side continued to strengthen its friendly relations with India and treasured the friendship which China had built with India during the anti-colonial struggle. On January 26, 1951, Chairman Mao Zedong attended the celebration of Indian Republic Day in Beijing and said: 'Indian nation is a great nation, Indian people are good people. The friendship between the two nations and the two people was very good in the past, lasting for several thousand years. Today, when we celebrate the national day of India, we hope our two nations, China and India, will continue to be united to work hard for peace'.

Then came the armed border conflict between China and India in 1962. Chinese Diplomat and Consul General of People's Republic of China in Mumbai, Niu Qingbao says, 'There is no denying that we did experience misunderstanding and even fought a war in the early 1960s, but it is important to note that first, the seeds of conflict were sown by European colonialists, and second, conflict is not the whole picture of our bilateral relationship'. As pointed out by Premier Wen, 'Friendliness accounts for 99.99 per cent of the 2,200 year old Sino–Indian exchanges and misunderstanding merely 0.01 per cent. It's high time we buried that 0.01 per cent and re-established the

99.99 per cent. China and India are partners in cooperation. Since India's independence in 1947, and China's liberation in 1949, our two countries have worked hard to build a new-world political and economic order that is more fair and equal. The Five Principles of Peaceful Co-existence co-sponsored by Prime Minister Jawaharlal Nehru and Premier Zhou En-lai are still the most accepted guidelines when handling international relations. In recent years, China and India have joined hands in combating the global financial crisis. In spite of the global economic imbalance, both China and India have made staggering economic growth and become the main engine of global economic growth. India has been predicted by many to outpace China in economic growth rate in the next few years. Some people try to describe the China-India relationship as a rivalry and worry that Asia, or even the world, is too small to accommodate the two giants. I beg to differ. I am impressed by Prime Minister Manmohan Singh's oft-quoted remarks, 'the world is big enough to accommodate the growth ambitions of both India and China'. On top of that, Premier Wen Jiabao said, 'there is enough space in the world for India and China to have cooperation'; 'China and India are partners in cooperation, not rivals in competition'.

Wen Jiabao goes on to add, 'Today, China and India enjoy an ever-rising international standing. We have seen expanding international influence, notable economic growth and steady social development. We have developed multi-dimensional, multi-tiered and wide-ranging cooperation mechanisms, which have played a positive role in promoting common prosperity. Today, China and India represent the interests of the developing countries. Without our input and cooperation, no major problems in today's world can be easily solved. A fast growing China-India means the revival of Asia, the orient reclaiming its historical glory and the rise of influence of developing countries as a whole. There have been predictions of the 'Century of Asia'. There can be no 'Century of Asia' for a risen China, or a risen India. The 'Century of Asia' will come only when both, China and India, are risen and united'.

China and India have produced the world's greatest minds. We are tolerant and forgiving. Our ancestors have taught us to be kind and considerate. Confucius told people, 'Do not do to others what

you wouldn't have done to yourself'. While about a century earlier, a great Indian, Yagnavalkya, said: 'Let no one do to others that he would not have done to himself'. Almost identical words! How great minds think alike! I do not think any piracy is involved here, since Confucius could not possibly know the existence of Yagnavalkya. In early 4th century BC, a great Chinese philosopher, Motsu, campaigned for 'universal love and non-violence'. Buddha Sakyamuni observed, 'Never in this world does hatred cease by hatred; hatred ceases by love'. 'Let man overcome anger by kindness, evil by good'. Mahatma Gandhi campaigned on non-violence all his life.

Since 1988, leaders of both China and India have displayed a great diplomatic wisdom in pursuing the path of friendship, pushing behind us the 26 years of long isolation following the unfortunate armed conflict of 1962 that etched a deep scar on Indian minds. Both China and India as nations have changed their political and economic goals dramatically during the last 35 years. The China of today is a completely different nation in terms of its economy as well as its perception about the global political, social and economic needs. Leaders of both countries seem to be striving to strengthen relations through regular interaction so as to move on the path of mutual friendship and cooperation. Unfortunately, while there is relatively strong and direct diplomatic contact between the two countries today, little is being done by China to make Indians feel friendly towards it. I find that the Chinese people are warm towards Indians visiting their country, but the approach of its government lacks a similar spirit in its actions. Besides the governments, bilateral relations are today limited to our business communities as a result of the remarkably rapid growth in our bilateral trade since 2001. One sincerely wishes that China needs to 'walk its diplomatic talk' of friendship and cooperation by avoiding what looks like its unnecessarily provocative postures.



PART B



THE PEOPLE

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CHAPTER 8

Getting Acquainted with the Chinese: Life in Contemporary China

FOR THE LAST FEW YEARS, the print and the electronic media have been providing extensive coverage to China. It is strange that in this information age, media emphasis is only on the political or economic situation between both our countries. Sadly, the media is predisposed to stressing over bad news. It normally highlights negative stories, since such news can be easily sensationalised. The media chooses to highlight disputes, conflicts, stories of tragedy, natural disasters and other such news since they believe it catches more eyeballs. We get mixed messages from the media about the overall condition of the Chinese state. Due to Internet communication and fast-growing bilateral trade, many are informed about the amazing progress China has made as a nation but the news about its military might breeds fear, making the common people wonder about its intentions. Today, we in India, are in awe of contemporary China; sharing the amazement of the world over the speed with which it made its economic advances, leaving us far behind, within a short span of just two and a half decades.

In the 1950s, books like Pearl S. Buck's *The Good Earth* and Aldus Huxley's *Brave New World*, built a specific image of China in our minds. Agrarian China looked so very similar to the poor, agrarian India, exploited by *Zamindars* (village landlords). A few years

later, as I read George Orwell's *1984*, the image of Mao's Communist rule made the Chinese government look like the 'Big Brother'. The meaning of the loss of individual freedom, made a striking impact on us. China became a People's Republic in 1949; two years after India became a free country. Stories of Dr. Kotnis leading a medical team treating Mao's wounded soldiers developed some kind of empathy for China in my young mind. Soon after China became independent, we saw a period of warm friendship. The slogan of *Hindi Chini Bhai-Bhai*, joint political initiatives like *Panchashila* and smiling pictures of Jawaharlal Nehru and Chou En lai brought us even closer.

Then suddenly, we faced the 1962 military action by Mao's China. On the backdrop of a decade of friendship, it was like backstabbing by a trusted friend. Many elderly Indians still nurse the wounds of unexpected armed conflict, forced on our country by China in 1962. In every sense, it was completely uncalled for. Some of us also wonder why China abruptly stopped midway in its aggression in spite of little resistance from the Indian side. Indeed, the military defeat in the 1962 armed conflict still looms large over our heads, especially since the Chinese aggression came our way, in spite of the full support India gave to the People's Republic of China (PRC), at its birth in 1949, when almost none in the world wanted to recognise the PRC. Pandit Jawaharlal Nehru, then Prime Minister of India, was personally affected and suffered in health, due to the totally unexpected Chinese aggression. It is time that the Chinese leadership realised the depth of trauma in Indian minds caused by this uncalled for crisis created by the then PRC leadership.

Some of us, however, do think of the 1962 conflict as an aberration; one of the many blunders that Mao's erratic China committed in those unsettling times following the failed 'Great Leap Forward'. In early 1960, the Great Leap attempted by Mao, proved to be a terrible disaster. It actually led to death due to starvation of tens of millions of Chinese. Not surprisingly, the same year, Mao himself paid the price for that situation and was forced to step down from the Chairmanship of the CPC, after decades of being the supreme leader of Communist China. One therefore wonders, as to whose decision was it at that time, to order military invasion of India, in order to reclaim what China thought to be, their rightful territory.

While China, today, is indeed becoming more and more accessible to Indians, particularly to those in business and trade, it is still, for all intensive purposes, a complete mystery to most Indians. What prevails is the image built by the media, since there is indeed little by way of civil society interaction. As such, it is common for most Indians, to harbour a great many misconceptions and suspicion about China, a lot of which stem from the general unfamiliarity of the cultural and social situation in China and vice versa. Some of it may be attributed to China's official silence, in clarifying its position about disturbing news appearing in the Indian media. This official passivity by Chinese leaders, adds to the Indians' fear and concern over China's growing economic and military might. While today's China is a completely different nation in many ways from the China of 1962, many Indians find it difficult to trust the Chinese, especially since the prolonged border dispute, the root cause of the 1962 conflict, has not been making much headway as the years passed. Everyone in India, however, knows that unless China makes up its mind, this dispute will remain unresolved.

Actually, China's growing global dominance also adds to misconceptions about China. Many Indians still mistakenly believe that China's political thought remains the same as during the 1960s. In reality, the 1960s China bears little or no resemblance to contemporary China. China's close ties with Pakistan, ever since the mid 1960s only add further to our anxiety.

Many of us believe that our failure to establish closer contact between the Chinese and the Indians, inadequate cultural interaction and lack of bilateral institutional interaction have all accumulated towards the current status of an uncomfortable relationship. The governments of both countries should realise that for enduring friendly relations the common people of the two nations need to be interactive. Mere diplomatic pronouncements of friendship are not enough. Greater trust between the two will need institutional connectivity; professionals in various fields, artists, scientists, professors and other social groups of each country should interact and communicate regularly with the other. In this modern age, it is important that the Indians and Chinese, both being the two largest nations and also as neighbours, understand each other better

through civil society interaction. Both have fast growing economies and both face the ever-widening gap between their rich and poor. The two have different political systems but both suffer from the same nagging problems like corruption, uneven consumption, as well as unequal and unsustainable development. Both need to realise that the Western economic development models are just not working for them and the race to achieve higher GNP (Gross National Product) year after year will one day lead to uncontrolled social divide. Both nations need to put their heads together, based on a perfect blend of our ancient wisdom and modern outlook, to find an alternative Asian economic development model to measure and monitor development.

Many of us who visit and study China with a total detachment from diplomacy and politics feel that people of both countries are either uninformed or ill-informed about each other as social beings. Both societies are unaware of the striking cultural and social similarities between them. Language and cuisine may be different but the values, cultural mores and social bonds are very similar. Family bonds and inter-personal relationships are almost identical. Traditional lifestyle is frugal and family-centric, with high regard for elders and scholars. Sacrifices are considered honourable, and there is a sharp focus on morality. China might have gone through several decades of ban on religious practices, but the traditional cultural make-up of the Chinese has been preserved through family upbringing. Though Indians and Chinese are more alike than the Westerners, Western culture is fast making inroads in both nations. The burgeoning middle class and the rich in both countries have taken to consumerism and have developed a lifestyle matching that of the Americans. The younger generation of the poor class are finding it essential to chase money since everyone is being measured monetarily and not by their virtues or values. Growth in corruption is also partly due to money taking centre stage in the life of both the Indians and the Chinese.

I started visiting China since 1983, and every time China looks different due to fast development and speedily implemented and regularly improved national policies. There is also a remarkable change in the way people live. During every visit, I ensure to visit

rural China for a couple of days and notice changes in rural lifestyle. What I see and experience there is quite different from what we are led to believe by reading and watching media presentation of China. Therefore, I believe that the lack of social engagement of the two societies for several centuries has led to many misconceptions regarding the Chinese in the minds of common Indians. Indians do not seem to realise that all Chinese are not alike.

Many of us believe that China is a homogenous country of over 1.3 billion people; but it is not so! Though China is not like us – with religious diversities, cast-ridden social set-up and a huge linguistic and cultural divide – it does have wide diversities in its societal make-up. Many consider China as a country of look-alike men and women with chinky eyes. Some go by the statistics, which says that 90 per cent of Chinese are Hans. All Hans are, however, far from being alike. Those living in different provinces do not even share a common language and cannot understand each other. In addition, they also have radically dissimilar customs. The Chinese from different regions or provinces not only speak a language or dialect of their own (which others do not understand), but also follow different customs. The Hans from the north are tall and well built, and those from the south are, in general, short and a few shades darker, but tough. When two Chinese strangers meet, the first question they ask is ‘Where are you from?’ It seems more important than knowing their age or occupation. Affinity is faster if both are from the same area. In fact, China now has a collection of individual people and local cultures, each with a unique identity. The residents of Beijing, for instance, have an attitude and culture entirely different from the people in its financial capital, Shanghai. Both are constantly ridiculing each other. Further, both contrast very sharply with the rural Chinese from various provinces.

Besides the above, China currently has two other social divisions; the rich and the poor and those with migrant *Hokou* ID and those with city *Hukou* ID. There are over 180 million migrants, mostly young, who have moved to the cities in search of jobs. Even Han urbanites dismiss Han migrants and do not treat them as fully human; it is almost similar to the attitude of our upper castes towards the untouchables!

Then, of course, there is the generation gap. In China, this is indeed very acute; something that we can only imagine in India. Most of China was deprived of education for a decade – from 1966 to 1977. Many of those in their 50s are marginally literate. The gap is indeed deeper and wider between those who spent their youth in Mao's China and those who have grown up in modern China. The two groups have seen life that is as different as day and night. All middle-aged parents have had completely different life experiences than their young ones. This gap influences an enormous number of conflicts. There is a serious disconnect that should worry China. I have travelled in many taxis all over China, and all of them with drivers above 50 years of age generally have a picture of Mao somewhere on the dashboard. For the elderly poor, he is still close to their heart, and somehow, they seem uncomfortable in today's China.

Many of us also believe that the Chinese do not follow religion. Officially, China is still an atheist state, but in reality, religions simply remain dormant and were practised, at least in cultural terms, during the 1950s, 1960s and 1970s. China has a significant number of Muslims living in eastern Turkistan, now known as the province of Xinjiang, a large north-western autonomous region of China. Many also live in and around Xian, the 'Terracotta Soldier' city of China. India is a birth place of four religions, including Buddhism, but it is in China that Buddhism still flourishes, far more than in its birth place. Tibetan Buddhism is widely practised in entire Tibet and parts of Qinghai and Sichuan provinces. Practising religion is not encouraged, but also not banned. Christianity is growing too. Confucius' teachings have, in fact, again become a state sponsored way of life. Confucius inspired 'Building a harmonious society' is the mantra of the current government.

Many in India believe that all Chinese follow the dictates of the communist party and do not enjoy freedom like us. Since 1983, my first visit to that country, I have observed that China has changed and is rapidly progressing every year. Like in India, there is discontent among the people of China and more and more Chinese express it today. They now protest as often as we do even though the Chinese government acts tougher in dealing with such dissent.

Actually, Chinese authorities now use less force than in the past to deal with protesters. In fact, even in India, the police often act with equal brutality, especially against the poor and the non-political protesters. Both countries still face the challenge of an economically weaker section of the population of considerable size, even though China has lesser poverty levels than India. Official excesses against the poor in China are as common as in India. Like India's Panchayat Raj, in China too, rural elections are now commonly conducted.

Chinese markets are today flooded with products of a huge variety, far more than we see in India, and all these markets are probably more crowded with shop shoppers than our markets. One has to remember that the per capita earnings of the Chinese are over three times that of the Indians, and the Chinese youth in cities are more Western in their shopping habits than the Indians. Cheating, bargaining, buyer-seller conflicts and loud arguments are getting as common as we see around us. Unlike us, however, Chinese people try to keep away from the police. Disputes are mutually resolved, rather than rushing to the police – as is commonly seen here. Contemporary China is no more like Mao's time, when everyone wore identical grey-blue Mao suits. In 1983, I could see no one wearing a garment of any other colour. Men and women, including their leaders like Chairman Mao, all wore the same type of clothing. Today, Chinese clothes are as colourful and fashionable as one sees everywhere else in the world. All Chinese leaders including President Hu Jintao and the Prime Minister are always attired in ties and jackets.

Some of us have preconceived notions that all Chinese are Kung Fu experts. Actually, today it is just an outmoded racial stereotype dredged up by the minds of a few who watch one-too-many Jackie Chan movies. Indeed, many Chinese don't even study Kung Fu. And would you believe if I told you Kung Fu was taught by a Keralite? I have given the whole history in a separate chapter (Refer to Chapter 9).

Many of us think that all Chinese always eat meat. On the contrary, almost 80 per cent of those living in rural China usually eat just rice and vegetables since meat is expensive and not affordable. This sounds like in rural India, right? Another popular myth is that

dogs in China are meant for eating. In reality, one must know that dog meat is quite expensive when compared to meats such as pork and chicken, and I have never seen it being offered.

Education in China like in India focuses on memorising and testing. Westerners believe that only they are generally taught to be creative, and as a consequence, consider all Chinese people to be mostly uninventive and boring. It is a little ignorant and racist on their part to believe so. Just as there are plenty of mindless, boring Americans, there are plenty of creative, artistic and brilliant Chinese, similar to the presence of creative Indian geniuses. Americans, sometimes, are under the false impression that, just because most of the world's technology and entertainment comes from the United States, they must have some inborn ability that others don't. But the fact remains that most of these inventions in the United States have been done by migrants. This has been possible, since America has developed a legal system that protects intellectual property. This has given the few who are inventive to get an incentive to market and develop their ideas. China's legal system is far from developed as in the West, but development in China is now focussed more on technological advances. Getting educated is considered as important in China as in India, but unlike India China today is a 94 per cent literate nation. Most of the blue-collared workers in China today have done at least 10 years of schooling. A literate workforce is China's biggest asset in becoming a country with very high productivity.

Surprisingly, corruption is rampant in China. Some of us are told that almost all Chinese government officials are corrupt. I find that China indeed has corruption, but it is not as inescapable and as institutionalised as in India. For instance, one cannot bribe a cop on the street as one can easily do in India. While one reads media reports of corruption, I find it is pretty rare in day-to-day experiences in the Chinese cities I visited. One, however, does hear stories of corruption. Government officials and builders indulge in corruption. During the recent 2008 earthquake, many school buildings collapsed, killing children. It was noticed that many other buildings surrounding the school did not. Investigations were carried out, and many were punished. The press reports were critical. Bloggers especially, were

very active in their protests. In sharp contrast, infrastructural public works like roads, express ways, airports, bus stations, walkways and public conveniences carried out by the government in China are all excellently built and carefully maintained. One wonders over this possibility because we in India cannot find even one road or bridge built or maintained with any concern or shame. There, indeed, is an organic difference in corruption in India and China, making it an ideal subject for social research.

China today, is also a fun place – at least in urban areas. The streets of every major city are bustling with new cars, environmentally friendly e-bikes and people are constantly using cell phones. There are amusement parks, movie theatres and bullet trains. Chinese homes have all the electronic gadgets that make life easier – washing machines, microwaves and computers. However, like in India, it is true that some of these luxuries are only available to those few who can afford them.

The traditional image of Chinese women – bound, folded feet, kowtowing to the whims of men, as we read in Pearl Buck's *Good Earth* – is today a part of history. Like in India, many parents still prefer giving birth to a son rather than a daughter, but the girls that are born look to be tougher! They all seem to know that competition is the only way to success. Like in urban India, China too is full of entrepreneurial, competitive and assertive women. Unlike in India, millions of young women are living in cities today as migrants, leading a tough, lonely life. I have a separate chapter explaining about their battles with life.

Life in China now is more comfortable than in India due to its high quality and well-maintained infrastructure; roads, highways, airports, bus stations and even public conveniences. Chinese cities may have polluted the air, but are cleaner – something that we just cannot imagine in India.

Everything that is built with public funds in India is shabby, shoddy and callously constructed, with no after-care or maintenance. In China, it is exactly the opposite. Urban China today is getting more like Singapore, and better in many ways than the American cities with their ageing infrastructure. China is so very different from the outmoded version we are shown by Bollywood.

China's Governance

Unlike popular belief, the single party governance of China by the Chinese Communist Party (CCP) from Beijing is not as strictly hierarchical or authoritarian as in the past. While it is true that political system in China often looks secretive and mysterious, provincial governments enjoy considerable freedom when it relates to economic and social development of a region as compared to the freedom enjoyed by the state governments in India. China is a one-party state and is ruled over by the CCP ever since it came into power in 1949. It is often observed in the recent years that quite often leadership at the centre is unable to dictate policy decisions as they once did. Today, there are other intra-party and business forces that influence the policies related to provinces and autonomous regions of China. Regional bureaucracies are strong and influential since most of them are also local party members. Another very strong influence over the decision making is by the People's Liberation Army (PLA). Among the political institutions of China, the top most is the National People's Congress since it enjoys constitutional powers. China's economic success has led to considerable and progressive softening of its central governance. Like India, China too has an ever-growing and strong bureaucracy. Even though most of them are politically active party members, they are picked up through a competitive selection process and then trained to govern. Further, there are lobbies like semi-official think tanks and academic bodies involved in policy research who have certain indirect influence on the process of decision making. At every level – central, provinces and autonomous regions – business interests of state-owned enterprises (SOEs), local private businesses and even the multinationals operating in that region also make an impact on the decisions related to the economic and even social development of a region.

Ever growing and complex information technology is making information flow too fast and innovative for China's 'information firewall' to contain. Public opinion, therefore, is having its subtle influence on Beijing. From 1980 till today, I have seen progressive reduction in the power exercised by the government over the

common people. Just five years ago, my Chinese friends used to hesitate or refuse to talk about the government and its policies, but today, they are more forthcoming and openly criticise the local officials, the bureaucracy and even the governance.

It is also understandable that China's fast economic growth and the need to maintain that rate of growth, has taken a toll on the functional discipline. It has increased corruption amongst the bureaucrats at all levels. Corruption and the growing divide amongst its rich and poor are as much a concern in China as in India. However, its consequences in India are seen to be relatively more disastrous.

One must, however, concede and admire that the national governance by the top political leadership in Beijing has proven to be exceedingly resilient in facing the past and current challenges. Even though it appears to be giving in to the process of social liberation, its need to remain in power seems to force it to adapt continually to changing circumstances and to make concessions to various pressure groups.

National Leaders

The power structure in China has three segments – the party, the government and the military. As a consequence, the top leaders concurrently hold high positions in more than one of these. For example, its topmost leader of today, Hu Jintao is the head of all the three. As the Party Secretary, he heads the Chinese Communist Party and presides over the Party Politburo; as the President of China he is titular head of the government; and as the Chairman of the Central Military Commission (CMC), he heads the PLA. The government is administered and presided over by Premier Wen Jia-bao. Strangely, all supreme decision-making bodies at the highest level, while being hierarchical often take their decisions informally. There could be some members, who are not necessarily at the top position in these bodies, and yet hold authority and influence much beyond their actual position. Experience, seniority, personal connections of a leader and his domain expertise give him or her that privilege.

Only insiders amongst the Chinese leadership know this informal power hierarchy. PLA is indeed very important and, therefore, so is the CMC and its members. Significantly, Xi Jinping, Vice-President of the PRC and the man who would take over from Hu Jintao in early 2013, was appointed as Vice-Chairman, CMC, in October 2010. Many political observers voice concern that the new young leaders at the top do not have either the experience or contacts with the PLA especially since today PLA has ever-growing and stronger political clout.

Like in India, children of the top leaders in China are the people to watch out for. These privileged few are often called ‘princelings’. Many in China feel that these young men and women without merit get undeserved access to power and privilege. Some even view the ‘princelings’ as a possible source of corruption and fear that this threatens the party’s image with the public. By being what they are, they get access to better education and job opportunities and soon become important figures within the party or the government. This is very similar to that in India but much less blatant. Some of them get easy access to economic power and have established private companies or are being appointed as top officials of important SOEs.

Deng Pu-fang, son of Deng Xiao-ping and himself a paraplegic, is widely known in China as a leading advocate for the rights of the handicapped. Hu Hai-feng, the son of President Hu Jintao, is the secretary for Tsinghua Holdings, a multibillion dollar state-owned conglomerate. One may recall that Hai-feng was accused of bribery by the Namibian government during 2009.

Relationship Between the Central Government and the Provincial, Municipal and Local Governments

China has 34 provinces, four city governments and five autonomous regions, and each of these has a regional government. Then there are 300 prefecture-level local governments, 3,000 county-level local governments; and over 40,000 township-level governments.

All governments are manned by nominated bureaucrats but they always are the party members high up in the party hierarchy. As was the case with the central government, all these governments contain a parallel party administration headed by the secretary of the regional party committee and a governmental body headed by the governor, mayor or county head.

Although all political power resides with the central government, the constitution does allow local governments to conduct administrative work concerning the economy, education, science, culture, public health, physical culture, urban and rural development, finance, civil affairs, public security, nationalities affairs, judicial administration, supervision and family planning in their respective administrative areas. In practice, each tier of government exercises varying degrees of autonomy.

The relationship between the local party leader and the local top government official is critical to the effectiveness of the local government. At the provincial level, these are almost always two separate people; at the county level, one person may serve both roles. It is the usual practice of the central government to appoint provincial leaders who are not from the province, and to rotate them with some regularity. This is done to prevent an individual developing too strong a local political base to reduce the risk of corruption, and to promote provincial leaders who are considered successful. County officials, by contrast, are generally from the region and are less likely to be removed from their local office unless they are promoted or dismissed. Whereas the Party Standing Committee or the State Council can use their authority over the local party or government leader, the ministries have less direct control over the actions of lower tiers of government. In general, the ministries rely on local authorities to implement national laws and regulations. Because of a lack of personnel, local officials frequently are responsible for carrying out the policies of the party, the central government and multiple ministries – often forcing them to prioritise among competing requirements and restrictions.

The maintenance of local party discipline and local government corruption are the two problems that seem to worry the central

government in Beijing. Since local government officials are generally from the region, infrequently rotated, and on occasion serve as both party and government leaders, the potential for abusing power is comparatively high. Many of the complaints about government corruption in China are allegations against county and municipal officials rather than provincial and central government leaders. Local corruption takes many forms – from the lack of enforcement of laws and regulations to cases where officials have treated the local community like their own private fiefdom.



CHAPTER 9

Growth of Civil Society in China – Good News for India

INDIA PLUS CHINA', RATHER THAN 'India versus China', has been the focal point of the India China Economic and Cultural Council. One of the important initiatives emerging out of this theme was to enhance people-to-people contact and work for a wider cross-section of civil society interaction. Indians often wonder about the type of civil society that exists in Communist-ruled China; the kind of private institutions that operate in China, etc. These questions and discussions led me to study China in this context. After three years of study, I can say that learning about China's growing civil society has been a very engaging experience for me.

Current Status of China's Civil Society

Till Chairman Mao's era ended in 1978, individuals were just miniscule parts of a huge social machine controlled by the state. Naturally, there was no room at all for an order like a 'civil society' to exist. The Chinese people had to wait for the collapse of the Soviet Union, the resultant end of the Cold War and also for the deep and wide economic reforms introduced by Modern China's Architect, Deng Xiaoping, to think of any independent people-driven activity like a civil society.

Once the concept of private ownership of business and land was established, the Chinese society began to develop on all fronts and it was only natural that debates on 'civil society' were set off in the Chinese academic world. Civil society indicates giving more respect to the rights of an individual, and that process has begun in China since the last decade and half, but as yet, without any signs of Western style democratic participation by the citizens.

As private enterprises and the middle-class segment increased rapidly, Chinese professionals and intellectuals from the mid-1990s onwards began forming non-government organisations (NGOs) to focus on specific aspects of social interest. During the decades of reforms and opening up (referred to as the 'new age' in Beijing by officials), significant changes have been taking place in social demands, especially from the younger generation that migrated to cities. Although there are common demands in almost every age group, the younger generation, usually, has been more vocal about it.

We also need to understand the complexion of the civil society in China. Unlike what we are led to believe, Chinese society is not very homogenous. As in India, in China too, cultural make-up, social traditions, spoken language and lifestyle differ as one moves from one province to the next, and so does the civic society's complexion. As a result, their social needs and problems also vary.

Civil society everywhere essentially consists of non-governmental, people-centric and mostly voluntary institutions in service of the society. They need to have independence, autonomy and are non-profit institutions. In China, many NGOs are, however, initiated by the government. During the days of planned economy till 1978, social welfare was the responsibility of the government, leaving no role for NGOs. But many Chinese NGOs today are government-organised NGOs and not 'grass-roots' NGOs that have a bottom to top approach in their internal decision-making. Many of these NGOs are registered with the Bureau of Industry and Commerce and not with the Department of Civil Affairs. Grass-root NGOs are rightly considered as 'soft power' in China, and during 2010 and 2011, there has been a very encouraging increase in their numbers. Their demands hinge around problems like lack of basic amenities and affordable medical

treatment; security of life and property, unfair business practices, privacy, etc. Another major concern and protest is the deterioration of the environment such as high pollution, urban waste, etc. due to careless development.

While China's economy continued to speedily forge ahead, the civil society was far from being free like in India, till a few years ago. Even now, there is a possibility of getting an 11-year jail sentence for peacefully expressing a desire for political change. The Communist Party of China continues to be intolerant of political protest, but protest against civil injustice is now well-accepted for a variety of causes. Premier Wen Jiabao has also talked about democracy and the need for reforms, but within the one-party system. Under President Hu Jintao, inner-party democracy has received acceptance. There are official promises for creating a special form of democracy which is distinct from its Western version. One sees no scope yet for a Western style parliamentary system as in the United States or India. Those in power find the Western democratic system inappropriate for China's needs and its development. Even in India, there are minority groups which believe that our democracy is fast becoming an albatross, preventing it from speeding up its economic growth.

It is therefore clear that whatever reforms may take place in China in the coming years, they are likely to focus on building a stronger rule of law, institutional safeguards against abuse of power, and a system that is able to deal with the increasing strife in society as it grows richer and more unequal so that instability is prevented. There appears to be a broad consensus over this. Dominance of the Communist Party is still central to the delivery of these aims.

As I write this in 2011, the Chinese civil society is growing stronger each year, with government withdrawing from large areas of civilian activity; allowing groups to be active on issues like the environment, care of the elderly, poor educational facilities, etc. Today, the Communist government is under increasing pressure to give civil society groups a proper legal status and to remove the existing ambiguity. China's middle class is growing fast. High literacy rate, Internet and cell phones keep people updated with the latest information. The sheer complexity of society due to fast development

of the middle-class will mean that civil society groups seeking various forms of social problems will grow in numbers. The current restrictions on their activities have already been challenged several times at the National People's Congress.

Civil society is getting stronger since China can ill-afford disturbing the peaceful and stable social environment so essential for its economic growth objectives. The Chinese leadership is keen to have a peaceful and stable social environment within China and internationally. Those in power know that a severe upset, such as an unexpected international conflict or an uprising by the 'left out' groups in society like farmers or poor urban dwellers, will hurt its economic agenda. In this context, China continues to face enormous challenges in the governance and development of, what they officially call, a 'harmonious society'. It also has to deal with a rapidly ageing population, an energy-hungry economy and an environment depleted by decades of rapid growth and industrialisation. China now enters a crucial phase of its transition, where GDP growth is no longer the sole priority.

China's drive towards economic reform and modernisation has created new opportunities for citizen participation. The Chinese people are seeking novel ways to organise their institutions in order to respond to social needs and convey grievances and concerns in ways which influence the policy-making process. Chinese social scientists believe that a country's progression towards a more open, pluralistic and competitive political system is dependent on whether the country allows a civil society to emerge. The concept of civil society is an abstract notion that allows NGOs to progress and develop. At this point, one can say that civil society is indeed emerging. One can see China's economic confidence, but it still lacks a strong global profile that encourages such soft power. The Chinese government needs to do a lot more to enable civil society development in China. For the past 30 years, the government has remained committed to bolstering reforms to foster the development of trade associations and private foundations but with total control of the process.

Nonetheless, there is growing room for civil society in China, as seen with the increase in the number of private foundations in the past several years. More than 2,600 foundations have already been

established till 2010. However, there is a lot more the government must do. Currently, there are nearly 60,000 trade associations and chambers of commerce in China. Chinese trade associations need to play a bigger and more positive role in promoting voluntary standards of corporate social responsibility as an integral part of their effective management and operation through engagement of their member companies.

China is changing very fast, and it has traversed far from the old order under Mao that asked for compliance with the unitary order. This is impossible in today's China. The Chinese nowadays demand for greater autonomy and freedom. They have already got freedom in seeking jobs, carrying out private commercial business, privacy in personal life and even freedom of belief, but, as they say in India, *Yeh dil maange more!* (This heart desires more). Demands too vary with whether the group comprises of urban residents or farmers, young people or elderly, people in the developed coastal area or those in backward mid-west regions. The former ones usually have greater demands for autonomy and freedom than the latter ones. After the reform and opening, new kinds of demands related to the market economy have risen. The rich and poor divide seems to hurt the most. Demand for human rights and civil rights are growing. Instead of asking help from the Communist Party committees or its branch secretaries, more and more people prefer to file lawsuits or consult a lawyer when they see injustice. Chinese like Indians are demanding justice against those using power of position to make profit or get special privileges. People are opposing the discriminatory policy towards different regions, provinces, cities and working units.

In contrast to the idealistic pursuit of political democracy such as multi-party regime the Chinese are demanding election of representatives for the People's Congress at different levels. The first round has been won. Today, there are democratic elections in the rural areas, the so-called 'grassroots election', within the current regime of single party rule. According to a report, after the abolition of the people's commune system in 1983 in the rural areas, village committees which have been the local autonomous organisations, elected and operated by the farmers themselves, have been

established widely at the grassroots level. Three rounds of elections have been held till now.

Essentially, the single party still rules, but at rural levels, local leaders have to face intra-party local election. Party members nominate themselves, but face the local election process so that the representatives who adequately reflect the interests and wills of the villagers are elected. As of 2009, according to reports, there were over 1.35 million village committees and over 5.5 million party cadres elected as members of the committees. One can therefore say that the current Beijing leadership finds it necessary that their reforms reflect the wishes of the majority of the Chinese farmers, who account for 80 per cent of the population. In a sense, this is indeed a small step towards democracy in China.

If Asia has to prevail in the 21st century, Indians and Chinese have to bond more closely in our social and professional relationships, with growing inter-institutional interactions. Professionals with the same feathers need to exchange and communicate with each other for mutual growth. This will also help to reduce mutual distrust and develop better understanding. Mere diplomatic closeness helps little in creating friendly relations amongst the common people. There has to be deep and wide interaction of the civil societies. Therefore, it is up to our civil societies, professional associations and institutions to interact for promoting bilateral growth and strengthening Asia. China today, is not an open society and there is government intervention even in social and cultural areas. Luckily, this has been changing, and now there are NGOs in China too. While our civil societies cannot interact as freely as they do between democracies, I have found that such interactions with the Chinese institutions are possible today, if adequate efforts are made.



China's School Education: A Lesson for India?

Why Study China's Educational Success?

Like every other Indian, I feel concerned about primary school education for the rural and urban poor children in our country. In the long run, the quality of education is the key factor for economic development and sustainable growth of a country. What fascinated me was that 98.1 per cent of Chinese children attend school for nine years. This ensures that every young Chinese will tomorrow become a highly productive resource for the country. In India, as claimed by the government, literacy is just 50–60 per cent. Today, in spite of investment by the government, the condition of rural schools is indeed pathetic. The current scheme of 'Education for All' (*Sarva Shiksha Abhiyan*) is one of the largest education initiatives in the world – but the progress is tardy, to say the least. Enrolment has been enhanced, but the levels of quality remain low. Poor governance and deep-rooted corruption at every level have taken their toll on education. India has passed laws promising free education, but lack of discipline and the callous attitude of officials make it impossible to enforce them. The Indian administration's inability has immobilised the country from overtaking economic disparity and social conditions. Eighty per cent of all recognised schools at the elementary level are government run or supported, making it the largest provider of education in the country but the concerned government officials have failed to live up to the people's expectations.

While the IITs and the IIMs are important, the country's real growth would happen due to primary education, secondary education, vocational training and educational training in all districts of the country. Those in power in Delhi must realise that India can 'rise and shine' only if we could ensure better governance. What we get today is lip service and pious political slogans. India also has a first class private education system, but it is very expensive and limited to a select section of children from wealthier families. The use of English language – critical for integration into the global economy – is widespread and often prolific in India. Resource-rich Indian families are transfixed on education, and will make virtually any sacrifice to provide their young with the best academic environment possible. Even in these schools, however, India's traditional focus on developing strong mathematical skills is missing. As a result, education today has become a profitable business, especially for India's politicians, many of whom have turned into greedy education barons. Unlike China, India also has a large number of non-government institutions which provide good quality education for the poor – but all this doesn't scale up and the reach is awfully limited.

Prior to my study, I had read that the Chinese government has reviewed its needs in schooling and university education, figured out that they could not build the classical teaching infrastructure fast enough and has decided to build the largest on-line education capability on earth. China could leapfrog ahead of every single country and scale a world class on-line education capability in a few years. This study, therefore, was important for those who relate to education.

Success of Education in China

In September 2008, my Chinese colleague who lived in Wuhan agreed to take me to a primary school in a rural town located 70 km from Wuhan city. When it comes to studying a new subject, I follow my mentor, Late Prof. Chandrashekhara Aiya. He guided us that whenever a new subject was studied, it should start at the very beginning with no pre-conceptions. So while studying about

China's school system, it seemed better to make a start by talking to a school master in that country and spending time in a rural school. The visit to the rural primary school near Wuhan provided me a fascinating insight into the Chinese education system at its grass roots level. The language barrier was broken since the teacher knew English, and my Chinese colleague did her bit in my communication with the students and the local community.

At the end of 2010, China's population was 1.372 billion. Over the last decade China has seen accelerated urbanisation – but today, about half the population lives in rural areas (48.6 per cent in 2009). Education is highly valued in China as we do in India, especially by those belonging to the middle class and above. Traditional Chinese philosophy too puts education above other values. This focus on learning continues to be important in Chinese society today; a high standard of education is associated with higher social status and the vast majority of parents, as in modern India, have high expectations for the educational achievements of their children.

This, together with the introduction of the 'one child' policy, leads to parents making great sacrifices in order to ensure that their child receives the best possible education. Parents and entire families place their hopes in the educational success of their single offspring. The children are, perhaps, too aware of the responsibility on their shoulders and the importance placed on their educational achievements. One can see India mirroring China when it comes to respect for education.

After the end of the Mao era, Chinese leaders led by Deng almost immediately adopted a policy of total reform. This began as China was opened to the outside world. With this, education in China entered a new era. Then in 1986, a Compulsory Education Law was enforced in the People's Republic of China. Unlike in India, China speedily implements what it has decided and does so thoroughly. It decentralised control of education and enrolled millions of children not attending school at that time. These children included those in rural areas, girls and those from ethnic minority groups. The Act guaranteed the right to at least nine years of education for all children – six years of primary and three years of lower secondary education. It placed the responsibility of the management

of primary and lower secondary schools at district or county level, provided them the necessary funds and specified standards to be strictly maintained.

Structure of Education in China

China describes its education system as having four components: basic education, occupational education, higher education and adult education. Basic education comprises pre-school education, six years of primary schooling, three years of junior secondary schooling and three years of senior secondary schooling.

Within an amazingly short span of four years, education had reached almost everyone. The numbers involved were indeed huge. 192,000,000 children were enrolled in over 400,000 primary and secondary schools with 1 teacher for every 20, that is, 10 million teachers in all! Pre-school education is becoming increasingly important in China. In urban areas, pre-school education is mainly provided through Kindergarten schools. It may last one, two or three years and may be full-time, part-time, residential or on an hour-reckoned basis.

In recent years, there has been a focus on pre-school education in rural areas too. Interestingly, it is done specially for the poor, for those located in remote areas and for those areas having a large ethnic minority population. Here, pre-school education consists mainly of nursery classes with additional seasonal Kindergartens, but other provisions including play groups, mobile centres and mobile services called 'caravans' have also been deployed.

Primary and Secondary Education

The development of primary education in China over the last 60 years has been an amazing achievement. In 1949, enrolment rates were just around 20 per cent of school-age children; by 1995, they had reached over 98 per cent. Each child reaching the age of six is required to enter primary school; just occasionally, this may be postponed to seven if school admission is not available.

At the end of six years of primary schooling, children pass *automatically* to the nearby junior secondary school. Numbers in junior secondary schools have increased considerably over the last twenty years. In 2006, the proportion of primary school graduates continuing their study in junior secondary schools (including vocational schools) reached 97 per cent.

At the end of their junior secondary education, pupils must appear and pass an entrance exam to continue to senior secondary school. Those pupils who wish to continue their education, but do not pass the exam for the senior secondary school, are allowed to continue their education at a vocational school. These offer two to four year skill-based programmes in technical areas, farming, etc.

Chinese schools operate a two-semester year of about nine and a half months. Semester One begins on September 1st and Semester Two after the Spring Festival holiday on March 1st. A further holiday period comes during July and August.

The primary school curriculum consists of Chinese, mathematics, physical education, music, basic science, history and geography combined with practical work experience around the school campus. All primary schools are required to offer courses on morality and ethics, and English is often introduced in Grade Four.

Curricular Principle

The content of the curriculum relates to daily experience, social development and technological innovation. It is based on the four pillars of learning: *Learning to know*, *Learning to do*, *Learning to live together* and *Learning to be*.

At secondary level, the academic curriculum includes Chinese, mathematics, physics, chemistry, biology, geology, English, history, geography, politics, music, fine arts and physical education. Some junior secondary schools also offer vocational subjects. Over a third of the curriculum in a junior secondary school is devoted to Chinese and mathematics whilst at senior secondary level over half of the teaching is concerned with science and mathematics.

Throughout compulsory education students are required to take end-of-term exams and tests called 'check-ups' at the end of each

semester, school year and before graduation. In primary schools, the Chinese language and mathematics are compulsory examination subjects for passing, while the other subjects are treated as ‘check up’ subjects where progress is measured but not considered essential for passing to the next grade. In secondary schools, the subjects upon which passing depends are determined locally.

At the end of senior secondary schooling, pupils who wish to go to university need to appear in the National College Entrance Examination (NCEE). This usually takes place in June. Over three days pupils experience an intensely gruelling and stressful experience. Over eight million pupils compete for places at prestigious universities, but only around 40 per cent can be successful, so psychological pressures on pupils and parents are immense. The exam consists of compulsory papers in Chinese, mathematics and a foreign language – usually English. In addition, a selection of three from the six optional subjects – physics, chemistry, biology, history, geography and political economy – are also included.

It’s not just parents and pupils who experience the pressures of the exams – teachers do so as well. Their reputation depends on the number of their pupils who succeed in the exam; consequently all their teaching is focussed around preparation for this exam. There are plans to introduce a greater range of question styles in the examination and to take students’ previous performance into account in university selection. However, the sheer size of the system makes it difficult to see how change could be rapidly achieved.

Teaching and Learning

In most Chinese schools, students mostly learn through listening, note-taking and reading the textbook. Activities such as problem solving, critical analysis, collection of evidence and experimentation are rare, and there is little emphasis on study skills in many schools.

However, over the past few years, the government has been encouraging the use of new approaches which place the pupil at the centre of classroom activity with increased interaction between the staff and students and the use of new technology. Twenty years ago,

there was an enormous shortage of qualified teachers in China. Today, most teachers have had appropriate training and tend to be younger – most under 45 years of age. Official teacher–pupil ratios are favourable: 1:19 for primary schools, 1:17 for junior secondary schools and 1:18 for senior secondary schools.

In urban areas, good quality schools – known as ‘Key Schools’ – manage to generate funds by recruiting students from outside their school district and by charging them with fees. These key schools are able to attract good students and good teachers by paying them higher salaries. A teacher in an urban school may earn three times the salary of a teacher in a rural province. These differences result in a massive flow of competent teachers from rural to urban schools. The biggest challenges for the education system in China today centre around improving standards in rural schools. A number of innovative schemes have been devised to encourage pupil attendance and provide attractive incentives for teachers to work in these institutions.

Moral education in Chinese schools has been enhanced in the context of the ultra-fast changing Internet, and aims at accelerating schools to use computer, Internet and virtual reality innovatively, to optimise school moral education approaches and to build up a framework for digital moral education system. This has been finalised by analysing students’ on-line life by sample investigation, case study as well as observing the effects of Internet on the moral development of children and youth globally. It provides guidelines for moral behaviour and educates students on behaviour protocol in the Internet world. There is an organised effort in development and use of on-line resources which have a positive effect on juveniles. This framework also provides guidance for moral education practice in schools.

Quality Assessment System

Currently, like in India, China is developing a quality assessment system for making Chinese schools ‘child-friendly’. Based on the concept of keeping educational rights and its guarantee at the centre, the system is planned to have a composition of four dimensions: inclusion and equality; effective teaching and learning; safety, health

and security; and participation and harmony. The government plans to use this assessing system to direct Chinese schools, especially those in Western areas, to take to new educational reforms and development. The Chinese leadership in Beijing aims at creating a harmonious society in China. So they have started 'Harmonious Education' as an experimental programme in schools in five provinces with an aim to create an integrated and harmonious educational system composed of school, family and community. The programme will explore the issues related to integration and interaction between social education and school education; between family education and school education; and the analysis on the notion, intention and other related factors of parents to participate in school education and cooperate in after-school educational activities.

Physical Education in China

In China, 200,000,000 children in grades one through twelve receive physical education programming in 540,000 schools. Since the 1990s, in response to this enormous task, the Chinese government has established national guidelines and standards for educating physical instructors and for addressing the fitness needs of students. Standards have also been established to outline the mode of provision of physical education throughout the nation. Satisfactory completion of physical education is a prerequisite for advancement to the next grade level and ultimately for graduation. Schools that fail to provide one hour of physical activity each day, including at least three after-school physical activity sessions and two physical education classes each week are punished. In 1995, the landmark Chinese Law of Physical Education and Sports was passed, which gives seven mandates that schools must comply with:

1. Physical education is a regular part of school education.
2. Physical education classes are listed as an academic course that is regularly assessed and are sufficient to meet the needs of special students.
3. Time must be allocated for students to participate in physical activities every day for the purpose of meeting national fitness standards.

4. A variety of after-school physical activity programmes, training and sports competitions are provided; a school-wide physical activity and sports meet is conducted annually.
5. Physical educators need to be qualified according to national regulations and should have benefits related to the job specifications.
6. Physical activity fields, facilities and equipment must be used for physical activities only.
7. Student physical examinations must be conducted and administrative supervision for the improvement of students' fitness must be provided.



Physical Education Class in Practice

Mandates are fine, but enforcing compliance has been problematic even in China, resulting in its uneven implementation. Initially, limited resources forced the government to implement the law in urban schools, rather than rural schools. A study of the status of physical education in China's rural communities in 1998 found 87 per cent of secondary and elementary schools in larger towns provided physical education classes two times or more per week. In the more developed Shandong province on the east coast, almost 100 per cent of rural schools also provided prescribed physical education. The average per-pupil funding each year in the Shandong province was about 50 rupees per student in cities.



Training Manual for Pole Vault

2008 Beijing Olympic Gold Haul by the Young Chinese

Success of this initiative in spite of its uneven implementation can be judged by the Olympic gold medals that young Chinese men and women picked up in the 2008 Beijing Olympics. British Physical Education Expert Paul Beashel records his experience after visiting Shanghai to meet the staff and pupils of a specialist sports college: Here talented children from all over the country board full time and train intensively under the expert supervision of specialist sports teachers. In-house scientists perform dozens of medical tests on pupils and even their parents are examined to determine whether their children are likely to have the right genetic make-up to ensure success at international level competition. The children do well in sporting and academic terms, but the regime is strict and those who don't make the grade are unceremoniously returned to mainstream schools.

Sports education in China is a fascinating and ultimately successful system, but would Indian parents and teachers be prepared to make the sacrifices that their Chinese counterparts do in search of gold medals?

Now let us consider the academic field, where India generally excels. We, justifiably, are proud about the focus on mathematics in our primary education; both in school and at home. Today, our strong reputation for software development skills globally can

partly be attributed to this focus. But, this holds true only for the urban students predominantly belonging to the higher classes. Seventy per cent of our student population comes from the rural areas, and these rural schools often fall short in terms of quality or student care. Chinese rural schools, on the other hand, are far better equipped on both these accounts. The Chinese are also quick in identifying and segregating their bright brains for special coaching in academic subjects; and the physically agile for sports coaching. This strategy is reflected in China's amazing 'Gold harvest' in the 2008 Beijing Olympics. One can also notice this in China's amazing performance in the International Mathematical Olympiad (IMO), a prestigious annual competition for high school students. According to the country-wise rankings published on the IMO website, China has secured the first rank 17 times since its students began participating in the International Olympiad in 1985. India, on the contrary, has never ranked first. China's recent spate of successes is even more stunning: in the last 12 years, China ranked first on 10 occasions and ranked second twice. India only managed two top-ten results this time with a highest position of seven, and ranking 23rd and 38th in the last two competitions. While one might say that this is no indicator of the country's success in education, it certainly highlights how China, as a nation, is careful to make a mark in global competitions. India is too pre-occupied with politics, and its leaders busy with 'self-help'. These are the reasons why identification and grooming of talent is missing in our democracy. One need not be surprised if, in the coming years, China grooms young mathematicians and scientists to produce many Nobel Prize and other medal winners. It would also be interesting to note that since Independence, no 'resident' Indian has ever won a Nobel Prize, with all our recent winners having settled down on foreign soil – surely a point to be pondered over.



Mandarin: The National Language

SINCE THE LAST 50 YEARS, everyone in China learns standard Chinese – Mandarin – also called *Putonghua*. However, China has four other major languages besides standard Chinese (Mandarin) which is the official medium of communication and the only one taught in schools. The other four are Cantonese (*Yue*), Shanghaiese (*Wu*), Fuzhou (*Minbei*) and Taiwanese (*Hokkien*). In addition, there are many other local dialects like Xiang, Hakka, etc.

Even though China is a united multi-ethnic nation, the Han people make up over 90 per cent of the country's total population. The other 55 ethnic groups constitute the balance. These 55 ethnic groups indeed are the national minorities and treated as such. These minorities are spread all over the country but many are more predominant in the border regions from the northern, north-western and south-western parts of China. The Hakkas do not belong to any minority groups but are distinctive from the Hans. Yunnan province has the greatest diversity of minority people in China. Interestingly, in most Chinese cities these minority communities prefer to live together as individual compact communities, officially designated as autonomous national minority areas.

The Chinese write very differently from us, and indeed from all other literate societies in today's world – except for Japan and Korea. The characters used in Chinese text are not alphabets as we know in Sanskrit or English. Due to this radical difference, there are

many myths about not just the Chinese language but also about the Chinese people! Chinese script is not phonetic, like our Sanskrit-based Indian language, and therefore not easy for us to understand or learn. Many assume that because of their language, the Chinese think in a way that is radically different from our way of thinking. It is certainly not true, at least for us in India. Both of our societies are family-centric agricultural communities. Many of us live as joint families. Cultural values are strikingly similar and revolve around family bonds. Some people in the West also believe that the Communist government in China, in the process of standardising modern Chinese, has wiped out the various Chinese dialects. However, all such assumptions are incorrect. People living in different provinces of China have distinct characteristics including the way they communicate. Most of the Chinese are still well-bonded by their provincial sub-culture and there is distinct pride about being from say, Guangdong or Henan or Hunan or Yunan.

Chinese language belongs to the Sino–Tibetan language group just like English and Hindi belong to Indo–European family of languages. The Sino–Tibetan community stretches from north-eastern India to north-eastern China and consists of a billion-and-half people living in South and East Asia. Chinese is not a single language but a family of languages. Interestingly, however, they share a common vocabulary and grammar. As Chinese is not alphabetic, its writing does not reflect the way it is spoken. Chinese syllabic alphabets are made of many combinations of English vowels a, e, i, o and u. So learning Chinese pronunciation is difficult. Actually for Indians it is easier to learn Chinese via *Devnagari* languages like Hindi, since we have 10 vowels to cover almost all syllabic sounds. Besides this, the Chinese from various provinces pronounce the same text completely differently. Therefore, two people speaking two different Chinese languages can read and understand written text, but cannot understand spoken words of each other. All write the same way, but many pronounce it differently! While the way they read that script differs a lot, the meaning of what is written remains identical. In short, the written language of China is uniform but often pronounced differently.

The origin of Chinese writing system is in fact pictorial. As writing became more common, Chinese writing grew more and more

stylised and less pictorial. Some of the most complex or frequently used characters have been simplified by reducing their number of 'strokes' or lines, in order to make them easier to learn, read and write. Due to the imposition of uniformity on Chinese writing, today's script and characters have now become standardised. They are not just meaningless graphic symbols but have elements that suggest pronunciation and something about the semantic category of the word such as human, mechanical, liquid, insect, etc.

The most important act of the Chinese Communist government in the 1950s was the simplification of the Chinese language. This simplification of the writing script was accompanied by massive literacy training and an intensive effort to make Mandarin as the national language. This focus is now paying huge dividends to China. China's literacy has grown from a mere 25 per cent in the 1950s to over 98 per cent in the late 1990s. Every Chinese now writes and speaks Mandarin, which means that any book published in Mandarin has 1.3 billion potential buyers. The number of books published in Chinese has grown phenomenally over the last two decades. Most of the western and even Indian classics are now translated in Chinese. Latest scientific journals and text books are available in Chinese within a very short time. Ramayana, Mahabharata, thoughts of Krishnamurthy, biography of Dr. Kotnis and several others are now available in Chinese. In any large city, one finds several multi-storey book malls with millions of Chinese books and magazines. Normally, these book malls are extremely crowded. This is indeed a remarkable achievement for a country that has one of the most difficult written scripts to learn. Mandarin is now the world's most widely spoken national language.

The People's Republic of China has also officially adopted Pinyin – a Roman alphabetic text for Mandarin. Unfortunately, I find that Chinese words are often not pronounced the right way when we pronounce them as in Pinyin English. Pinyin is commonly used by the Chinese using English alphabets. For instance, Chinese write the names of their leaders in Pinyin as 'Mao Zedong' and 'Zhou Enlai' instead of naming them as Mao Tse Tung and Chou Enlai as we have learnt from the English press. It is not the only system in use for writing Chinese using the Roman alphabet, but it is now

the most widespread one. Pinyin (phonetic transcription) is often used when referring to the pronunciation of Mandarin Chinese. One needs to be completely aware that the sounds which the letters of Pinyin represent do not correspond exactly to the sounds that the letters of English represent. The Roman alphabets used in Pinyin are supposed to represent the sounds in Mandarin Chinese, but it is not so. They do not fully resemble the way the words are pronounced, and are also not good enough to speak! For instance letters c, q, x, z and 'ch' are pronounced more like ts, ch, sh, dx and j, respectively. For Indians, it is easier to learn Mandarin using *Devnagari* script to assist in the correct pronunciation of Mandarin. Sanskrit is far more perfect than English in terms of scripting of sounds. However, remember that speaking Mandarin does not mean that you will be understood by the common people in the provinces, since the same script is often pronounced quite differently in say, Guangzhou or Guilin or Wuhan. Many old people there cannot understand and do not speak Mandarin!

Communicating in China

The Chinese not only write and speak a completely different language from ours but also communicate differently – especially different from the Westerners. They have a tendency to understate or to convey meaning indirectly. They rarely use superlatives such as 'Terrific!', 'Great!', 'Fantastic!', etc. and describe situations through understatement, double negatives, apparent vagueness, euphemism and allusive language. During negotiation, an agreement to a proposal may be given as *wenti buda*, which literally means 'The problems are not great'. Well-groomed traditional Indians too speak the same way. Similarly, a denial by the Chinese may take the form of expressions like 'Perhaps, it's not convenient' or 'Possibly, the time isn't right'. for a refusal to respond to a proposal that is seen as impossible to implement.

Criticism is often done indirectly, but effectively. The tendencies to use indirectness and allusion are ancient cultural traits of the Chinese society, and one can see the same in cultured Indian

families too. Even today, Chinese leaders use similar expressions, since it a matter of cultural preference for them. They rightly believe that such expressions are good for harmonious and positive interaction among people. This is why the Chinese, Japanese and even traditional Indians are confused by the special language used in legal documents as used by the Western world, and which was brought to India by the British. Lawyers are technocrats trained principally to use legal language as a tool to confuse the common people. This is a typical legal environment in India too. Many would not know that China as well as Japan have far fewer lawyers than the United States or even India.

Business in Asia is normally based on binding relations and this may involve the exchange of money, goods and services. Such agreements are rarely ever bound with a written contract in a legal language. Community elders settle disputes mostly by hearing both sides and their fundamental intents, and a great deal is left to the common sense and mutual trust of the parties concerned. In China, as in rural India, the fear of being branded as an outcast is a severe deterrent for those with an intention to cheat. For instance, one can study China's joint-venture law of 1979. It simply states the general principles and does not contain any detailed operational procedures and legal provisions. This vagueness of the language used leads to investors backing out of deals due to the fear of losing their investment. The problem indeed, is not the language, but the prevailing business culture in China.

Table 11.1 Some Useful Phrases for Travellers to China

English Word/Phrase	Pinyin Spelling	English Pronunciation
A taxi	chuzuche	choo zoo cheh
Bottoms up! Cheers!	Gan bei	Gan bay
Beer	pijiu	Peejo
Coca Cola	Kele	Kuhluh
Coffee	kafei	kah-fay
Excellent	Hao jile	how Jee-luh
Good bye	Zaijian	Zai jee-en
Hello	Ni hao	Nee how
I am Indian	Meiguoindu	May gwaw Indu
I am...	Wo shi	Waw Shir
I can't understand	Wo bu dong	Waw boo dong
I want...	Wo yao	waw yow
I'm sorry	Dui buqi	Doo-ay boo chee
May I ask your name?	Qing wen guixing	Ching-win gway-shing
My name is...	Wo jiao	waw jeow
mineral water	kuang quan shuei	kwong chwen shway
orange juice	juzi shuei	juzi shway
Thank you	Xiexie	Shay shay
The food was delicious	Hen hao chi	Hen how chir
Tea	Cha	Chah
Where is the toilet?	Cesuo zai nar	chir zwo zai nar
You're welcome	Bu keqi	Boo ke chee



CHAPTER 12

Migrant Workers: Edifice of China's Economy

IN RECENT YEARS, THE EMERGENCE of China's huge manufacturing industry has been chronicled in numerous books and articles. However, not much is written about its young migrants – young men and women – who left their villages to seek their fortunes on the assembly lines in industrial towns of the eastern and southern provinces of China.

145 Million Migrant Workers

Since the 1980s, China has been witness to the largest migration in human history. In 2010, there were around 158 million migrant workers, that is, 12 per cent of the total population, working in Chinese cities. The migrants include menial labourers working for low pay; often under horrendous conditions at construction sites, in mines and on road and railroad projects. They work in restaurants, in coal mines, make bricks, peddle bicycles to deliver coal and pick up trash. Actually, the exact number of emigrants is not clearly known. Most of these 158 million migrant workers have moved to cities in southern and eastern China in the last two and half decades.

About 10 to 13 million rural Chinese, that is, about 0.8 to 1 per cent of the Chinese population migrate to cities each year to earn better income. In 1990, there were already about 30 million migrant

workers in China. In 1994, the number increased to 62 million and by the end of 2006, to 130 million. Thrust on development and economic growth resulted in rapid urbanisation, which in turn led to urban migration. The number of cities increased more than three times, from 191 in 1978 to 661 in 2005. These old and new cities, mainly located in the eastern and southern provinces, produce everything under the sun – from garments of every description to over 80 per cent of the world's laptops, televisions, cell phones and toys. One-third of all the shoes on the planet are produced in these cities manufacturing Nike, Reebok and other brands. Southern and eastern China has several thousand factories and millions of workers, of which one third are women. Almost 40 per cent of migrants work on construction sites and the remaining find employment in manufacturing and commercial enterprises.

Large-scale migration from rural areas to cities is happening in India too. The number would be similar if not larger, since democratic India has absolutely no control on migration. Majority of the Indian migrants are whole families, unlike in China where at least till 2003, by law, only workers and not their families could migrate. In addition to this, there are no jobs and dormitories waiting for them in Indian cities as in China. The fallout of this discrepancy is manifested, as one can see, in all major Indian cities and industrial townships.

On the flip side, many studies suggest that encouraging migration of village population to cities in China has proved to be the most effective way of reducing birth-rate and improving the quality of life of people. The poor have better access to education, health care, safe water and sanitation in the cities than they would in villages. The World Bank has called migration a powerful force for poverty alleviation. Even globally this is true as the report shows that in 2005, millions of migrants around the world sent home over 200 billion dollars!

However, rural economic situation is appalling both in China and in India. It is migrant workers, who stoke the economy of their villages by providing relatives back home with money. Interestingly, they also help in the development of cities by providing cheap labour that fuels economic growth. Such remittances from young people

working in cities are vital for the survival of families, thereby, strengthening rural economy. In China, this allows rural folks to move into better homes, send children to school, and buy things like livestock, a plough or tractor or even a big-screen television. The phenomenon is similar to that of Indian migrants who go to the Middle East to seek better opportunities. One can see its impact especially in the state of Kerala in India. The money also helps in providing villagers with social services routed through local and national governments, who otherwise skirt their responsibilities.

In both countries, city industrial centres are polluted, chaotic and heartless, but poverty, and a strong need for financial stability, is the driving force that attracts young men and women to cities.

When one sees the kind of work they do, one feels astonished by their ambition and indifference to risk. Since mid 1990, almost all migrants in China have access to good education. Many are ambitious and take a computer class or learn a little English to enhance their salaries. Switching jobs becomes a form of self-reinvention. New arrivals from the countryside double or triple their income within a year of arrival in the city. During the last five years, I have even come across some enterprising young migrants both in India and China, who have started their own business ventures. Today, entrepreneurship has become as easy and common-place as printing a new business card!

China's migrant workers are different from those migrating to the cities of India. All Indians, rural or urban, enjoy equal status, at least in principle, as citizens of India and enjoy the same rights, as per the constitution and law, but it is not so in China. They are always identified as migrants and are not given the same status and privileges accorded to original citizens. They are denied many privileges. Migrants are treated as second class citizens and taken advantage of. Some years back in China, new arrivals were frequently harassed for their papers by the police and some did it to extract bribes. This is possible due to the *Hukou* ID system. Every Chinese citizen holds a *Hukou* ID card. Introduced by Mao in 1958, the *Hukou* household registration system controls government welfare benefit distribution, migration of people and criminal surveillance. Chinese citizens are assigned either a rural or an urban household

(*hukou*) based on their place of residence. Local governments are responsible for providing daily needs and services such as education, housing and medical care to everyone whose *hukou* is within its jurisdiction. Urban residents are also entitled to food rations, grain subsidies and job allocation. Once a person leaves behind his place of registration, he also leaves behind all of his rights and benefits. For the purpose of surveillance, till recently, every migrant, including temporary residents in transit were required to register with the police, stating their place of permanent and temporary residences. Till four years ago, it was also impossible to convert rural *hukou* to a city one, but now, if one is 'qualified', one can easily obtain it. Almost all migrants, therefore, end up without social benefits such as education for their children and other privileges like buying a home. Due to this discrimination, there has been a lot of discontent and loud protest in the last 4–5 years.

The *hukou* system is, however, weakening year after year. Some cities have begun allowing migrants to register as residents by giving them additional rights. In 2007, the Chinese government began issuing residency cards to the 150 million people who had moved to cities, but had not yet acquired residency. This step was aimed at addressing issues regarding the rising crime rate and for gaining better control over China's floating population of migrants. It would be interesting for readers to know that in February 2010, 13 Chinese newspapers launched a highly unusual joint appeal for social reforms by attacking the country's household registration system, which limits the rural migrant workers access to basic services in China's cities.

A survey by China's National Bureau of Statistics concludes that the average monthly income of migrant workers in 2004 was 780 Renminbis (rmb) (₹5,000), which amounted to just over half the national urban average of 1,350 rmb. Working long hours in hazardous conditions has taken a heavy toll on the health of migrant workers. Every year, more than 700,000 serious work-related injuries take place nation-wide claiming around 130,000 lives. Two independent surveys conducted in 2004 – one by Zhejiang University and the other by London University – showed that migrant workers were more likely to feel lonely, anxious and pessimistic. More than

half of the construction workers felt their life was meaningless and as many as 17 per cent had thought about suicide! The condition of migrants in India is even worse since they have to live on the street-side, something you very rarely see in China.

Management of a floating population has always been a problem that engages not only the Chinese government but also the Indian government. It is a fine balancing act between the need for economic growth and the fear of potential social instability caused by an uncontrolled influx of rural workers into the cities and the hardships suffered by them. When the Beijing government attempted to relax *Hukou* restrictions on city migrants, urban crime rates shot up. As a result, such initiatives have been halted or even reversed in many cities. After more than a decade of reforming *Hukou*, many restrictions on internal migration have been lifted, and the rights of migrant workers have considerably improved. However, despite these improvements, the fundamental and the basic cause of discrimination – the *hukou* system – is still in place. Actually China has a great advantage over India, since each of its citizen has a kind of national ID that links everyone to their root. The problem is China uses it to discriminate amongst its people denying civil rights to migrants. Nevertheless, calls for the abolition of this system are getting stronger with each passing month.

A New Unique Subculture of Migrant China's Young

Traditional Chinese culture, visible till date in rural China, has been the bedrock of Confucian thought. Chinese social and personal behaviour is primarily anchored to Confucian ideology moderated by Buddhism. But this is speedily changing in the case of migrant boys and girls. For many of them, it is merely an improvised existence in which history and family loyalty have been replaced by rapid upward mobility, dogged individualism and an obsessive pursuit of a more prosperous future. Away from their roots, these boys and girls believe that jumping jobs for financial gain is a way of life. For them, friendships are difficult to make and maintain, and all suffer

from loneliness and isolation. Their cell phone is their lifeline. It is the only way to keep track of the breakneck speed of the coming and going of friends. These cell phones are often stolen and with that they lose their friends, boyfriends and mentors for ever. These young migrants live their lives on the 'fast-forward' mode. Social studies have revealed the degree to which China's migrant working girls are exploited; working long gruelling hours in poor conditions for meagre wages with little job security. In spite of all the dislocation, isolation and vulnerability they experience, it is clear that for these young Chinese life is an adventure and an affirmation of the sort of individualism that village life would never allow. Most live in hardships and suffer heartbreaks; but live with admirable courage, ambition and grit; working harder and talking their way into their next big break. Migrants do have a lively, if not always romantic, life.

One comes across some noteworthy personal transformations that echo the stories of migrants in Indian metro cities. There is a manifestation of remarkable self-improvement, persistent hard work and admirable confidence. It is also painful to see the gaps between ambition and ability, ideals and reality and success and failure that these immigrants experience. These young men and women along with their own small victories and bitter tragedies form this enormous, but ill-understood new sub-culture that China has given birth to in the last 20 years. In many ways, migrant workers embody the fundamental changes underway in China today. It is not a coincidence if all of this sounds so familiar to the situation in Mumbai or Delhi. However, there is a major difference: in India, many migrants move along with their families and all of them suffer and live in misery; whereas in China, they migrate alone and lack family care and supervision.

Chinese migrants are a society in flux. These people who leave village life, with its intense cocoon of family and community ties, feel lost in a city, scrounging for work and a place to sleep. They often have to make life's decisions on the barest bits of information. At the same time, many migrants feel they have been unchained from a suffocating web of traditional habits and mores. They explore and grow in the lawless free-for-all culture of China's boomtowns and many cross an invisible line and adopt this new sub-culture, where

there is no going back. Many of them leave home as teenagers and experience the big adventure. One realises how unmoored modern China is, erratically yearning for something better, and surprisingly resilient.

All sorts of weird stories do the rounds – girls confused on arrival in a city, getting lured into whorehouses, escaping, begging on the streets, stealing ID cards of other migrants to get work, graduating from factory to office work by learning about business, striking it rich, so on and so forth. Being far away from home, migrants depend on each other for survival; yet they unite and separate with remarkable ease. Everyone lies without any qualms. Promises are made and easily broken.

21st Century Migrant Workers in China are Different

Since reform and liberalisation in 1978, there have been three generations of migrant workers in China. These migrant workers are now looked upon as a special social group in Chinese society. They possess a rural *Hukou*, but work in a city. Till 1992, more than a 100 million farmers quit farming and turned to work in factories. The second tide of migrant workers rose from 1992 onwards when Deng Xiaoping, the general architect of China's reform and liberalisation drive, made his southern tour and re-invigorated the economic reform process. Over 40 million more farmers migrated to cities for work, which greatly promoted the Chinese economy. The third tide rose when a great number of enterprises from Hong Kong, Macao and Taiwan set up factories in mainland coastal areas, where many migrant workers desired to settle. Now, the new generation migrant workers are growing as the main labour force of China. They are all below 30 years and most of them don't have farming experience but do have high future expectations. They are quite different from the last two generations, who just pursued higher salaries.

The new generation of migrant workers are decidedly different. They are more demanding. In the past, migrant workers had no choice but to work outside their home towns, since working in factories

helped in earning better than what was possible in their rural home towns. Today, however, social and economic structures have changed and created more job opportunities in 500 new cities and in small towns too. Rural residents now have more choices. Some people do not wish to leave behind their families, especially those who have children. If they could get a job with almost the same salary as working outside nearer home, then why leave in the first place? Excellent quality of infrastructure in China allows its people to work closer to home with equal efficiency as working in big metro cities. Not surprisingly, young men today have started their own business ventures in their home towns.

For some of those leaving their villages, the lure of city life is reason enough for migration. The new generation of migrant workers have higher educational qualifications and are better connected with society. They are familiar with urban lifestyle and wish to live in the same way. They now enquire about working conditions in their cities of employment. Migrants in the mid-1990s were desperate for money and didn't care much about the job or working conditions. Money mattered the most to them. However, there is a paradigm shift in the priorities of the new band of migrants.

The young educated migrants of today ask for social insurance, for one. If employee treatment and work environment are good, fewer earnings would be acceptable. They desire a safe and healthy job, and are unwilling to ever sacrifice themselves for a higher paying job. They pursue dreams of migrating to cities, not just for good salaries, but for their modernity and the opportunities they present. A Chinese friend from Hangzhou says that the aim of the new generation of migrant workers who go out to work is different from that of their fathers' generation. They pay more attention to spiritual life and living standards. They crave to change their social status and to become members of the city instead of living the life of last generation migrants. They look for an amenable environment, better medical provisions, education, career training services and wider public resources coverage. These are more important to them than higher earnings.

These days, labour shortage is a major problem faced by Chinese companies and it is getting worse by the day, as rural people are now

less willing to move to the cities for work. Many businesses in the Pearl River delta are struggling to recruit adequate number of staff. The situation is now spreading to other interior areas such as Anhui and Henan provinces.

Growth of information technology and spread of education among the masses in China have brought about a sea change. Unlike in India, most migrant workers have completed 12 years of formal education and have the ability to learn and acquire information. So they get more opportunities and make the right choices. Working away from home is no longer the only option. They can start businesses in their hometowns. Cited as a major reason for labour shortage, this is often the case with migrant labourers not willing to be separated from their families, especially their children. Creation of a good work environment along with a sound welfare system is the key to obtain a good labour force.

Today, some migrant workers earn more than city dwellers, but, as stated earlier, they don't enjoy the same rights as them with their rural *hukou* ID. So they lack the same sense of belonging. This feeling pushes them to return back to their hometowns. Those who do not have the city *Hukou* face problems regarding their children's education and their retirement. In today's China, migrants demand more than what their parents' generation did. The era of unlimited labour has become a thing of the past.

Growing Protest and Demand for Change

Migrant workers are now vocal in their protests. In early June 2011, angered by the mistreatment of a pregnant migrant vendor, hordes of migrant workers in Guangdong province took to the streets, with some of them hurling bottles and bricks at government officials and police vehicles.

The unrest was triggered by the mounting anger of migrant workers who left their hometowns to seek fortunes in the cities, but found that even after several years they were still considered as 'outsiders'. There are workers hailing from the provinces of Sichuan, Hunan, Henan and Guangxi. Xintang, the town where protests took place, has a local population of about 200,000 but it also has as

many as 500,000–600,000 unregistered migrant workers. In the nearby village of Dadun, which has the maximum number of denim factories, the number of local residents is barely 7,000. However, there are 60,000 migrant workers living in the village! Local people refer to the area where these workers live as the ‘village inside the city’. Many of the locals who lived there have moved out, renting their former homes to migrant workers.

Many migrants believe they are given unfair treatment at work. Social facilities in cities have largely been unable to meet the needs of the migrants. Young migrant workers nonetheless, are not agitating for food and shelter but they do complain that the government has failed to provide cheap social services such as gyms, libraries and movie theatres for them! An incident such as the dispute that occurred between the pregnant migrant vendor and local security personnel in June 2011 in Xintang flared up mainly due to pent up frustration. Experts tend to believe that the unrest was simply an outlet for the mounting dissatisfaction of the country's migrants.

But the situation is gradually changing. In Guangdong province, migrant workers can qualify for urban household registration, city *Hukou*, if their ‘scores’, which are based on educational background, skill level and participation in charitable activities, reach a certain level. Their children are also eligible to register under this scoring system. Till date, 104,000 migrant workers have qualified for urban registration through this system. Although this number is quite small in comparison to the larger population of 26 million migrant workers, it is growing with time. Once a migrant gets a city *hukou*, he or she can also enjoy the same services, such as education for children, medical care and social insurance, as city dwellers, but some migrant workers doubt if they will ever get a chance to become citizens.

Migrant workers have now become an indispensable component of China's urban economic development, but due to the *Hukou system*, they suffer ‘alien treatment’ in life, employment, children's education, etc. A study conducted on 300 migrant workers suggested counter-measures to the government based on four aspects: strengthening vocational education, improving protection measures of labour rights, improving labour market and paying attention to and regulating children's education.

A number of unrelated cases of unrest have broken out around China in recent months, some involving migrant workers. Not knowing how to address the underlying causes, the government's response has been to counteract them with force. Many in China, however, believe that using force will be increasingly ineffective unless fundamental tensions between citizens and the government are addressed. If these problems are not addressed, the government's legitimacy would come into question, and political and criminal forces could get involved, leading to big trouble.

Over the last 10 years, during every successive visit to China, I find China becoming more liberal and yielding in dealing with crises such as treatment of migrants. With each visit, China appears more democratic than before. I find almost as much freedom in their daily lives as in India, but Chinese live with lot more social discipline than Indians. The core of democracy, that is, the right to vote and criticise leadership, is, however, absent.

Migrant Worker's Changing Motivation

The first and foremost motive of every migrant, whether in China or India, is, of course, to make more and more money; both for their own use as well as to send back to their families. Today, the remittances from cities account for more than 50 per cent of the income of families of migrant youngsters. As time passes, many are motivated by lifestyle changes, new opportunities, new skills (including English language) and even reinvent themselves as urbanites. One sees a widening gulf between generations and lifestyles as well as the spectacular role reversals that modernisation has forced upon families. No longer are the elderly in China revered for their experience and wisdom. They are now considered 'less' as they are unable to earn even a modest income, unconnected in a wired world, ignorant of everything from fashion and job-hopping to flushing toilets and dating. Sounds familiar?

Today, largely Westernised and developed Chinese have clearly shifted away from the Maoist era. Traditional saving habit – a philosophy of life – has given way to a burgeoning sense of individualism and self-actualisation in the present-day world. Both in India

and China, self-reliance at an early age makes a young migrant 'street smart'. He or she takes pride in sending money to parents and helping the family to improve their quality of life. They achieve a position of importance and their experience helps the family to understand the fast-changing world. As a result, rural China too is changing fast. Rural population is demanding better facilities from the local officials. Earlier, rural parents were reluctant to send their 16 or 17-year old child into such an exploitative world, but dire poverty of these illiterate parents out-weighed conservatism born out of fear. Initially, they are unhappy that the young one had to go away, but soon after he or she reaches the city, the parental thinking changes as they find monthly remittance helps them live with new comforts. Thereafter, they gladly ask them to send money, the more the better.

Moving out from home and working in a factory are the hardest things migrants have done. It is also an adventure. What keeps them in the city is not fear, but pride; to return home early is to admit defeat. To go out and stay out is to change one's fate.

Migrants have some interesting motivational slogans: 'To die poor is a sin', 'Through doing something, you will learn it', 'If you don't work hard today, you'll look hard for work tomorrow', 'I can only rely on myself' or 'The history of a family begins when a person leaves home'.

Comparing Chinese Migrants with Rural Migrants in India

I am of the opinion that treatment of rural migrants coming to China's cities looks more human as compared to the deal Indian rural migrants get when they reach cities in search of work. Being controlled with strict discipline is far better than callously ignoring the plight of rural people migrating to cities in India and leaving them to their own fate. I believe that discipline saves the Chinese from misery and exploitation as we see it happening in India. Even if the Chinese migrants' condition looks unacceptable to American and European observers, I am convinced that Chinese rural migrants

receive far more humane treatment than their Indian counterparts. They get place to live even if it is only in a crowded dorm. Their employers, by law, have to give them free meals at cost to company. Thus, not only do they get paid adequately, but they are also looked after well. This allows them to save a lot more and they are able to send remittances to their families back home. Today, in many rural areas in China, over 50 per cent of the rural family income is sourced from such remittances by young ones migrating to cities. The merit of Chinese rules lies in not allowing migrants to come to cities with their families. This was very strictly imposed till 2005. In India, authorities do not care how migrant families live in cities.

Over 90 per cent of the Chinese population is of Han descent. They do not have to bear the burden of the past like India's caste system. In this sense, all Chinese are socially equal. All migrants in China suffer similarly. Besides, migrants do not suffer from inferiority complex even if they do not possess the city Hukou ID. In India, the plight of backward castes is indeed a blot on humanity. Actually, in democratic India too, the authorities could have stopped allowing migrants from bringing their families along, but no one cared.

Anyone visiting a Chinese factory will notice that a dormitory for the workers is situated right next to the factory location. It is compulsory for Chinese businessmen to house all their migrant workers in these dorms free of cost. In addition, it is also the responsibility of the company management to provide these workers with all the three meals at company cost! This must explain why the productivity of Chinese workers is so high. Migrant workers in Indian companies, however, have to find their own place to live and pay for their food. An Indian worker typically has to travel for an hour to reach his place of work. This travel is often so tiresome that the worker starts his day already half exhausted. Chinese workers, who stay next door to their place of work, are fresh and well rested. The Indian worker also carries with him his baggage of woes like care for the sick at home or worries of stressful city life. The Chinese migrant has his family back in his village, so he is free from such a burden. This freshness of mind and body makes him extremely productive as compared to the Indian worker. With 50 per cent higher daily wage, Chinese workers are eager to put in 3–4 hours of

extra hours. The peace of mind and free time enables many of them to study during weekends to learn job skills that pay better. I am sure that it is no way undemocratic to insist on industries and businessmen to provide free dorm facilities and free meals like the Chinese do. Had India adapted this, then we too could have been far more successful than what we are today by making our rural migrants comfortable and highly productive.



Rural China of 2011

DENG XIAOPING'S FOUR MODERNISATIONS in the early 1980s propelled China into an era of economic development, but it was his rural reforms policy that was remarkably unique. Rural life underwent a sea-change during that time. With agricultural production doubling in a decade, the farmers were benefitted the most. Indian planners have to take a note that China's reforms started with rural reforms. The biggest impact of this revolution was that within a decade, there was an unmatched reduction in rural poverty. This initiative was later lost, till 2005, when Chinese leadership again woke up to the need for a rural policy reorientation. As a result of the chase for higher GNP growth over the last 20 years, the wealth gap between coastal cities and the far-flung rural areas has widened. Post 1990, when India too joined the GNP race, both countries have on hand, a monumental problem of a burgeoning urban–rural income disparity. Peasants have been leaving their villages in massive numbers in both countries (more than 150 million Chinese rural folk in 2008) to work in cities.

While describing rural China, therefore, many questions need to be answered. Obviously, the same questions will pertain to India too. Have the living conditions of the peasants and their families improved? Have they benefitted from China's economic take-off or are they victims of it? To what extent was rural China left on the sidelines as China's 'miracle' developed? How does the Chinese government manage issues pertaining to peasants, considering that they account for 60 per cent of the total population and that

their presence in urban settings is growing? How do peasants view their situation and Chinese modernisation in general? These questions could also be asked about democratic India, especially when it began to measure its progress primarily in terms of GNP rise from 1991 onward. Let us begin by understanding more about China's village life.

There are around one million villages in China, each with an average population of 400–1,300 people. Besides this, there are innumerable tiny hamlets. The population of rural China as of 2010 is about 56 per cent of the total population of China. Compare this to the 95 per cent and above rural population figure of the 1940s, to understand the huge exodus to urban centres predominantly in 1984 and thereafter. Currently, there are about 750 million rural peasants, out of which roughly 550 million are farmers and the rest are landless unskilled rural labourers. The rural population has progressively declined from 82 per cent in 1970 to 74 per cent in 1990. Since then, in the last two decades, due to the exodus of rural young to cities in search of better livelihood, it reduced to 56 per cent in 2007. It is expected to drop even further, to below 50 per cent by 2015.

Like in rural India, in rural areas of China too, time – traditionally measured by a clock – has little relevance. People wake up at dawn and go about their chores until they are finished or till it gets dark. In warmer climates, people wake up early, often between 4 AM and 5 AM and do their most arduous tasks before it gets too warm. During the hottest hours, people rest and nap and resume their activities in the relatively cooler hours before sunset. As a rule, people usually go to bed pretty early.

It was indeed revealing for me to see the way rural families live and think in China. The rural life there is almost like in India. A lady villager from Hubei province told us that on a typical day, she wakes up at six in the morning, cleans the house and cooks breakfast for her family. Later, she works in the field and then returns home to cook lunch and feed the chickens. After more fieldwork in the afternoon, she returns home to cook dinner at sunset. After dinner, she and her children sit on a hard bed and she tells them stories or they watch television at a neighbour's home.

Like in India, villages are often deserted in the mornings as everyone is out working in the fields or doing other chores. Before breakfast, a rural family usually feeds their animals and collects eggs and milk. Water is tossed outside the house during the dry season to help keep down the dust. Treks often have to be made a long way outside the village to fetch firewood for cooking or to make charcoal, and also to fetch water for bathing and drinking purposes. During the rainy season, water from the roof top is collected and stored for domestic use.

A typical village farmer grows rice, corn, chillies and vegetables on half an acre of land, and may be breeds poultry and pigs. Farmers produce sufficient food to eat, but not much to sell. Even today, basic public services such as education, health and use of new technologies are inadequate.

Typical rural families live in simple wooden houses, use out-houses and cook in shacks over open hearths. Thanks to migrant family members, many villagers now have television sets and even washing machines, refrigerators and DVD players. It was interesting to find that even now, many villages get electricity only during the night, as power supply is diverted to rural industries and farms during the day. Cell phones are extremely common. This has given a new comfort and added efficiency. In China, where the government has tried to build an 'information firewall', rural masses are very well informed as compared to the situation just five years ago. In India, even illiterate people freely use cell phones and have added tremendously to their productivity and earnings. The Chinese as well as Indians in villages around big cities are economically better off and one can increasingly see them wearing expensive clothes and living in better houses with proper amenities.

As I have explained in this book, China, like India, is also a huge, multi-racial country, and rural lifestyles change with climate and ecology as one moves from the cold north to the warm south. Both countries have large deserts and provinces where one cannot live on land cultivation. Local people of these regions have little scope to earn their livelihood by agriculture alone. As a result, over the millennium, people from these regions took to trading thereby forming the merchant class. We have parts of Rajasthan and Kutch and

similarly, China has Shanxi and Huizhou provinces. It is interesting to see the parallels in the life styles, social behaviours and value systems amongst the merchants of Shanxi and Huizhou regions in China and the Marvadis and Kutchhis in India. Both have been trading locally and internationally with tea, grain, cloth, silk, timber, salt and commodities of every kind. They have also been functioning traditionally like bankers by arranging inter-city remittances within China and by lending money.

Farming in China is very similar to that in India. Farms are small in size and most of the work is done by hand or with the aid of small tractors or horses. The families of farmers live – not on their farm lands – but in tens of thousands of small villages. Each day, they walk to their fields, typically 1–4 km away. The average ‘farm’ size in Heilongjiang in north-east China is larger; about 3–5 acres. Main roads through villages are often bustling with people. On select days of each week, markets where people come to shop for daily food supplies and other goods are set up. Most villages have one or more restaurants with a variety of fare. One can see all types of vehicles being used to transport people and goods to and fro between villages and fields or to the next village or town.

During my study on Chinese small and medium scale enterprises (SMEs), en route to the Guilin airport, we stopped over at a farming village. It was late on a Sunday afternoon and people were generally relaxing. The villagers were friendly, but proud. In an informal talk with them, most agreed that the Chinese are better off now than they were 20 years back, but they revealed that many remain unsatisfied and worried about their future. Migrant people with whom we talked elsewhere too expressed that people from their villages have failed to profit from the economic reforms. Some old people even look back on the Mao years with nostalgia like many of the Indian senior citizens, who often express that life was far easier and just under the British rule. They feel that though life was hard during the Mao period, it was more or less egalitarian, and moreover, people had the right to stop the wrong-doings of bureaucrats. But now, the gap between the rich and the poor is growing wider and wider. Factory engineers and commercial staff said that their people back home are suffering under increasing financial burdens, which sometimes

include extortion at the hands of local officials. Corruption and abuse of power have run wild, they added. As we travelled through China, I often felt that both – our democratically elected rulers and China's communist rulers – are money-centric, measuring their growth in statistical terms like GNP and taking pleasure in counting the number of billionaires they add each year, while providing lip service to their struggling billions. Both, under the influence of the Western economic ideals, are dreaming that eventually their people would be living like the Americans. The fact is that there are no resources, natural or otherwise, that can support the all-consuming elite lifestyle of even 30 per cent of its people.

Like in India, many poor Chinese migrants abhor the new millionaires who earn through arm-twisting or breaking laws, and with help from corrupt officials, seek financial privileges to get rich quickly. An orange cultivating farmer in Hunan told *Time* magazine, 'Rich entrepreneurs spend the equivalent of my annual income in one night at a karaoke bar'. Another poor farmer in the Guizhou told the *New York Times* that his biggest wish was that the government should change its policies and help them to get rich because living in this kind of poverty is very embarrassing. Echoes of such sentiments are very common in India too.

A report seen on the United Nations Development Group website states that China has grown so quickly over the past few decades that its poverty rate is expected to fall to around 5 per cent by 2015! Experts, however, have expressed concern over the rising social inequality in China, which they believe would challenge its long-term growth story. 'Inequality would be a problem for China, not just in 2015, but for many decades to come', says Friedman. 'In China, there is a huge disparity of income and quality of health and living standards between its rural and urban areas'. The wide gap between incomes in China's coastal cities and inland cities has been increasing in the last three decades. Typically, its coastal cities grow very fast. Urban income has grown by 10 per cent annually over the last several decades. On the other hand, rural income has increased by 4–5 per cent over the same period, representing one of the highest growths in the world. Since urban income has grown much faster than rural income in China, its inequality problem has increased.

Rural Poverty

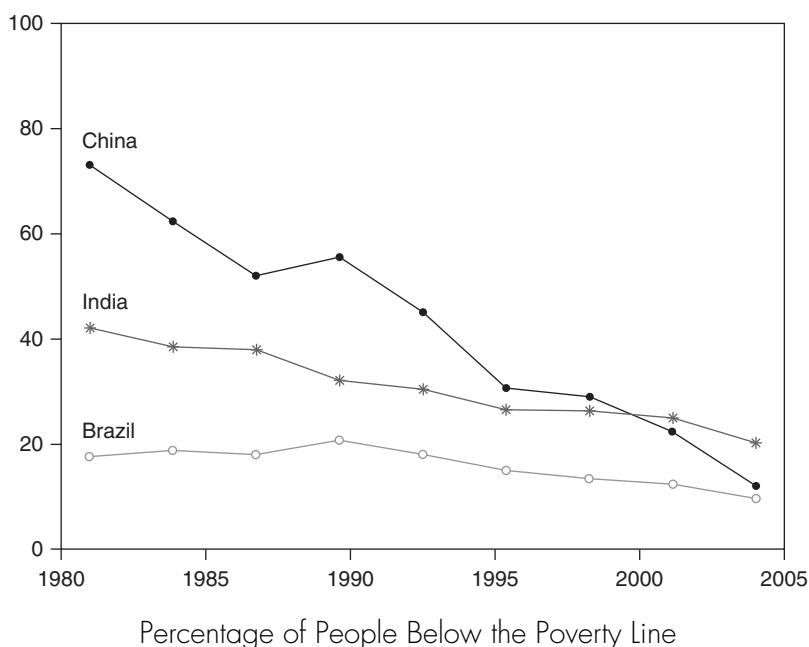
The annual per capita disposable income of a rural household in 2006 was 2,500 Yuan (around USD 300) compared to 8,800 Yuan for those in urban areas. (The official name of the currency is renminbi. Renminbi is also popularly called as Yuan). A major portion of rural earnings, however, came out of the remittances from young boys and girls who migrated to cities for a better livelihood. Rural earnings have gone up mainly due to remittances by the rural young, who are migrating to cities in hordes. This is indeed a common scene in India too; migrants suffer far more in India than in China. Life for most migrants is like a living hell. Even if China's policy to control urban migration appears harsh, it has saved its cities from uncontrolled proliferation of unhygienic illegal hutments and shanty towns as seen in every Indian city. Chinese migrants are young and live in free dormitories and get free food provided by the employer under existing rules. Life may be hard but not as harsh as in India.

In terms of amenities, rural China seems to be closer to urban India than urban China. As per the available statistics in China, for every 100 rural homes, there are 89 colour televisions, 22 refrigerators and 62 cell phones. In contrast, for every 100 families from their cities there are 137 colour televisions, 92 refrigerators and 153 cell phones. Similar numbers for the 100 urban Indian families include 92 colour televisions, 27 refrigerators and 86 cell phones.

I have often been confused by inconsistent statistics about the rural income and poverty both in India and China. Hopefully, the truth is somewhere in between. As of 2009, China's accelerated economic growth over the last 30 years has led to a substantial increase in real living standards and a marked decline in poverty. Between 1981 and 2007, the proportion of China's population living on less than USD 1.25 per day is estimated to have fallen from 85 per cent to 11 per cent, meaning that roughly 660 million people have overcome poverty. According to 2009 estimates, the number of people living on less than USD 2 per day is approximately 468 million or 36 per cent of the population. A 2007 report says that the 21 million people classed as the poorest in China, live on less than USD 88 a year. About 9 per cent of the rural population lives in absolute

poverty. These unfortunate people are chronically hungry, unable to get health care, lack safe drinking water and sanitation, cannot afford education for their children and, perhaps, lack rudimentary shelter – a roof over their head and basic articles of clothing and shoes.

According to a UN report issued in September 2010, only 36 million rural residents or 3.8 per cent of China's rural population lived below the poverty line by the end of 2009. It says that nationally, there were 40.07 million Chinese living below the state poverty level, which was raised to about 1200 Yuan (USD 178) per person per year in 2009. Same year, the state's input of money for poverty reduction programmes in rural areas amounted to 19.73 billion Yuan, an increase of 3 billion Yuan from the previous year. The report further states that the per capita net income of rural residents was 5,153 Yuan in 2009 – an increase of 8.5 per cent over the previous year. Poverty is as gruelling in China as in India, but the number of the very poor is far less in China. Like in India, among the poor are unemployed workers in old industrial cities, construction workers, and casual labourers and farmers who



don't earn much from selling their crops. Selling blood to hospitals to get money happens in China too. I am, however, convinced that the poor in India, in some aspects, get a better deal than the poor in China. I find more social and non-governmental efforts to deal with poverty in India than in China. Traditional medicare plans like free medical treatment by government and municipal hospitals, instituted in India by the British, do not exist in China. Free medical care by the state till the mid-1980s was abandoned by China in the early 1990s. The concept of non-government organisations in China is almost a contradiction of the term 'NGO' itself, since any equivalent of NGOs needs to be sponsored by a Communist-controlled umbrella group and registered with the Chinese government, sometimes as a company!

Early Rural Reforms and its Impact on Poverty in China

In 1979, three years after Mao's death, Chairman Deng Xiaoping began dismantling the 'rigidly' controlled agricultural collectives and started encouraging farmers to raise crops on individual plots. According to rules that varied from province to province, farmers were allowed to hire a certain number of labourers, and sell their surplus produce. Peasants were not allowed to own land, but they were given long-term leases and rights to renew the leases so that there was an incentive for them to take care of the land.

Land rights – except in terms of buying, selling and titled ownership – were transferred from the agriculture labour organisation to individual families. In effect, the pre-revolutionary system was restored with the state holding claim only to part of the crop instead of being the land owner. In the 1980s, families living in areas affected by the reforms were given a little over half an acre to tend. Those who possessed good fertile land were able to make healthy profits growing rice, vegetables, sugar and other products. Those who wanted more joined hands with other farmers and improved irrigation and roads, thereby becoming more productive and making even more money.

Deng also introduced incentive price bonuses for above-quota grain production and launched a 'responsibility system' which allowed farmers to sell surplus crops on the open market after they met their government quotas. In 1984, in an effort to increase production, the quota was dropped completely for all crops except cotton and food grains.

Even though many farmers used hoes instead of tractors, crop yields jumped dramatically. Wheat production doubled between 1978 and 1985 – from 41 million to 87 million tons. By 1987, the output of grains and tubers was three times that of India and almost equal to that of the United States and Soviet Union. Crop yields have been improved through intercropping, transplanting, winter farming, improved technology and using plastic greenhouses to cultivate out-of-season vegetables. Food production in China doubled between 1972 and 1995, mainly with the help of irrigation and flood control schemes. The use of chemical fertilisers increased four times from 1978 to 1995, but grain output was only 50 per cent higher. After Deng, these improvements have been cancelled out as the amount of cultivable land shrunk and the population increased. Agriculture was neglected in the later stages of the economic reforms, till President Hu Jintao took over. By the 1990s, the benefits received by farmers began to level off, and the real farm incomes decreased as the costs of fertiliser, hybrid seeds and other necessities rose faster than crop prices.

All these interventions caused a significant decline of poverty in China. China helped more people out of poverty than any other country in history. Since the Deng reforms, the number of people living in absolute poverty has declined from one in four in 1978 to one in fifteen today, numbering less than 95 million people. Under the Deng reforms, many peasants moved from mud huts to brick homes, and acquired better jobs, health care, food and opportunities than they had in the Mao era. Unfortunately, rural people have been left behind by the explosive growth in the coastal regions, cities and special economic zones. Incomes of farmers levelled off by 1990, while incomes of urban workers have risen sharply since then.

The World Bank stated that 'the quick reduction of poverty through agricultural growth in China' was largely exhausted by

the end of 1990. According to the Chinese government statistics, 170 million rose above poverty level between 1978 and 1985, but only 36 million rose above poverty level between 1985 and 1997. In India too, studies have shown that poverty reduction was far more effective till 1990 than now. Income gap between the rich and the poor has been consistently growing ever since in both the countries.

The fact that much of the economic growth in China occurred after 1990 raises an important question – how much has market economics really helped the poor? Today, government assistance given to the poor includes welfare payments for destitute city dwellers, rural anti-poverty projects and incentives for investments in poor provinces. But as a whole, the rural poor have been negligibly affected by the massive amounts of foreign investment that has poured into China. Micro-credit lending schemes are today being used and supported by the provincial governments. Nobel-prize winner and Grameen Bank founder, Muhammad Yunus, is working with the Chinese government to introduce his micro-credit system to rural China.

A UN report very well brings out how China's development is spotty and uneven. While Beijing and Shanghai have been ranked by the United Nations as equivalent to Greece and Singapore in terms of income levels, the provinces of Gansu and Guizhou have been ranked with Haiti and Sudan. In 2009, according to China's National Bureau of Statistics, the urban per capita annual income at USD 2525 was approximately three times that of the rural per capita annual income. This was the widest income gap ever recorded over a long period of time.

Inequality in China does not, however, only occur between rural and urban areas. There exist inequalities within rural areas and within urban areas themselves. In some rural areas, incomes are comparable to that of urban incomes while in others, income remains very low as development is limited. Rural–urban inequalities do not only refer to income differentials but also include inequalities in areas such as education and health care.

President Hu Jintao took over in 2002, and in a two year period beginning in 2003, the Chinese government paved more rural roads than it did in the previous half century. In 2002, and in his New Year speech in 2007, Hu stated that he was committed to spreading wealth

in China so that the have-nots could get their share. He added that there were still a considerable number of impoverished low-income people in both urban and rural areas, and it has become difficult to accommodate the interests of all sides. There is a shift in the focus on policy, with the government saying that it is as responsible for improving the quality of life as it is for delivering economic growth. It indeed was a reaction to the increasing discontent over income disparities, land seizures and other problems. Prime Minister Wen Jia Bao too ensured massive social spending in the poor countryside. In the last four years, his government has spent USD 5.2 billion on rural schools, hospitals, crop subsidies and other programmes. China spent USD 70 billion on rural development in 2008, and even more in 2009 and 2010 on roads, health care, education, agricultural subsidies, etc. The problem is, however, enormous to be resolved quickly. Money is not always a solution.

According to the award-winning *New York Times* columnist Thomas Friedman, gender inequality is another big concern in China. 'There are at least 20 million more boys than girls in China. In future, you will see women migrating from poorer neighbouring countries to China for marriages as well as millions of poorer Chinese men who desire spouses forced to remain unmarried. Large numbers of poor men without marital prospects would pose a problem to any country's economic and social well-being', opines Friedman.

One has to, however, accept that China is far ahead of India in the state's efforts to reduce poverty. Despite its 'uneven development', China has made more spectacular progress in poverty reduction than any other country, and the Chinese government is now focusing more on the development of its poorer inland and western regions. 'Actions like these make its citizens optimistic that the government will help those who have the most needs', says Friedman. 'The government is also making efforts to build infrastructure and invest in education and health in the western provinces, creating opportunities for people there, and allowing them to have a better life'.



CHAPTER 14

Story of a Young Rural Lady Migrant

READERS WOULD BE INTERESTED IN a heart-warming story that is typical of the educated rural migrant in China. I would like to share it as it was narrated to me:

‘Ever since I was a child, I have been very independent. I try to solve all kinds of problems, and take independent decisions. I do not disclose my problems but try to maintain a cheerful front and report only the good things to my family. No one wants to help me willingly. No one has walked into my heart either. I am very firm and determined’.

‘I grew up in a typical Chinese family but my family was a little special. My grandfather was a remarkable person. He was a Major in Mr. Jiang Jie Shi’s troop before 1949. After new China was established, he was put into prison till the end of 1970. My grandparents’ marriage was decided and fixed by their parents. My grandfather never cared for his family even though he had twins: a son and a daughter. One of his other sons and my father lived with my grandmother. Later, he married another lady without divorcing my grandmother. My grandmother was unable to take care of the two growing children alone and so sent my father to live with another family who did not have a child. Unfortunately for my father, the lady of that family gave birth to a son, and her husband too died soon after. My father was sent back to stay with his real mother.

My father never hated either of his parents because at that time everyone around was involved in a struggle for survival. This was towards the end of the 1960s, when China had laid down some unwise policies. At that time, China was chasing communism. Everyone worked hard to make steel and iron in an incredibly foolish way. No one cared about farming. Rice, wheat, sweet potatoes, all foods perished in the farmlands. And then, the biggest ever disaster struck – millions of people starved to death. My father's brother and several people in our village became victims. Our family managed to survive since my father is a clever man'.

'I begin my story from the time my parents got married. They got married at a time when China was a truly socialist country where everyone worked together. Food, cloth and necessities were allotted according to the family's requirement. This is called a 'planned economy'. People were divided into different classes. The 'class battle' was the main bone of contention at that time. Anybody with a bad record, or who came from a family having a bad record, was always treated contemptuously. No matter how hard my father worked, he never received any praises or awards because of my grandfather's wily reputation and his misdeeds. Besides me and my younger brother, my parents had four more children – two sons and two daughters, all of who died very young at eight months, ten months or a year of age. It seems that nothing was easy for my parents'.

'After Chairman Mao died, farmland was allotted to each family at the end of the 1970s. Life became better and I was born in 1983. My father cried when I was born; not due to happiness, but because of disappointment. Please don't regard him with contempt. He is rather a traditional Chinese man. During those days, every couple wanted a son, especially those families living in the villages. If you did not beget a son, you became a laughing stock and would be looked down upon by all others, but as I grew older, my father's outlook changed. After the initial few months of regret, he has always been very loving to me. Often, everyone was of the opinion that he was over-indulgent towards me. He bought me lots of beautiful clothes, shoes and nice food. He took me wherever he went.

It is a pity that I do not have many more memories of that time. No cameras then to catch those moments of joy. But I really feel happy whenever someone talks about those times. As far as I remember, I have never been looked after so well nor had such an easy and carefree life. I could always feel the love of my parents but the love was heavy and brought me lots of stress. My brother is four years younger to me. After he was born, life became harder. The economy in China was changing and so were the policies. People could not live on the land given to them; the farmers had to go to the city to find jobs. They could manage to get only the hardest jobs with very low salary’.

‘I still remember the time when I was in grade three at elementary school. It was the very first inflation faced by China. Our tuition fees increased to more than double that of the previous year. I could not pay my tuition fees on time, so my teacher asked me to go back from school. It was the policy of the school and I went back home. My father, searching for a solution, said that he would go on the streets to sell farming products. I waited hopefully, but he came back disappointed because at that time, farming products were very cheaply available and had no market value. My father was a very strong man, but at that instant, I saw tears in his eyes. The tears were dropping in my heart. Life became worse after I went to junior school. The taxes levied on farming were very high for farmers. My father went to the city to build houses. It was really hard construction labour work. The worst thing was that they were never paid on time even though the salary was very low. The boss only paid a small amount for procurement of food every month; the remaining payment would be done only after the building was completed. Many-a-times, the boss just disappeared after the building was finished. Every worker lost most of the salary due to him. They had no place to report their grievances or seek protection. Money really talked at that time. The corruption level was terribly high in China. Due to the “reform and opening” policy, China was developing too fast and our administrative system was not completely formed. People were exploring loopholes in the law and were taking advantage. They openly flouted the laws, as there was no proper control’.



Author with the Migrant Lady's Father in their village home that she helped him to build

‘Another scene with my father is still so fresh in my mind. When I was in senior school, my school was far away from my home. Therefore, I lived in the school premises and needed to buy food every day. I began to live there ever since I was 12 years old, when I was attending junior school. At that time, I went back home once a week to get some food supplies. Then I did not need to spend money on food at school. During my grade two of senior school, my father worked in Wuhan. When the new term commenced, he could not send me any money. I only had a small amount, which I had earned during the holidays. After I went to school, I needed to pay my tuition fees. I did not get any news from my father. I tried calling his boss and finally located him. I could not bear to stand crying on the phone, my father was also crying and said he knew I needed money but he could not do anything as the boss could not pay him till the end of the project. Can you understand how sorrowful my father’s heart was? He was really a strong man; he suffered so much, but never cried. The next day, my father came to see me at school. He looked really tired and old. I could imagine how hard his life was. Even though he did not say anything about it, I could make out that he must have begged the boss for money; otherwise, however trivial the amount, he would not have got it’.

‘I still could not pay my tuition fees, as the money fell short. I felt very sorry for my father because he had to work so hard due to my insistence on studying. Actually, when I was in grade two of junior school, about 14 years old, I was introduced to work in the city as a housekeeping maid. My father fervently hoped that I would take up work as a house maid as he faced a genuine difficulty in affording my education. Secondly, in the rural countryside, girls and boys were not treated equally. Many parents did not let their daughters continue with schooling after they finished elementary school. My father asked me if I would like to go to work or continue with my education. I could not hold back from crying. I finished my junior school with excellent results, won the chance to go to the No.1 senior school and I was one of the 20 selected among 3,000 students. My parents were extremely proud of me but at the same time worried about my future expenses. The local government paid the tuition fees for my first term. The fees for the rest of the terms were exempted by the school. I was always under high pressure because everyone from my hometown was watching me. I had to work hard to get a good result in the college entrance examination. Sometimes, I did not have money to buy food. I needed to think who I could turn to, who I could borrow money from. Sometimes, I took up work in the school dining hall, so that I could get free food and also a small salary but I was not permitted to work there all the time as my teacher was of the opinion that it would affect my studies’.

‘When I was at senior school, my younger brother entered junior school. At that time, the tuition fees for junior school was at its peak. My parents paid half of it for the first term, but the teacher always asked the students who owed the tuition fees to go home. It wounded my brother’s amour-propre. He is very clever but also very fractious. He got irritated and left school, and no matter who persuaded him, he never went back to school. I felt very sorry about this. Now, one of my biggest concerns is about finding a good job for my brother because he is unable to do any hard work due to a mild heart condition. All these problems led to my failure in the final examination of senior school. However, I decided to continue with my studies in the university. During the summer, my father was out working. He did not come back as he desired not to waste money on buying bus

tickets. Instead, he sent me some money though it was nothing close to my university tuition fees. As my university in Wuhan is a class one university, we could easily apply for a bank loan. I arranged for everything by myself, and successfully obtained a loan for the first three years. The money given to me by my father helped me for the first term. From the next year onwards, I started looking for part-time jobs. Since that time, I never asked my father for any money. Even though I had no interest in my major subject, sometimes, I still got a scholarship. Luckily, I could support myself in the university and paid my tuition fees for the last year. Even today, I feel pride in my ability to have earned money during the summer and winter holidays ever since I was 12 years of age. Sometimes, I could manage to pay half of my tuition fees from my earnings’.

‘Things are definitely changing for the better now. The new policy formulated for farmers treats them quite favourably. My father says that he has never heard of, nor lived in, such good times and credits our leaders as being really intelligent and wise. I still try to give my parents as much money as I can because no matter how hard I work, I do not have to do backbreaking labour work like my father. My mother gave birth to so many children and my father had such a tough time. I really hope they have an easy and comfortable life now. It is a pity that I could not afford it till now’.

‘One more aspect which was not easy to handle for my parents was that when my family was in difficulty many people tried to create more trouble for us and tried to stop my family from progressing. But anyway, I came across more good persons than bad, and I received more help than harm. I am really thankful to the world. For instance, during the summer holidays of 2003, I was in school and ready to find a part-time job but my brother took ill. My mother was helpless as my father was in Shanghai. I asked my brother to go to Wuhan. Actually, I only had about 200–300 Yuan and had no idea what to do, but my friends heard about it and gave me a helping hand. The next day, I had several 1000 Yuan. Thanks to the timely cure, my brother soon recovered. The names of those friends are etched in my heart. I really feel I have been very fortunate. Most of the girls in my hometown did not get the opportunity to go to university, did not get the chance to know the world as much as I did, and

had no chance to have so colourful a life . . . I received a lot of help from many friends, all kinds of friends and well-wishers . . . that is why I would like to make more friends, I am not afraid to say hello to a stranger, even to a foreigner . . . I believe most people are very kind by nature . . . ’.

When I transcribed her story from my audio recording, I suddenly felt that this could as well be the saga of a well-bred girl from rural India. Her story tells us that the Chinese are resilient and hard-working people, with a lot of warmth and optimism in their hearts . . . Since our rural folk, who have migrated to cities like Mumbai or Delhi, also have similar experiences, one finds our cultures playing a common influential role in moulding us into good human beings having simple needs, and upholding values like respecting and looking after parents, which is sorely lacking in the Western culture. I think, both poor Indians and poor Chinese carry even their poverty with elegance unlike the poor I saw in the United States.

—Author



Crime Scenario in China

FOR A COUNTRY MAKING EXPONENTIAL progress economically, China has a surprisingly low crime rate. Private gun ownership is banned and violent crime is relatively rare. The Chinese government has entrenched fear in its people. Though crime has reduced considerably in recent years, it has curbed the temptation to steal or commit felony for some petty gain. Punishments are severe. Tourists sometimes tell stories of leaving behind unwanted clothing in their hotel rooms, only to have an employee at the hotel show up at the airport or train station to return the clothes. Although China is still relatively a very safe place, since the early 1990s, petty as well as violent crime has been on the rise. A report in 2009 by the respected Academy of Social Sciences noted a significant increase in violent crime including homicides, robbery and rape over the previous year with prosecutors reporting 10 per cent more cases.

The incidence of crime was very low during the Mao era. People did not have to worry too much about it. There was relatively very little theft of public property as people were educated that state assets belonged to everybody. Till date, this respect for public property is very much in place. One wishes that Indians too showed similar respect.

Today, it comes as a surprise for anyone visiting China that all streets and public places are very modern, neatly built and well-maintained, both by the government and the common people. China looks impressively clean with its superbly maintained infrastructure. Any of their airports or bus stations, street sidewalks or roadside

public toilets reveals the tremendous self-discipline of the public. Everything always looks as if it is dressed up for a national celebration.

What can one say about India? One just has to look at the public toilets in government offices to sample the sensitivity of our national leaders and officials towards public property. Of course, there is a blanket excuse of lack of democracy in China. The fact is, except for criticising the government, the Chinese today are almost free to do as they wish. Contrary to popular misconception, I actually see Indian officials behaving more brutally and callously than those in China, especially while dealing with the poor and powerless people. Yes, Indians do publicly abuse leaders and officials, but in reality, they are powerless except for a day every five years when they exercise their voting powers, which is also a skewed exercise. Rest of the 1830 days (five years), they are a non-entity. Any criticism or abuse by the civic society (or even the press) is simply ignored, which is why they are completely contemptuous towards their 'masters'.

Of course in Mao's China, besides this respect, there was not much that people valued enough to steal since everyone used to be equally poor. Punishments were also very harsh. But these weren't the only reasons; one Chinese criminologist told *Newsweek* that there was an 'institutional suppression of personal economic motivation'.

Crime, however, has been increasing since the early 1980s, when the Deng reforms were introduced. Economic reforms and growth have been accompanied by an increase in petty crime, drug abuse, prostitution, truck hijacking and even kidnapping. The increasing economic divide has led to this rather strange set of affairs. Rates of serious crime, especially murder and kidnapping, have increased noticeably, especially in Beijing, Shenzhen and Shanghai but the incidence is still very low.

The crime rate tripled between 1984 and 2004. The total number of criminal cases rose by 13 per cent to 2.2 million between 1998 and 1999. In 2004, there were more than a million serious crimes. In 2006, there was a rise in the number of 'major criminal cases' including explosions, kidnappings and homicides with crimes being committed by increasingly younger people.

Many of those arrested for petty thefts happen to be migrant workers. Migrant workers are always blamed for several crimes.

Some hold them responsible for the rising crime rate. Many also blame the general get-rich-quick mentality of these people.

Foreigners are very rarely the targets of crime in China, and even if they are, the crimes are investigated more thoroughly, and the criminals get a worse punishment than if the victims were Chinese. On June 20, 1987, the first American to be murdered in China in 40 years was a Texan named Edward Cheer, who was killed after being robbed of USD 186.

The murderers were quickly tracked down, found guilty and executed. In 2000, two men who robbed a Shanghai-based American diplomat and another one who robbed two Dutch tourists for about USD 80 worth of Chinese currency, were sentenced to death! In March 2008, a Chinese man took 10 Australians hostage on a bus in Xian. A police sniper shot and killed him. So as a tourist, you will not be a victim of crime, but you could be cheated in shops, unless you are an 'experienced' shopper.

Criminals from different regions have different specialties. North-east China is famous for armed robbers. Xinjiang is said to be home to the best pickpockets. Wenzhou in Zhejiang produces car thieves. Many kidnappers are based in Fujian.

There is an interesting story about a well-off town of Aodi in Zhejiang. Sick of petty crime, 270 villagers of Aodi raised USD 75000 and built a 'Great Wall' around the town to keep thieves out. The wall is seven metres high and nearly a metre thick, and is built in the style of the Great Wall with the exception that it uses swipe card entry control through its double-door gate. The villagers were concerned about the rising number of thefts of cell phones, computers and cash.

The crime rate is increasing among females too. In the Mao era, only 1 per cent of crimes were committed by females, now the figure is as high as 20 per cent in some places. Many of the crimes are sex-related. In Sichuan, there are all-female gangs. An interesting story about theft by a gang of pregnant Chinese women was reported in the *Times of London* on April 13, 2011.

'A month-long police operation has finally cracked the Big Belly Gang, a band of pregnant thieves that ransacks shopping centres in Hangzhou. The decade-old maternal crime ring members met each

day at the local school gates. The police moved in and captured all 47 Big Belly Gang members, of whom 22 were, at the time of arrest, heavy with child and bulging with loot. The gang, who exploited China's unusual leniency towards expectant and new mothers, is not the country's only team of pregnant thieves, but ranks by far as the largest one brought to justice. The police have recovered about 1.5 million Yuan (about a crore of rupees) worth of goods stolen by the gang, but say that it is just a fraction of their haul'.

In September 2005, a teacher in Mianyang, Sichuan Province, was executed for raping 32 schoolgirls and committing obscene acts during physical education class and after school.

Juvenile crime, almost unheard of in the Mao era, is a growing problem in China today. Stories about crimes committed by young people are becoming increasingly common. Juvenile crimes are now believed to account for around 10 per cent of all crimes. In an effort to reduce juvenile crime, laws that punished the parents of the child criminals were passed. In recent years 'help and education' programmes involving juvenile delinquents, their parents, other relatives and people in their community have been set up. Kidnapping is a crime that didn't exist in China until recently. However, to be on the safer side, some Chinese tycoons, like the rich in India, travel in German cars with bulletproof glass.

Based on the personal experience of a friend, let me caution Indian tourists not to get tempted to use unregistered taxi cabs, especially at the airports in smaller cities. It is likely that he will stop halfway and demand more money or alternatively, on reaching your destination, you will find that your luggage has been stolen or that he has charged you an exorbitant fare. Like in India, even regular taxis do not use the metre and try to charge a higher flat rate. Reminding the taxi driver will often get him to activate the metre, albeit reluctantly.

The distribution of counterfeit Chinese currency continues to plague tourists who change money at unauthorised money changers. Unsuspectingly, you are passed fraudulent notes at restaurants, stores and taxi cabs. Large numbers of 100 RMB and 50 RMB counterfeit notes continue to circulate.

Protests or demonstrations by people are getting more common but the Chinese authorities employ an overwhelming

security presence to ensure that these remain peaceful. To deter demonstrations from occurring at all, Chinese authorities are also proactive in deploying great numbers of police as a visual show of force during anniversaries of past unrest and in response to calls for potential protest.

Some protests are aimed towards foreign countries like the United States. The 1999 violent protests in response to the accidental NATO bombing of the Chinese embassy in Belgrade took place in many cities of China. There were counter-protests in Beijing against the French supermarket chain Carrefour as a response to Parisian protests against the Chinese hosting the 2008 Summer Olympics. July 2009 saw riots between the Han Chinese and ethnic Uighurs in Urumqi, Xinjiang Uyghur Autonomous Region, which resulted in nearly 200 deaths and more than 1,700 people sustaining injuries. More recently, in 2010, a territorial dispute between China and Japan caused large scale anti-Japanese protests in several Chinese cities during which Japanese brand vehicles were destroyed; similarly, Japanese-themed restaurants and businesses were also attacked.

Then, there is the famous Chinese ‘Great Firewall of China’ built around communication networks, especially the Internet. The Chinese government has access to the infrastructure of Internet Service Providers (ISPs) and wireless providers operating in China. Wireless access to the Internet in major metropolitan areas today, is freely available. The government has actually declared that it regularly monitors private e-mail and Internet browsing through cooperation with local ISPs. But the high speed of the Internet in spreading information proves to be a challenge. Almost 100 per cent of the Chinese over 14 years of age have powerful cell phones, and today, most of them are full broadcasters of micro-blogs like Tweeter. This breaks down the mighty Great Info Firewall by the authorities even though life of such a blog may be just a few minutes. The micro-blog wild fire spreads even faster. Common Western social media websites, including Youtube, Facebook and Twitter are, however, blocked in China.



Great Firewall of China

ONE OF THE MOST WIDELY discussed global debates surrounds China's information firewall, famously called the 'Great Firewall of China', which filters out unwanted content on the globally accessible 'free-for-all' Internet. The Chinese government employs 30,000 cyber-cops to monitor its web content. The techniques they have developed for shutting down sites within minutes of appearing on the Internet are so refined that China is being approached by Saudi Arabia and other countries, which would like to adopt the same. There are several Chinese netizens who have been imprisoned for having tried to bypass the firewall. The best known amongst them is Shi Tao, a journalist from Changsha in Hunan province, who was sentenced to 10 years in prison for sending an email about media restrictions to an overseas website. He was convicted for 'divulging state secrets abroad'.

Once a barrier like this firewall is set up, some enterprising young minds take it as a technological challenge to penetrate it. They try and find ways to by-pass this Great Firewall of China, which in actuality is a vast Internet censorship system that prevents Chinese citizens from accessing information their government deems as sensitive. It is known that when Chinese citizens 'try to google' certain phrases like, say, *Falun Gong* or *Amnesty.org* or *Taiwan*, they receive very different results from what we, outside China, would conventionally get since all the data that goes through the Chinese servers would be subject to digital censorship. If some succeed in making a hole in this wall, the Chinese cyber cop team quickly blocks it.

Each country has a unique culture, and some also have very strong religious and political beliefs which are distinctly different from the Western beliefs and cultural values. The leaders of many countries, therefore, dislike exposing their young ones to liberal Western values. Families in these nations would like to bring up their young in a way consistent with their own value system. For this purpose, school text books and other publications for children have been traditionally monitored for their content. In the past, parents the world over could ensure that their young were not exposed to any sort of undesirable information. Almost universally, elders in the family do not like exposing their young to cultural vulgarity like pornography and sadistic violence. With this regard, the Internet has posed two problems – firstly, it gives the user easy and free access to such uncensored rubbish like pornography and other vile audio-visual content; and secondly, it is privately accessible to the young, as parents do not want to curb their children from using modern communication tools like computers and cell phones to access useful web content that makes learning faster and easier than merely learning from text books. This is a dilemma that also drives leaders in many countries to think of setting up such information firewalls against the undesirable information available online globally. The cultural bonding in the early years is vital until young minds become mature enough to make their own choices within the cultural boundaries set up by society. In fact, there are innumerable adults in the Western societies, who are reportedly alarmed by the way their young ones hurt themselves and the way their childhood is ‘cut short’ by exposure to undesirable content on the Internet. China’s desire is, therefore, not unique. ‘Freedom vendors’ fighting the so-called censorship are ironically seen controlling their own young ones with their own moral code of conduct, while voicing hoarsely for giving such freedom to others!

The Internet arrived in China in the year 1994, as an inevitable consequence of, and a supporting tool for, its socialist market economy. Since then, and with gradually increasing penetration, the Internet became a common communication platform and an important tool for sharing information. In 1998, however, the Communist Party of China feared that the China Democracy Party

had created too powerful a network for the party elites to control. Deng Xiaoping's favourite quote in the early 1980s was, 'If you open the window for fresh air, you have to expect some flies to blow in'. But the Internet was reckoned as too big a window to be left open without a screen. Thus, the Great Firewall of China was created to protect its people from the overtly Western social and political ideas, and especially from their Western style of democracy. Chinese authorities emphasise that 'the Chinese online media of all forms must have a firm grasp of correct guidance, creating a favourable online opinion environment for the building of a harmonious society'. Tens of thousands of overseas websites are blocked to users of domestic Chinese Internet services. Private citizens in every city and province are enlisted as volunteers or paid commentators to 'guide' online conversations in a pro-government direction, or to act as watchdogs, reporting anti-government conversations to the authorities. As a result, Chinese Internet censorship has received a great deal of attention from international media, Western governments and the international human rights activist community. Lokman Tsui and other US-based Chinese have, however, suggested that the focus on the 'Great Firewall' and Internet filtering by Western scholars, policymakers, media and activists is due to their misguided tendency to view China through the 'Iron Curtain-Cold War era' paradigms. Others have pointed out that filtering is one aspect of Chinese Internet censorship, which foreigners visiting China are most likely to encounter personally, while censorship affecting the domestic Chinese language Internet is much less apparent to visitors and outsiders. Furthermore, overseas-based free speech activists themselves – such as the Radio Free Asia, Human Rights Watch, Reporters without Borders – seem to be concerned about the firewall, mainly, because all had their own websites blocked.

In all actuality, content filtering is done in every country, including the United States. Software tools to block unwanted content are widely used at various levels: the household, local business or residential networks. Even Internet service providers (ISPs) or the regional networks do so, and it can also be done at the national gateway level too. If such selective filtering, using the same

software, is used by the bosses of Western corporate offices, schools and a range of government departments, what could be wrong if a country's government does it? Some feel that this firewall is also created to protect China's Internet business interests. For instance, China blocks 'twitter' and 'facebook' in order to facilitate the widespread use of Weibo (a twitter clone) and RenRen/xiaonei (a facebook clone). They also point out how *eBay* lost to its equivalent – Alibaba's Taobao, within a year.

Except for a small number of white-collared elite, who have almost blindly taken to the Western way of life, I find common people in India too believe in content control of information dispensed on the Internet. There is no doubt in my mind that if there were to be a referendum on this issue, a large majority of Indians would endorse on setting up a similar 'Indian Firewall', as long as this tool is not used as a means for a political end, and for the protection of corrupt bureaucrats and politicians.

China realises the importance of information technology and the Internet, and uses it more aggressively than even the United States. As of June 2011, China had 485 million Internet users and it is projected that China's Internet population will hit 718 million by 2013, with over 50 per cent of its population using the net. Even today, China's Internet users exceed the total population of the United States! A majority of these Internet users in China are broadband DSL subscribers served by its huge telecom companies, China Telecom and China Netcom. A study reveals that Chinese Internet users spent an average of 18.7 hours online per week. About 277 million people access the Internet via cell phones. In China, the Internet is in Mandarin. Local language Internet also explains why the number of Internet users in China's rural areas is as high as 150 million.

Chinese consumers too are increasingly using the net for trade. *Taobao.com*, a Chinese-language website for online auctions and shopping founded by the Alibaba Group, reported nearly 200 million registered members and more than 200 billion Yuan (29.07 billion US dollars) in turnover, creating at least 1 million online sales related jobs. Chinese leaders believe that as the Internet converges with the traditional sectors it could help boost economic restructuring and

social development. Ever since *Sina.com* and *QQ.com* introduced their micro-blogging applications in early 2010, micro-bloggers in China today exceed 60 million.

In conclusion, China is going all out to be in a relative state of political and philosophical isolation. It is best to let the Chinese people and their government work alongside or against each other, and allow them to sort out this issue of censorship without the influence of a third party outsider trying to decide on the future of the Chinese society. The Western society has on its plate, many serious problems waiting for resolution. They should, therefore, not waste time in preaching others about the freedom of speech. It would be wise to remember that they too had gone through an identical stage earlier, and it would make little sense to deprive everyone else of this growth process.



Indian and Chinese Civic Society Cooperation

THE PEOPLE'S REPUBLIC OF CHINA and the Republic of India are not only the two most populous countries in the world, but also make for two of the fastest growing economies of the world during the last two decades. They are increasingly acknowledged as important growth engines of the globalised economy. China has been growing with nearly double-digit rates since reforms in 1978, and today it is ranked as the second largest economy in the world. One of the greatest receiver of foreign direct investment today, it is only a matter of time before it surpasses the United State's elevated global position.

Starting 1980, India has been generating an average real growth of 6 per cent per annum and has constantly surpassed the 8 per cent threshold since 2003. Unfortunately, India's progress has been much slower in spite of being head over shoulders above many other countries. The relative slowness is revealed by the fact that in 1980, the per capita income of Indians was twice that of the Chinese and in 2009, it was the other way round!

The fast-developing economies of India and China and their huge domestic market of two billion plus have made them an extremely important destination for global businesses and investors. Many of us believe that over the next few decades, these two countries will redefine the future of the world. We, at the India China Economic and Cultural Council (ICEC Council) therefore, centred our theme

Global Economic Prediction For 2020

In a 2010 global forecast, China is predicted to be the biggest global economy in terms of GDP, around 25% bigger than the US economy of that year. It is also estimated that the Indian GDP that year would be about half of that of the US and a third of that of China, and it would also be the third largest global economy.

on ‘India plus China’. Bill Gates always said, ‘Think of “China and India” and not “China versus India”’. The Knowledge Age Emperor can’t go wrong. In this money-crazed era, the richest American in the world is spot-on in his deductions.

Two years ago, the two nations celebrated their 60th year of diplomatic relations. One must however note that for nearly half that period relations between them were very cold if not extremely hostile. It was only in 1988 that relations turned progressively cordial after Premier Li Peng invited Prime Minister Rajiv Gandhi of India for a state visit. Relations have evolved radically since then. Today, the two countries have rather complex relations – cooperative, competitive and even distrustful to some extent. Serious issues like an unresolved border dispute, rather poor social, cultural and institutional interactivity, and unsaid rivalry in respective global roles have fuelled antagonism. It is, however, important to recognise that even economic growth is determined to a large extent by socio-economic factors of a society and by determinants that go beyond the economic sphere. This chapter examines India–China bilateral relations in the context of extremely limited socio-cultural and civic society interaction and their potential impact on the future.

Current Status of Bilateral Relations

Three aspects of the India–China relationship are crucial for a manifestation of its mutually beneficial future.

Foremost of these, is the state-to-state diplomatic relations. Indian and Chinese leaders seem to agree that mutual relations

have to focus on working together for peace, progress and shared prosperity. The latest Joint Communiqué signed on December 16, 2010 by the two Prime Ministers, Hon. Dr. Manmohan Singh and Hon. Wen Jiabao, highlights the will and readiness of both sides to elevate the partnership to a higher strategic level covering political, defence, social, economic and cultural as well as developmental cooperation. While state-to-state relations remain friendly and cordial, unfortunately, the general mood in India is a volatile mix of suspicion, fear and a certain grudging admiration for China. Obviously, good relations have had something to do with the ever-booming bilateral trade; growing from a mere billion US dollars in 2001 to nearly USD 60 billion in 2010.

The second aspect of bilateral relations covers military relations between the two and here mutual cordiality and trust is sorely wanting. Military-to-military relations are especially weak. There is a wide trust deficit between the two civil societies and between the security machineries of the two countries. Indian media and some senior leaders and political observers highlight the growing assertive military policies of China in the Indian Ocean. They also voice concern about the China–Pakistan relationship and pending disputes about sharing water resources. Coupled with these is the genuine concern of many economic observers regarding trade imbalances in favour of China.

The third aspect of mutual relations is about people-to-people contact. Today, unfortunately, civic society interaction between the two does not match economic growth. Interpersonal contact is minimal and limited to buyer–seller relation. There is little by way of relations amongst professionals of the two neighbouring countries. This dearth is speedily influencing the general mood of the people, especially in India.

Maintaining cordial and healthy bilateral relations between any two countries needs multilateral contacts and communication. The state-to-state interaction limited to diplomatic exchanges needs to get strongly supplemented with mutually beneficial business joint ventures having a satisfactory two-way trade, cordial military relations, and most importantly, wide and deep interpersonal contacts between individuals in civil societies.

Civil societies should have good cultural exchanges, social interactions as well as regular exchange programmes amongst professionals from both the countries. What is sorely missing between India and China is vital people-to-people and institutional interactivity. Today, there is a need to make concerted efforts for greater institutional interaction, which is almost completely missing. This needs to be addressed on priority basis. Universities and think-tanks from both countries need to meet and interact more often.

An association between India and China could be a great success as history reveals many striking similarities between the people of India and China. To review this more elaborately, evolution of culture in ancient Asia centred on interaction between man and nature. The unique environment of the region made these cultures equally unique, but similar, in many aspects. Even though they developed in isolation, both showed admirable and remarkable realisation of being just a small part of the environment by not attempting to overpower nature. Both cultures are indeed conditioned by the physical world, but their attitude towards life is amazingly similar.

Topographically speaking, both China and India have big land masses, though China is considerably bigger and naturally more isolated. People of both countries exhibit a unique bond with the soil. Agriculture kept each country bound to its soil. Limitations of resources and relative ease drove them to take up farming. Natural barriers to communication led to the emergence of an assortment of cultures, subcultures and spoken dialects in both countries.

Physical barriers isolated both countries from each other and from the rest of the world. China is bound on all sides – unfathomable seas to the east, a high Mongolian Plateau to the north, some of the largest deserts on earth to the north-west and The Himalayas, the roof of the world, on its western border. India, on the other hand, has its vast northern plateau sandwiched between the Himalayas and the Vindhya Mountains. The Indian peninsula is surrounded by three oceans on three sides. These natural barriers isolated them almost completely right up to the end of the first millennium, after which, both were traumatised with repeated invasions by outside powers and particularly by Western powers in the latter half of the second millennium. In spite of their separate evolution, even a cursory look

reveals that Chinese and Indian cultures are very similar. Both have agrarian character. These are cultures of harmony, coherence and continuity. A well-known ancient Chinese rhyme eulogising daily life in China reveals the similarity of the two cultures: 'Rise with sun to work, retire with sun to rest. Farm the land for food, sink a well for water. What has heaven got for me?' Another maxim by Confucius is also revealing: 'The knowledgeable love waters, the benevolent love mountains; the former are active, the latter tranquil; the former enjoy a happy life, the latter a long life'.

Both cultures are basically congenial and not too ambitious, unlike the outward-looking and adventurous cultures of southern Europe and the Mediterranean. Both civilisations intrinsically believe in peace, and living an uneventful life attuned to nature. Even proximity to the sea manifests differently here. A self-sufficient farming culture in both countries brews conservatism and satisfaction. Both societies are prone to fatalism due to dependence on the unpredictable and often treacherous weather, and watch the heavens to nourish their crop.

Rivers have been key lifelines in both these countries. The two longest rivers on earth, the Yellow and Yangtze, flowing from east to west, are cradles of Chinese civilisation. Of equal cultural importance are the Ganga, Yamuna and Sindhu rivers in north India, and the Krishna and Godavari in south India. Even today, in spite of being in the Information Age, the rural life in both India and China are very identical. Both rural societies are inward looking, tolerant and frugal in habits. Life for the common man has been one of hardship and tolerance. Currently, urban India and urban China may have taken to a Western life style, but rural life in both countries remains unchanged and attitudes as well as aspirations are similar.

Unfortunately, in spite of these similarities, the Indians and the Chinese remain isolated geographically by the Himalayan range. Communication between the two is non-existent due to totally different forms of languages used in speaking and writing. Consequently, a civic society interaction is absolutely lacking. Common citizens are unaware of the similarities of problems and aspirations. The similarity, however, is clearly reflected in the way Buddhism appealed

to both and spread so rapidly in China in the final years of the first millennium. Even today, Gautama – the Buddha – and his religious teachings are a strong cultural link between the two.

The time is ripe again for the two nations to work together taking advantage of modern technology not only to serve the Western world, as we do today, but to bring about the ‘China–India Combine’ at the economic and cultural centre of the world. Currently, the growth in world trade is being evolved through flagrant propagation of a Western lifestyle. All of us are collectively responsible for it. It would be a pity if we fail to exploit our ingrained social similarities for harmonising our civic life of tomorrow, built on the common aspirations of our rural masses and shaping them more consistently within a ‘knowledge society’ and concentrating on a nature-friendly daily life for both peoples. We can create an exciting alternative to the consumer-driven society propagated by Western nations. This world will create a market for products supporting the new pan-Asian lifestyle.

It is clear that even globally, there are business opportunities for products that address the needs of the mind more than the body. Both of us then will have a variety of products. Our cultures themselves have become products due to the fast-growing disillusioned and confused Western elite. Both have to contend with far more pressing problems like rural poverty. The challenge is to develop a sustainable and comfortable rural life sans hardships. We could work together to harness modern technology that would support our ancient wisdom and heritage.

Indian and Chinese Suffer Communication Gap

In spite of living in the exciting ‘Information Age’, Indians know little about modern day China and the Chinese in turn are totally ignorant about Indians and their prevalent cultural and social life. Popular culture reflects the wide communication gap. In a sense the two remain in complete cultural isolation. The status has remained the same for over thousands of years. The Chinese and Indians are unaware of the striking cultural similarities and family-centric social system they share.

However, unlike in India, the common man in China carries no distrust, nor has any bias against Indians. He does not view India as a threat. Like an oasis in a desert, I find Raj Kapoor and his *Main Awara Hoon* still remain our best cultural ambassadors. This link excites the Chinese to get friendly with us even to this day! The people-to-people exchange between India and China is indeed improving, but there is still no comparison with Sino-US or Indo-US relations. People-to-people interaction can be enhanced by constructive engagement. The Raj Kapoor magic worked much before the information age dawned. It did so because of the social content of his art which appealed to the common Chinese. India has plenty more in its culture that will tell the Chinese that Indian society has striking similarities with theirs.

Given the growing interest in each other, it is important that relations between the people of India and China and the social and cultural exchanges between them emerge as one of the most important happenings in the world.

What does 'connectivity' mean in the context of India-China relations? In my view, it is not just pertaining to physical infrastructure, information and communication technology or trade, commerce and tourism linkages. While these form the bedrock of India-China connectivity, to me, connectivity must include interpersonal contact, which comprises of interaction not just limited to diplomatic or business matters, but between a wide cross-section of society such as leaders, people's representatives, officials, intellectuals, academicians, scientists, media personnel, artists, cultural experts, youth, children and many others to form a web of relationships that will buttress India-China relations in a substantive and sustainable way.

As such, diplomatic and business connectivity must be reinforced with that between artists, professionals, agricultural and social scientists. Such interactions and dialogue are necessary for the India-China partnership to blossom to its fullest. As Indian Foreign Secretary Nirupama Rao has rightly said, 'India and China have learnt lessons from ups and downs experienced in the 60 years of bilateral ties'.

It is time we consolidated these experiences and formulated a stable bilateral mechanism that will encourage people-to-people

relations. The India–China friendship has to be based on growing understanding amongst millions of Indian and Chinese families and people from various walks of life. The Indian and Chinese governments have often talked about people-to-people contact, cooperation in education sector, cultural diplomacy, etc., but it is long overdue for both administrations to walk the talk.

Socio-economic Characteristics of Indians and Chinese

Economic development of the two giants and differences in pattern of growth make it worthwhile to study the underlying socio-cultural characteristics of the two. Both countries introduced economic reforms since the 1980s but the post-reform differences are attributable to cultural values, the social capital and the existing social networks in the two countries. This indeed seems to have decided their respective international competitiveness. Some social scientists believe that China's cultural heritage tends to favour modern economic development more than does India's. They say the values of Chinese Confucianism emphasise the importance of education, integrity, assiduousness and mutuality, which are virtues conducive to economic development. On the other hand, Hindu culture claims divine salvation, promotes individualism and undermines the yearning for material wealth and economic success as well as the accumulation of savings.

The caste system limits the freedom to choose and blocks ways of social advancement. Both countries, however, fear foreign cultural influences largely rooted in historical experiences of long foreign occupation. India's failure in developing manufacturing prowess like that of China is indeed due to its pluralist society besides a lack of focus in framing policies, administrative inadequacies, its archaic infrastructure and official logistic impediments. As a result, Indian entrepreneurs focussed on educated labour in service sector, whereas those in China went deeply and extensively into manufacturing using its educated rural youth to form a formidably productive blue-collared workforce. China's homogenous society and the hierarchical political system helped in creating common

national targets. 98 per cent literacy in China helped it to promote positive values and norms conducive to economic progress. India would do well to remember that access to education and knowledge will be the most crucial issue in economic politics of the future. The wide spread use of English in India and an efficient legal system are conducive for global business. But confusing policies and uncertain logistic support to businesses negates most of these advantages.

The World Value Survey in 2001 shows that while 87 per cent of the Chinese evaluated globalisation as predominantly positive, only 54 per cent of the Indian respondents were of the same opinion. Regarding competition, 90.4 per cent of the Chinese and 55.7 per cent of Indians evaluated competition as being predominantly advantageous. Actually, in both countries, the family is the elementary social unit, and family often includes caste grouping in India or a rural unity in China. Indians have a sense of community that results in lack of civil culture. In China, the Han-Chinese are the state-carrying element with a population share of over 90 per cent. In addition, there is a uniform spoken and literary language, and Confucianism dominates spiritual life. Its social networks are also limited to family and *guanxi* – a close network of personal relationships. The social networks in both countries are characterised by a tight circle of trust that does not go beyond family and friends. This creates a fertile ground for corruption. In India, this is enhanced due to a pluralist social structure and layers of entrenched bureaucracy. A lack of confidence in public institutions further adds to the problem.

Long-term Orientation

For the development of a common national vision, both political and social structures of a society are crucial. In complete contrast to China, India has, at no point in history, been a unified country under one leader. India therefore has to struggle to articulate a national vision, whereas the same was self-evident for China. In China, the political structure is hierarchical with the Communist Party placed at the apex of the pyramid.

India, on the other hand, is a parliamentary democracy with strong federalist structure. Thus, it is obvious that it is easier for

China to pursue long-term political goals than for India where about 12 parties form the governing coalition and the next elections could very well bring about a government with completely different economic and political targets. The concentration of power on a very small sector of the population dilutes the hope for rapid democratisation. This also limits the role of the newly developing Chinese middle-class that could be the harbinger of pluralism, liberalisation, and thus democratisation.

The Way Forward

Indeed, India–China connectivity and relations are on an upward trajectory given the benefits and opportunities created by rapidly increasing bilateral trade, but there are inadequate efforts to expand it in the social and cultural sectors. Both governments need to make concerted efforts to ensure that impediments to a broader people-to-people contact and unhindered friendly interactions are removed.



Books and Periodicals in China

EVERY TIME I VISIT CHINA, I always make it a point to visit a local book mall. Every city has at least two of them, and there are several in main cities like Beijing, Shanghai, Hangzhou, etc. 99 per cent of the books are in Chinese, with a small section for foreign books. Visiting book stores has, however, become an expensive habit. I have a collection of about 50 books on China in my private library.

These book malls are often spread over several floors, and the display appears to be designed delightfully for book lovers. They have a wide range of books, periodicals and picture books for children. Separate children sections have play areas including video game kiosks. The mall also houses a music store with musical instruments, bays of office supplies, movies and learning DVDs on math, language, craft, etc. There are counters selling traditional Chinese stationery, paintings and calligraphy. While I cannot read Chinese, I have observed that many of the books are translations from foreign languages and their titles are printed in English. You would also find classics – old and modern, thrillers, romance, self-help, economics, coffee table books, travel guides, SAT/GRE prep, college guides, dictionaries and other reference books.

The Beijing International Book Mall in Taihu town of Beijing is said to be the biggest bookstore in the world with a total sale area of 57,000 Sq. m. It includes stores of 500 state-owned publishing

houses and 400 private book dealer stands! It is indeed too big for my taste. Shenzhen Book Mall on Nanshan Road is my favourite haunt since I go there often. I also like the Shanghai Book Mall on Nanjing Street, the Blue Lion Book Cafe in Hangzhou and the Phoenix Book Mall in Nanjing. My Chinese friends, on the other hand, frequent the Taobao or Jingdong Malls to buy their books since they are conveniently located and cheaper. They visit the book malls mainly with their families on weekends.

With over 90 per cent of its young ones going to school for at least nine years and the fact that they all learn in Mandarin explains the phenomenal growth of the publishing industry in China. Even the latest of technical books are in Mandarin. It reminded me of Kerala, back home. Per capita consumption of newspapers, periodicals and books in that state is 10 times larger than that in other states. This could be attributed to knowledge of written Malayalam by 95 per cent of its population.

In China, I found the paper and printing of a very high quality consistently, but always wondered about the English titles on the covers of many Mandarin books. Whenever I went, I always found bookstores crowded with young men, women and children browsing through books. Besides the usual comics, there are excellent books for children including several on learning to draw human and animal figures, paper craft and even on toy making. Every store has a coffee shop on the floor, so one could spend long hours.

I often wondered about the kind of publishing industry China has. Google search always revealed very little, till recently. In 2010, for the very first time, China released figures for the growth of its publishing industry. In a report issued by the General Administration of Press and Publication (GAPP) in 2010, China published 328,000 titles of books and 9,884 titles of periodicals, up by 1.4 per cent and 2 per cent from 2009, respectively. China also exported 965,000 titles of books, newspapers, periodicals, audio-visual publications and electronic publications in 2010, up by 4.9 per cent from 2009. According to GAPP, China's publishing industry saw a 19 per cent increase in its gross output in 2010 despite a marked trade deficit with much fewer exported publications than imports. The industry's gross output topped 1.26 trillion Yuan (196.7 billion US dollars)

in 2010, with the value-added up by 13 per cent from 2009 to hit 350 billion Yuan, said the GAPP report.

In 2010, the output of digital publishing was up by 31.6 per cent year-on-year, and its value added up to 23.7 per cent. The report said that the total revenue of publication imports and exports climbed by 15.4 per cent to 6.14 billion Yuan, but the gross profit was down by nearly 38 per cent to 170 million Yuan. However, the total amount of exported publications was only about 10 per cent of that of imports, it said, adding that such a situation needed further improvement.

The country strives to enhance the influence of Chinese culture worldwide by exporting more cultural products so as to boost 'soft power', but the volume and influence of exported cultural products are still far from satisfactory.

The number of publishing companies, a majority of which were transformed from state-owned units, rose by about 15 per cent year-on-year in 2010, with the gross output accounting for 87.5 per cent of the entire industry, said the report. 'China will finish restructuring units of all non-political newspapers and periodicals by September 2012', said GAPP Director Liu Binjie. He added that more than 1,900 titles of newspapers were published in China last year, with 23 newspapers publishing more than 1 million copies of each issue, including the *Reference News*, *People's Daily*, *Guangzhou Daily* and *Global Times*, which are overseen by the Communist Party of China. The report also says there are 245 titles of books for every 1 million Chinese, and an average of 92.5 copies of newspapers for every 1,000 citizens, each day.

The spread of Internet usage in China is revealed by the fact that on-line retailing of books is leading to a series of closures of private bookstores in China. This also reflects the challenges faced by book stores due to heavy competition from online rivals and their own high operating costs. Physical bookstores offer a maximum discount of 12 per cent but discounts of books sold by on-line retailers like Jingdong Mall, DangDang and Amazon China are 50 per cent or 60 per cent, plus delivery. 'This is a formidable challenge', said a bookstore owner I spoke to in Shenzhen.

The rise of e-commerce has changed the way people buy books since online retailers can offer significantly deeper discounts.

It is also difficult for bookstores to compete with online rivals, which remain open 24 hours a day, and can even ask publishing companies to handle deliveries. While on-line sales only account for 30 per cent of the book market, Dang Dang CEO, Li Guoqing, expects this percentage to grow up to 50 per cent by 2013, causing 70 per cent of bookstores in major cities to close down. Over 10,000 Chinese bookstores are estimated to have closed down in the past four years.

With rising housing prices in Chinese cities, the Paper Tiger Cultural Group Chairman, Cao Zhangwu, said that high rents are another major factor behind the falling profits of private bookstores.

The owner of Beijing's 'Bookworm', which was rated by 'Lonely Planet' as one of the world's 10 greatest bookstores in 2010, says that mounting losses have become a grave problem. O2 Sun Bookstore was, once upon a time, China's largest bookstore chain with 31 outlets, including the country's first 24-hour store. But they are now worried due to the high rent they have to pay in Beijing, since all seven of their stores are located in popular commercial districts. Taxes are another issue burdening private bookstore operators who, despite their dwindling profits, face the same 8 per cent business tax and 33 per cent income tax as restaurants in most cities do, said Cao, adding that the state-owned Xinhua bookstore does not have to pay taxes. The trend of closures also caught media attention and was featured widely with in-depth reports by Beijing Business Today and the state broadcaster, China Central Television's live news programme, 'News 1 + 1'. News 1 + 1 presenter Bai Yensong used Taiwan's Elite Bookstore, whose first Chinese store in Suzhou broke ground in May, and is scheduled to open in 2014 as an example of trends to come, and said bookstores could be more than just a place to sell books and could become part of a city's landscape. Bai suggested that people wanted to see the continued existence of private bookstores since they allow even non-buyers to browse and have created a space in which people want to spend time. Many book malls combine sale of stationery, toys and books together and this attracts large crowds in almost every city in China. With a literacy rate of over 98 per cent, it is no wonder that people flock around these 'reading room book stores'.

Today, there are 568 publishing houses and 292 audio-video publishers in China. The state has also planned key book publication projects and established prizes for excellent books in order to promote the development of the publishing industry.

Not one to be left behind, the magazine industry too is developing at an equally amazing speed. In 1949, there were only 257 periodicals in China with a total impression of 20 million, or less than 0.1 copies per capita. After the reform and opening-up in 1979, the number of periodicals rose to 1,470 with a total of 1.184 billion copies, or 1 copy per capita. In 2004, there were more than 8,000 periodicals in China with a total impression of 2.69 billion, or more than 2.1 copies per person. Along with the speeding up of the information technology, the electronic publications market has already taken shape with over 2,000 electronic publications coming out annually.

The government has launched a nationwide reading campaign which targets book consumption in cities. There is a proposal for tax breaks. One part of the proposal aims at tax breaks for bookstores with maybe no taxes for those in rural areas, thus directly increasing the profit of their owners. With this incentive, more bookstores might be established in underdeveloped locations.

The education budget also made a great impact on the book market. In 2009, the budget was 67.2 billion Yuan rmb (about USD 9.11 billion), this figure is a 60 per cent increase over the budget of 2007. The total number of graduates from colleges and universities in 2004 was 2.8 million, and this increased to over 4.6 million. Schooling in China starts at the age of three or four in city kindergarten schools. Primary education starts at six years; secondary at 11–12 years and college education at 16 years. China has been carrying out the nine-year compulsory education programme since 1985.

However, a recent article in a China daily says that China is facing a ‘reading embarrassment’ due to the low number of books bought. Thus, increasing the consumption of books becomes an important issue. The per capita consumption of books increased from 5.2 books in 1990 to only 5.6 books in 2009. The total number of book pages printed rose by 45 per cent between 1999 and

2009 but this is still lower than the increase in GDP and per capita income during the same period. Although the annual per capita household consumption expenditure for culture and entertainment rose by more than 10 per cent each year, not much is spent on books. Dr. Xie Shouguang, Director of Social Science Academic Press, assumes that the low increase is closely related to the reading habits formed in the planned economy period. Now, the Internet also impacts habits. Most of the readers think that the price of books is high, while in fact, the price is lower when compared with personal income, other cultural consumption and foreign books. The low price also negatively affects the creation of high-quality works since authors cannot make a living from writing. Expensive dictionary projects are suffering severely from pirated copies being sold to bookstores.

The share of books sold in cities rose from 74 per cent in 2001 to 82 per cent in 2009, meaning that now only 18 per cent of all books are sold in the rural countryside. The consumption in the rural book market is limited by farmers' perception, their low-income level and the lack of perfect marketing channels. Even on-line shopping is difficult since delivery fees exceed the book price. Therefore, some new distribution models, like the 'chain distribution of rural publications', are being explored.

Now, as described above, the government plans to offer tax breaks to support creation, distribution and sales of books, especially for rural bookstores. People need to be made more aware of the importance of reading so as to change their consumption behaviour.

A reader made a significant comment: 'Embarrassment' of low book sale is only the attention-grabbing part of the problem. 'The underlying problem is that low book consumption in the countryside implies that better techniques are not applied by farmers, that knowledge is not transferred to rural areas. This is indeed sad. Life skills are, therefore, not spreading in rural China'.

We live in a global and interconnected economy and therefore there is a need to prepare our children for it. Indians should indeed learn reading and writing skill in English, since English remains a key language in global business, science and technology. Only 12 per cent students in India today are proficient English language

readers. But now, there is also a need to learn Mandarin like we do French or German. A growing number would navigate towards a global workplace in which knowledge of languages and cultures other than our own will provide a key competitive advantage for higher-paying jobs. Indeed, Mandarin is one of them. China will inevitably be a major economic, political and cultural force in our children's future. We should prepare our students to engage, collaborate and compete with their Chinese peers. For anyone looking forward to a diplomatic career or making headway in international business, knowing Chinese would be a tremendous advantage. Imagine how beneficial it would be in any negotiation or partnership, since in many instances the person across the table would be a native Chinese! Learning Mandarin as an optional language in the 11th standard would be a wise investment for those wanting to compete for high-skill jobs. If the 21st century economy becomes Asia-centric, as is predicted, such skills would undeniably become very important.

'It is not just learning the language. With the language go the fables and proverbs. It is learning a whole value system, a whole philosophy of life that can maintain the fabric of our society, in spite of exposure to all the current madness around the world'.

—Lee Kwan Wu, Former President, Singapore.



PART C



BUSINESS AND INDUSTRY

- ❖ Role and Status of the SMEs in Chinese Economy
- ❖ Supply Chain Clusters
- ❖ The 'China Price'
- ❖ Buyers' Experiences with Chinese Products
- ❖ China and India as Global Resource Centres: A SWOT Analysis
- ❖ China's Rising Technological Prowess
- ❖ India and China
- ❖ China and India

Role and Status of the SMEs in Chinese Economy

‘WHEN CHINA AWAKES, THE WHOLE world will tremble’, prophesised Napoleon. Some others say, ‘When the sleeping dragon awakes, it will shake the world’. My research on SMEs (small and medium enterprises) in China reveals that China today is well and truly awake. In fact, as it is said in one of the reports of Organisation for Economic Cooperation and Development (OECD), ‘China today, wakes us up to the sound of pattering feet of many little dragons – China’s SMEs’.

A lot has been written about China’s current status or progress but very few know about how it all began. This provoked me to carry out a planned study of China’s SME growth from the beginning of its success story. I believe that this could very well be an eye-opener for India and its policy makers to follow suit. I focussed on China’s SME development and growth from 1990 to 2010

Between 1984 and 2009, within 25 years of permitting privately owned SMEs in China, their number, in 2009, accounted for 99.60 per cent of the total number of enterprises in China; its employment accounted for 75 per cent of the total population of employed persons; its sale value accounted for 58.50 per cent of the total; and its total value of assets accounted for 53.1 per cent of the total national assets.

In early 2005, China had as many as 39 million private sector SMEs, which were officially recognised by the Chinese

Government. The Chinese Bureau of Statistics (CBS) completed its first Economic Census in 2006 and they arrived at a figure of 39 million private sector SMEs in 2004, or more than ten times the estimate of China's National Development Reforms Commission (NDRC). The difference is explained by a different definition and collection methodology. For instance, the CBS included firms with less than eight employees in its collection as well as family firms, which the NRDC did not. The CBS figure is probably more representative of the real number of SMEs in China.

After we began the SME research, we realised that finding out the number of SMEs in China is not an easy task. This is because the definition of an SME in China has changed quite a few times since the 1980s. We also found that the current definition could include what we, in the rest of the world, would call large enterprises. We also found that all so called private SMEs are not that private. In the early years of China's development, SMEs were what they called 'Town and Village Enterprises' (TVEs). They indeed are not state owned but are often collectively owned like a cooperative, where the state still plays a role. One could, however, easily conclude that SMEs in China have a major share in its spectacular economic growth. The World Trade Organisation (WTO) statistics show that China had already overtaken the United States in 2006, as the second largest exporter in the world in terms of export volume. Later in 2008, it overtook Germany as the leading exporting country of the world. China has achieved remarkable growth of exports and gross domestic product (GDP) in the last two decades.

The globalisation of China's economy is indeed important for the growth and stability of the region as well as the world. It is also significant to note that most of these exports, directly or indirectly, come from SMEs. SMEs contribute to 68 per cent of China's exports. China's export growth rate is about double its GDP growth. Chinese SME exporters are major contributors to its economic growth. A study by a US agency claims that China has created more SMEs in the last 20 years than the total number of SMEs in Europe and the United States combined. Moreover, we found that till 1988, almost for a decade after Chairman Deng Xiaoping liberalised the economy, large private SMEs like the legendary Wenzhou Red Hat Enterprises

could grow only illegally. It was only after 1988 that large private SMEs were officially encouraged. Since then, however, we found that the growth of Chinese SMEs has risen from almost nothing to a significant international economic force in the last 20 years. Let me list the key drivers for this spectacular growth.

The Key Drivers of China's Rapid and Spectacular SME Growth

The most important driver for SME growth is the policy of the central government in Beijing to not just follow but overtake the Asian Tigers, namely, Taiwan, Hong Kong, South Korea and Singapore. It is clear that the Chinese government's economic reform initiatives and policies, its consistent follow-up and incorporation of changes in policies have helped China to be the force it is today. China has indeed overtaken the Asian Tigers and has, in the true sense, become the 'Factory of the World'. A decision to restructure state-owned enterprises (SOEs) and a planned reduction in their role indeed opened up many entrepreneurial opportunities available to SMEs. As SOEs have closed down, the vacuum allowed entrepreneurial SMEs to flourish. For example, Haier, one of the most successful Chinese white goods manufacturers took over and turned a failing SOE around, and since then, it has become a leading global exporter.

Way back in 1983, I was exporting Indian designed electronic testing instruments to China in large numbers. China Electronic Imports and Exports Corporation (CEIEC) saw my products in the Hannover Industrial Fair and became my customer. My company started getting large orders from SOEs in Beijing and Shanghai, the Beijing company being China Electronic Display Devices Co. Ltd. I visited them on three occasions between 1983 and 1984. Later, I moved to Delhi on official appointment to join Prime Minister Rajiv Gandhi leaving my private company in the hands of my employees. Today, my company gets its oscilloscopes manufactured in China to supplement local production. So I am witness to China's initial position in 1983–1984 and the tremendous progress it has made today. I know that the right policy framework helps

to achieve accelerated growth rate of industries. As Chairman of India's Electronics Commission and as official advisor to Rajiv Gandhi, we could push up the electronics output of the Indian industry from ₹1,200 crores in 1984 to ₹9,400 crores in 1990 on account of a fresh policy initiative. I left Delhi when the government changed its focus to the services sector and ignored efforts to strengthen its manufacturing sector. Bureaucrats did not want to let go of their vice-like grip around the throats of the Indian industries. In spite of having created a separate ministry for SMEs, India's SMEs have got no respite from either the state or the central governments. We believed that a deep study of China's SME growth will enable us to give our planners a document on which to fashion our own policies.

Until 1988–1989, formal mode of finance from banks and financial institutions was not readily available to SMEs in China. Further, official estimates of non-performing loans (NPL) to SOEs in the banking sector were around 30 per cent of their assets. This situation arose because loans were disbursed on non-commercial criteria like giving preferential treatment to inefficient SOEs further supported by a policy of continuing automatic roll-over of unpaid principal and interest, the policy to forgive non-performing loans and the selective use of below-market interest rates. Lending rates were set by the central bank and were set to be artificially low for political rather than economic reasons. This meant that the rates were not attractive enough to encourage banks to lend money to SMEs, especially when the banks had high NPLs on SOE loans.

Since the last eight to ten years, changes to the financial regulation in China have enabled more finance to be available for SMEs. This has mostly come through banks lending against collateral provided by credit guarantees, which nominally relieves the bank of credit risk. It can be seen from the rapid growth of Chinese SMEs that the accession to WTO status has helped tremendously, since this brought in international finance suppliers to set up shop in China and also encouraged the entry of foreign investors.

China had another great advantage over a country like India. With China's thrust on compulsory high quality education, the younger Chinese generation is now well educated. Literacy amongst the

younger generation is over 98 per cent across the nation. This human resource is abundant and very large. It is also often entrepreneurial since university-owned enterprises – *Xiao bans* – are common enough to incubate entrepreneurs. This has stimulated SME growth in China in large measure.

In the last few decades, many Chinese have sought education abroad. Attracted by burgeoning opportunities, many of the overseas Chinese residents have set up SMEs and international businesses. Every province has created special infrastructure and given incentives for such returning entrepreneurs. For example, Vimicro – which produces chips for cameras – was set up in 2004 by a small group of Chinese returning from the United States and has rapidly become a successful international company.

An even bigger factor for China's cost competitive SMEs lies in the unique manufacturing 'hub and spoke' called the 'supply clusters'. These interconnected groups of companies, in close geographical proximity to one another, have resulted in competitiveness and lowering of product cost. This has provided supply chains with a big business advantage.

Another oft-quoted reason for low-cost productivity is the vast supply of cheap migrant labour, especially from the Western provinces. China's labour policy that allowed for a peaceful labour situation had a deep impact on the rapid growth of the manufacturing sector. The 1994 Chinese labour law clearly reflects the intentions of Beijing to attract foreign enterprises to come to China. Unlimited availability of labour allows for low wages. In 2004, manufacturing wages in China were about 800–1200 RMB, depending on the location. This amounts to less than 20 per cent of the wages in Europe or the United States.

A major push that Chinese SMEs get is also on account of the US Dollar–Yuan exchange rate. Regularly and severely criticised in the world, this regulation of the exchange rate by tying up Yuan to the US dollar is one of the most important reasons for Chinese prices being so low. This has made Chinese SMEs extremely cost competitive. Finally, China received huge investments through Hong Kong and almost the entire manufacturing in that city moved into China. Taiwan, in spite of its serious political differences with

Mainland China also invested in industries there, and now almost every Taiwanese enterprise has a low-cost manufacturing base in China. Hong Kong and Taiwan also ensured immediate and effort-less access of foreign markets to Chinese SMEs. Inflow of both money and process technology have enabled extremely fast and admirable growth of Chinese SMEs.

Chinese domestic consumption is relatively low and its domestic savings are high. China therefore had a huge savings pool. Since 2003, the total savings have been over 10 trillion RMB. In 2008, it reached 19 trillion Yuan (RMB), that is, about 2.7 trillion USD, but most of this was apparently lying idle in banks.

Thrust on Research and Development

China's thrust on high technology enterprises and investment in R&D in its universities and institutions is now yielding extremely good results. China embraced new technology in its developmental investment and this has allowed many Chinese to enter international business directly so they are less dependent on being part of large firm supply chains. Over 68 per cent of its population has mobile phones, usually 3G phones, and these mobile phones can be linked through high quality wireless broadband. In effect, Chinese SMEs have jumped over the copper infrastructure to allow a more flexible and adaptable approach to international opportunities.

Technological development in Southeast Asia, especially in the four Asian Tigers of the 1980s, was faster than earlier successes of Europe or the United States during the last few centuries. It took Europe about 800 years to go from a feudal agricultural economy to a post-industrial economy. North America took a little over 250 years to do the same; America had the benefit of learning from the knowledge and mistakes of Europe. Then Japan did it in about 50 years; each follower taking a shorter time. China has achieved it in just two decades. Accordingly, the Chinese too developed faster by riding on the wave of success of the Asian tigers. Will India be the next Asian Tiger challenging China, and doing so in a still shorter time? Anyway, there is nothing wrong in dreaming, right?

However, as a result of the fast pace of industrial growth, I found that most of the SME managers in China fall short on business management. None had ever experienced a serious downturn in the economy till the 2008 crash. The legal and social infrastructure in China, therefore, has not developed as quickly as its economic growth. After the global economic crisis, 2009 did indeed pose a big challenge to businesses in China. No one appeared prepared with strategies to shrink without getting hurt badly. It appears that most of the SMEs were ill-prepared to deal with the current downturn. It would also be a challenge to China's financial system. For instance, most of the credit guarantees are provided by private sector operations, and there is a real risk that in cases of major default, the guarantors will not be able to meet their liabilities. These guarantor organisations were established largely to get around the central government and People's Bank of China (PBOC) restrictions on interest rates and could provide little in terms of real financial collateral.

Slowing Down Appreciation of Currency

China has been indulging in a form of banded float since 2006, and has allowed the slow appreciation of the Yuan. The PBOC does not fully sterilise the exchange intervention used to slow down the appreciation of currency. Consequently, there are artificial competitive cost advantages accruing to the growth of Chinese SMEs, and additional financial funds in the economy to support growth. The appreciation of the Yuan, and the slow move to full currency convertibility on capital account, has been recognised as inevitable in China for some time. The real dispute is about the rate of exchange. If the currency were to be corrected in a major way (such as a sudden appreciation of 30 per cent or so in Yuan to USD) in a short period, then it would cause some disruption to Chinese SMEs and their internationalisation.

Currency correction is unlikely to slow the rate of SME expansion to a great extent, but it may alter its pattern. This is already happening. For example, SMEs in the south of China (Guangdong, Fujian, etc.) are already adjusting their international activity to

be more competitive. They are also working hard in improving productivity and quality in the face of rising costs. What happened in Hong Kong in the 1980s is now happening in South East China.

The SME Study

Motivation and the Format

In September 2008, I planned a formal study of Chinese SMEs. Since I do not know the Chinese language, I engaged help from a local Chinese business graduate to carry out a detailed study beginning with a sample survey. The survey was conducted with an objective to understand the key factors for the success of SMEs in China, during the last 20 years, as well as to identify their strengths and weaknesses. We travelled extensively covering 22 locations all over the country and talked to officials, SME owners, floor managers, foreign buyers from the United States, Germany and India, as well as sections of migrant workers.

The format of the study was to carry out a sample survey of about 300 SMEs in various parts of China and seek information to let us understand the factors which enabled China to achieve within a short span, the reputation as the best location for manufacturing any kind of merchandise meeting acceptable quality for markets in developed countries at highly competitive prices.

Preliminary Research

The role of SMEs in China's impressive economic success is revealed by the statistical data on China's economy, both from officially released figures by the Chinese government as well as independent surveys by non-resident Chinese economists.

Like many others in India, I too was keen to understand this success with a more close and hands-on study. We, therefore, decided to pick out about 300 SMEs sampling them in various parts of China. Our objective was to seek information from them in order to understand the factors which enabled China to achieve, in so short a time,

the reputation of being the best location for manufacturing any kind of merchandise, meeting acceptable quality for markets in developed countries at highly competitive prices. I wanted businesses in India to learn about this spectacular success more analytically, and not brush it off as a result of different political systems and consequential constitutional authority enjoyed by the two governments. The study reveals that this blanket belief does not stand on ground realities. Innumerable administrative initiatives taken by the Chinese government show a far more single-minded pursuit of becoming the 'factory for the world', than seen in India being similarly pursued by either its governments at the centre or state levels.

The core of China's effort was its focus on effectively using public funds to quickly establish an extensive and high quality infrastructure and maintain it well with a disciplined workforce. Speedy development of freeways, modern and well-equipped sea ports and airports, extensive use of the latest technology within the governance were some key initiatives. This ensured efficient movement of men and materials. China also ensured the establishment of controlled, but industry-friendly, regulatory framework like customs and corporate tax laws, which have helped its SMEs to capture the global market.

We first circulated a carefully prepared questionnaire to over 350 Chinese SMEs. Out of these, 212 responded but only after some effort from our side. We visited 16 different cities in China including six business clusters and personally interacted with over 46 of them. The surveyed SMEs consisted of both manufacturers and those in the service industry, with manufacturing SMEs being 86 per cent of those surveyed.

Some Important Observations from the Study

- SMEs with a sale of more than 5M RMB were found to be reluctant to share information and were especially critical about authorities.
- 92 per cent were unable to communicate in English and needed an interpreter to seek information.

- Out of 101 manufacturing SMEs (with sales below 20M RMB), 82 of them were selling products in the export market and 67 per cent of the companies were owned or managed by qualified engineers or technologists.
- 59 out of 212 respondent SMEs found inadequate help and guidance from authorities while starting at a local level.
- 84 per cent were bold enough to admit that they need to bribe officials for smooth management to conclude business formalities. The amount of bribe was, however, small.
- SME financing was considered the most challenging part of managing business, followed by finding foreign customers, especially from Europe.

%	10	20	30	40	50	60	70	80	90	100
Employees	SME								Others	
Output	SME							Others		
Assets	SME					Others				
Revenue	SME						Others			
Profit & Tax	SME			Others						

Tabular Study of SMEs Versus Other (Non-SME) Businesses

Basic Status of SMEs in China

The Second National Census on basic units was implemented by China's National Bureau of Statistics in 2002. The results of the census showed that by the end of 2001, the number of enterprises – excluding individual service providers – was more than 3 million, in which the number of SMEs, in terms of China's criterion, reached about 2.4 million, which accounted for 88.3 per cent of the total number of enterprises. Its employment record was 118.5 million, which accounted for 78.9 per cent of the total population of employed persons. Its sales value was about 13 trillion Yuan (USD 1.6 trillion), which accounted for 65.7 per cent of the total; its total value of assets was about 10 trillion Yuan (USD 1.2 trillion), which accounted for 53.1 per cent of the total national assets.

Industrial Distribution: The SMEs mainly concentrated on the manufacture, wholesale and retail, as well as catering industries. Their sales revenue accounted for 45.4, 35.6 and 94 per cent, respectively, in the industry which they belonged to.

Regional Distribution: The number of SMEs in the east coast of China including 10 provinces and municipalities had a share of 62.6 per cent; the middle part of China including nine provinces and autonomous regions, had a distribution of 24.5 per cent; western China including 15 provinces and autonomous regions had a share of 12.9 per cent.

Domestically owned SMEs accounted for 95.7 per cent of the total number of SMEs; Hong Kong (Macao) as well as Taiwan accounted for 2.6 per cent of the total number; foreign investment enterprises (or joint ventures) accounted for 1.6 per cent of the total number. Of these, domestic SOEs accounted for 10.1 per cent, collective enterprises accounted for 23.6 per cent indicating that private companies or corporations have become the major forces of growth in the Chinese economy.

Till 2001, SMEs in China were still facing many problems and difficulties such as out-of-date equipment and machinery, financing channels not being free, lack of access to information sources and so on. By 2006, the number of SMEs was more than 3.6 million; the number of individual economies was more than 42.42 million, which accounted for 99.60 per cent of the total enterprises in China. Among these SMEs, 95 per cent were non-public enterprises. The value of the final products and services created by SMEs was 58.5 per cent of the GDP. 68.3 per cent of exports were from SMEs. 48.2 per cent of tax was paid by SMEs. 75 per cent of the human resources worked in SMEs. Meanwhile, in 2004, about 50 per cent of workers of college graduates got jobs in SMEs. 66 per cent of the patents applied were by SMEs; more than 74 per cent of innovation in technology was achieved by SMEs. More than 80 per cent of new products were designed by SMEs; SMEs now became the main drivers of technological innovation. 40 per cent semi-finished products and services for big enterprises were offered by SMEs.

Enabling Policies for Industrial Growth

Value Chain Clusters

The quest of our study was to find out the strategy used by China to have firmly established itself as ‘the world’s factory’. Why does China enjoy such a huge manufacturing-cost advantage over other countries? Low-cost labour certainly comes into play, but that answers just a part. Our study reveals that an even bigger factor is the unique manufacturing ‘hub and spoke’ arrangement called ‘supply clusters’. These interconnected groups of companies in close geographical proximity to one another play a major role in lowering the product cost. (See Chinasthana 4–24 for detailed explanation about value chain clusters) Thereby, the value chain clusters have helped supply chains by providing them with a distinct business advantage.

Enactment of Special Laws and Policies for the SMEs

China gave special attention to the focus on development and promotion of SMEs. Our study showed that year after year, since the 1980s, the Chinese central and local governments have been releasing a series of laws, regulations and policies to support the growth of SMEs. Some of these are:

- **Small business income tax policies:** In 1994, the new tax system defined that the income tax rate was 33 per cent – but in order to alleviate the burden of small enterprises – the state stipulated that enterprises with profits under 30,000 Yuan, be levied only 18 per cent of tax rate; the enterprises with profit under 100,000 Yuan and above 30,000 Yuan were levied 27 per cent of tax rate. The value added tax paid by small commercial enterprises with an annual sale value under 1.8 million Yuan had been reduced from 6 per cent in the past to 4 per cent currently, especially for township and village small enterprises. They could further cut 10 per cent of levied tax after the tax reduction for supporting their social spending.

- **Encouraging city employment tax policies:** The state permits enjoyment of three years of tax exemption for newly established labour employment service enterprises in cities and towns if the number of job creations in the current year accounts for over 60 per cent of its total number of employees. After the three year period of tax exemption expires, if the number of job creations in the current year account for a share of 30 per cent or above of their original total number of employees, the state permits them to continuously enjoy the half tax cut policy for another two years.
- **Hi-tech enterprise tax policies:** Enterprises located in the state level hi-tech industrial development zones can be exempted from income tax for two years at the start of their operation. After that, they continue to enjoy an income tax rate of 15 per cent.
- **Fiscal spending policies:** The central and local governmental finance at all levels have decided to increase their fiscal support funds for the SME, and therefore established a lot of funds earmarked for supporting the growth of SMEs. These funds have been playing an increasingly important role in the promotion of development of SMEs in China. In October 2000, the Ministry of Finance and Ministry of Commerce co-formulated a regulation on management of funds that supported the growth and expansion of SMEs so as to encourage them to compete globally in the international market. Some regions arranged funds earmarked to promote the development of SMEs. For instance, the Shanghai municipality arranged earmarked funds of 380 million Yuan (USD 50 million) in 2003 aimed at supporting SMEs in terms of credit guarantee, interest subsidies for tech transformation as well as international market expansion and so on. In 2003, Guangdong province decided to appropriate fiscal funds of 2 billion Yuan (USD 240 million) to support the development of SMEs and non-public sector economy. These measures eased the contradiction in terms of fund insufficiency to dispersion of funds usage and no guarantee of fund sources in the course of development of SMEs in China.
- **Financial credit support policies:** From the year 1998, Central Bank of China promulgated a series of regulations in the next

five years such as opinions on further improving financial services to the SMEs, regulations on expanding the floating bands of lending rate to the SMEs, guidance on strengthening and improving financial credit supporting to those SMEs that have a good market and profitability as well as creditability. These documents put forward a series of policies and measures in terms of financial services and instruments. To some extent, they improved business environment for the operation of SMEs in China.

- **Technological innovation policies:** The state carried out a new project on technological innovation for the purpose of supporting and promoting innovation by SMEs. This included development, application and expansion of new technology and products by the SME. The state used funds for technological innovation characterised by science and technology by the SME. It sustained the SMEs to implement tech-innovative projects in the form of lending support, lending interest subsidies as well as capital funds input. As a part of such a promotion, China created ‘innovation funds’ at the city and provincial level. As of 2009, there were 28 provinces, where the local innovation funds were set up, the total value of those funds had reached 1.38 billion Yuan (USD 170 million) and the other 11 provinces acquired 150 million Yuan (USD 18 million). Since innovation funds were established about four years back, the Central Fiscal Department has appropriated 2.8 billion Yuan (USD 340 million) in all. These funds supported projects of over 3,700 SMEs on an average level, with each project acquiring 747,000 Yuan (USD 93,326).

Post WTO Push

The most remarkable aspect of China’s SMEs is their rapid growth despite their inability to tap the official financial system. Two factors helped them grow spectacularly after the WTO entry. One of these is their suitability for the post-WTO accession economy. SMEs in China vastly benefitted by partnering with their more responsive foreign customers, especially from their SME counterparts in the

United States and Europe. They learnt technology, industrial and business processes from their buyers, helping both of them thrive. This qualitative improvement helped them to access the fast growing local market in prospering China. The other factor that helped is improved policy environment for SMEs as state officials realised the benefits of a strong SME sector in their state economy. The SME Promotion Law helped and was further revised. Bank lending became easier. There was a great improvement in the credit guarantee system and its expansion.

Strong and Effective Central Leadership in Beijing

After each five-year period since 1978, successive governments at the centre have been headed by leaders of greater merit. This political stability and responsive socialist leadership, deeply committed to nation building, has made China the nation that it is today. In spite of all its defects and pit-falls, China's growth is deep and comprehensive. Economic development is just a part of it. China's social development, in many respects, therefore, matches or exceeds its economic development. It is turning out to be a formidably strong nation, making the Western world nervous. China's SMEs play an important role in its national progress. SME development would always be accompanied with difficulties. As mentioned earlier, the average life of SMEs is short. SME policies must, therefore, allow them to start and wind up with ease. Besides this, other human problems like official corruption would continue to remain the biggest threat for the development of SMEs. This phenomenon would persist, as long as SMEs lack effective legal and political protection from local officials.

Conclusion

China's biggest strength today is in its being the most efficient and inexpensive source of high quality manufactured goods of a wide variety for the global market. This is why it is today called the

'Factory for the World'. The quality of its products is high enough to meet the exacting standards demanded by the European countries like Germany and France. Each product needs to meet quality, reliability and safety standards set by international agencies like IEC, VDE, UL, etc. China creates real wealth through nearly 40 per cent value addition, which reaches its blue-collared workforce of over 300 million people involved in the manufacturing sector. China has created over 250 million new factory jobs during the last 15 years. This provided employment for its semi-literate and illiterate rural youth. The Reserve Bank of India Report of 2006 points out that during the decade from 1995 to 2005, blue-collared jobs in the organised sector actually reduced! The SME sector now has more employees per quantum of investment than large companies.

India, since its post 1990 liberalisation of economy, has ignored support to its manufacturing sector. Thousands of closed factories in industrial estates all over the country stand witness to this thoughtless neglect. Luckily, we got a break in the IT, pharma and call centre businesses. This created highly paid jobs for the graduates of all streams of science and commerce. But this sector has no use of our semi-literate and illiterate people. Our middle class graduated to a rich class and the economy grew, but farmers and majority of the poor people today remain unemployed. National planning failed to encourage manufacturing.

Today, the world is looking for an alternative to China as a manufacturer for strategic reasons, but India is not yet ready to play that role. First, our infrastructure is not sufficiently developed to give essential efficiency to manufacturing operations. Our multiple taxation system by the central and the state governments as well as obnoxious road tax like the octroi makes us totally uncompetitive. Chinese SMEs, on the other hand, receive many incentives and hidden subsidies provided by the provinces for manufacturing. None of this is available in India. Instead, we have impediments like rampant corruption, inefficient handling of goods at sea ports and airports, heavy dependence for raw materials required for production, etc.

One can only hope that our planners realise for reaching our declared objective of making our development inclusive, there

should be a systematic effort at creating jobs for our economically and educationally weaker sections. Growth of in-depth manufacturing with persistent high value addition is the only way this can happen.

The world is waiting for India to compete with China in manufacturing, but to achieve that, our government and our labour unions need to put their act together as China did in its early years of development.



Supply Chain Clusters

Strategic to China's Cost Advantage

AS THE WORLD WATCHED, CHINA firmly established its position as 'the world's factory' in an amazingly short time. Why does China enjoy such a huge manufacturing-cost advantage over other countries? Low-cost labour certainly comes into play, but that is just a part of the larger picture. Our study reveals that an even bigger factor is the unique manufacturing 'spoke and hub' arrangement called the 'supply clusters'. A 'supply cluster' is described by Michael Porter as 'a geographically proximate group of interconnected companies and associated institutions in a particular field, including end-product manufacturers, component suppliers, and supporting firms'. These interconnected groups of companies in close geographical proximity to one another are instrumental in lowering the product cost. This arrangement has helped supply chains by providing them with a strategic business advantage.

As a whole, an industrial cluster is essentially a collection of many interrelated supply chains (or supply networks). These supply chains contain many levels of independent suppliers and manufacturers, with different suppliers, possibly, serving the same manufacturer, and different manufacturers ordering from the same supplier. These many-to-one, one-to-many or many-to-many relationships are also possible between manufacturers and their customers.

The large number of supply clusters formed in China in recent years have contributed significantly to the nation's manufacturing competitiveness. Foreign visitors to China are often surprised to find hundreds (or even thousands) of factories producing the same type of merchandise in a single township along the east coast. This production structure, which is built on the supply cluster concept has become the means by which almost everything is made in China – and there is little indication that this would change anytime soon.

There are mainly two types of supply clusters in China. The first type of cluster is located in areas surrounding a giant manufacturer (mostly large state-owned enterprises (SOEs) or their joint ventures) acting as a hub. A very large number of suppliers and supporting firms in that small region are its subcontractors and suppliers. Generally, the hub company is a capital-intensive industry such as in telecommunication, energy, utility, steel, chemicals, etc. Such SOEs are very few in number now, and such clusters are fast declining.

The second type of cluster is formed by a large number of small- and medium-sized enterprises (SMEs). These non-SOEs supported SMEs do not receive any extra support such as loans and real estate from the government beyond what concessions are given to SMEs elsewhere. These SMEs thrive by being in a cluster and having the associated logistics advantage. These clusters of privately-owned companies now form the backbone of the Chinese market economy. They have become the driving force of the national economy. These firms, today, produce well over half of the national gross domestic product and contribute to an overwhelming share of Chinese exports. In addition, they help in accelerating the productivity and profitability of the whole economy, and generate most of the new jobs in China.

In recent years, these types of clusters have proliferated across the country. Now, there are more than 1,000 supply clusters for export products, covering almost every major product category. A majority of them are located in China's highly developed regions, which include the eastern provinces of Guangdong, Fujian, Zhejiang and Jiangsu, and large metropolitan areas such as Shanghai, Beijing and Tianjin. Nearly every city or township in these eastern provinces has one or more specialised production clusters. For instance, the Nanhai

district of the city of Foshan in Guangdong province comprises about 18 towns. Each of these towns engages in one of several specialised manufacturing areas such as ferrous metal processing, construction ceramics, textiles, electric appliances, household hardware, inner-wear, toys and so on. As an example, the township of Dali in Nanhai district accounts for 40 per cent of the national output of aluminium products in volume.

Another example of the size and capability of these supply clusters can be seen in Zhejiang province, where the hundreds of industrial clusters generate annual sales volumes ranging from 1 billion to more than 20 billion Yuan (approximately USD 2.5 billion). Most of the firms in these clusters are privately owned and operated, and they contributed to half of the overall manufacturing volume for the province in 2003. Again, each cluster specialises in its own area or product category. For example, about 5,000 enterprises in the Zhili township of Zhejiang province produce garments exclusively for children. Similarly, in the Datang Township, thousands of socks manufacturers produce six billion pairs of socks annually.

With its dominant low-cost competitive advantage, abundant labour resources and the ability to quickly expand production capacity, China has emerged as the most competitive manufacturing platform in the world ambitiously aiming to saturate the global market with low-priced products. In such product categories as apparel, footwear, electric appliances, furniture, toys, computers and computer accessories, Chinese products have consistently captured a dominant share in markets around the world. In fact, such is their economic clout that *Business Week* claims 'the China price' to be the three scariest words for other manufacturers in the world!

The China price implies that companies in India, for example, must cut their product prices by at least 15–20 per cent or risk losing their customers to Chinese-made products. This holds true not only for low-technology products such as footwear and apparel but also for high-technology products like telecommunication equipment and computers. Yet, in spite of the huge potential impact of this economic trend, surprisingly, very little literature exists explaining the how and why of low-cost manufacturing in China.

Low-labour cost has become the convenient rationale for developed countries, justifying outsourcing to any 'low-cost country' including China. But, as one can very well see in India, low-labour cost by itself does not necessarily translate to low-manufacturing cost, and thus low-product price. For instance, labour costs in India are the same if not lower than those in China. Yet, India cannot match or offer lower prices than China for the same products of comparable quality in the global market.

The location of the existing manufacturing capacities in China further refutes the conventional wisdom that low-labour costs are the sole source of manufacturing advantage. Most of China's production capacity for export goods is located in the four or five eastern provinces in the coastal regions where wages (as well as the cost of living and prices for production resources) are usually among the highest within China. So the labour cost advantage is just not enough. Clusters reduce their cost by having all their customers and suppliers within a kilometre, if not closer. Even the newer clusters located in inland provinces are booming. In addition to the benefit of lower labour costs, they remain efficient now since a well-organised transport infrastructure links these inland provinces to the coastal-shipping locations.

Clusters not only give China low-cost labour advantages, but they also help companies with provision of other benefits like lower capital-investment costs, lower domestic-sourcing costs, greater economies of scale and government incentives.

India should learn that the Chinese cost advantage goes well beyond labour costs. Specifically, it is reflected in the value chain – particularly in low-cost raw materials and sourcing inputs in efficient logistics processes and in a highly competitive marketplace. In other words, China's low costs are reflected in the entire supply chain – from component sourcing to manufacturing, logistics, warehousing, storage and, lastly, the commercial transaction.



CHAPTER 21

The ‘China Price’

Unravelling the Mystery

ONE ALWAYS WONDERS HOW CHINA could become the ‘Factory for the World’ in just two and half decades leaving India far behind. *Business Week* even coined the term ‘China Price’ for the delightfully low prices Chinese manufacturers offer, which often undercut Indian prices by 50 per cent or more.

Questions are often raised as to how Chinese companies could offer such dramatically lower prices. Is it because of a superior resource advantage such as cheap labour and/or a more highly evolved supply chain management and production process? Or, is it due to China’s trade policies and hidden government subsidies which give Chinese manufacturers an unfair advantage in violation of international norms and rules of trade? Our study shows that it is a mix of both.

Surprisingly, we found that economists have provided little by way of studies to unearth the true reasons behind China’s ability to provide prices way below those we, from India, can offer. Of course, it is well-known that factors such as better work efficiency and curbs on strikes outweigh low wages that is a norm practised in India too. In fact, our wages in smaller cities are significantly lower. However, anyone who has seen the Chinese workforce in operation in their SEZs (special economic zones) will admit that the work culture of Chinese workers and their hourly work output is intrinsically far

better than ours, both, qualitatively as well as quantitatively. But, it is observed that there are a variety of reasons for China's tremendous cost advantage and their relative contributions. If we, in India, want to take measures to enable the Indian Industry to compete, then there is a need to accurately examine the reasons for low 'China Prices' which give them a competitive advantage over us.

The first reason is its highly productive workforce, primarily constituted by the young migrants from rural areas surrounding the industrial zones. All these youngsters from rural China may not know English, but each one is fully literate and well-informed after 11 years of schooling, and many of them have specialised with the right vocational training and hands-on skills. These workers are allowed to migrate alone, leaving their families behind in villages. By law, employers in China must provide these migrants with shared living accommodation in company dormitories as well as provide all three meals at cost to company. According to the Chinese Labour Law of 1994, this is besides the prescribed and overtime wages. This is the reason why Chinese workers prefer to work long hours and earn higher wages during overtime than to go back to crowded dorms. All these extra earnings then become savings that allow them to properly support their parents who are staying back in the villages. Thus, one can see that China's wage advantage comes from the quality of what is a remarkably well-disciplined and well-educated workforce. This advantage is likely to persist for decades, as the Chinese government plans to move 300–500 million of its peasant farmers into its factories. These new workers alone are roughly equivalent to the size of the current workforces of the United States and Euro Zone countries combined!

An urban Indian factory worker, on the other hand, is often semi-literate without formal skill training. In most of the cases, he has to also undertake at least an hour of stressful journey each way, leaving him in no mood to put his best foot forward. Often living in city slums, he also carries his family woes, leaving him exhausted before he starts his work. All factory owners in India, who complain about their workers, should understand why our productivity is significantly so much lower than that of the Chinese.

The second reason relates to excellent quality infrastructure, better than even in many of the Western developed countries like the United States, that enables efficient transport of men and materials to and from the factory. China provides its factories with stable, uninterrupted electrical power supply and a very high quality of electrical installations. The time taken for every production-related activity is a small fraction of the time one takes in India for the same. Poor logistic support, besides sapping Indian operational efficiency, adds to huge unproductive expenses and frustrating exasperation.

The third major reason is 'network clustering'. The most important reason that enables lower prices in China is the 'supply chain clusters'. Often called 'industrial network clustering', it refers to the practice of locating all or most of the key enterprises in an industry's supply chain in close physical proximity to one another. It is the key to China's comparative advantage and considerably greater efficiency in manufacturing. Unlike other places, what differentiates industrial network clustering in China is not just its large scale and broad scope. It is also the emergence of a large number of 'supply chain cities' that focus on a single product or set of products, and serve as the focal points for highly localised supply chains. In fact, regional specialisations have always existed in China. Tailors from the city of Cixi, for instance, controlled clothing manufacturing in Beijing for about 250 years. Now China has taken the idea to a new level by creating huge manufacturing clusters that specialise in a single industry or product. Thousands of manufacturers in Datang in Sichuan province, for instance, crank out more than six billion pairs of socks annually. In the Pearl River Delta area of China, the city of Huizhou has emerged as the world's largest producer of laser diodes and as a leading DVD producer as well. Foshan and Shunde are major hubs for appliances such as washing machines, microwave ovens and refrigerators. Hongmei focuses on textile and leather-related products, Leilu on bicycles and so on. China's unique form of clustering significantly cuts transportation costs, besides its innumerable other advantages. Moreover, this highly evolved supply chain management technique also reduces costs, and generates considerable positive benefits on account of easy access to related information due to supplier proximity. An independent US study has

revealed that these three factors alone contribute to 55 per cent of the 'China Price' advantage.

While a little more than half of the 'China Price' may be attributed to fair trade practices, the next important factor is the provision of visible and hidden government subsidies. This is the next biggest reason and relates to a complex web of export subsidies that the Chinese government provides. These range from heavily-subsidised energy, water, financial capital and land costs, to tax subsidies such as China's VAT tax rebate on most exports. The US study referred earlier pegs this at a further 17 per cent price benefit.

The next important reason is China's strategically undervalued currency – the Yuan or RMB. A closer look will, however, show that the currency effect is much lesser than what one would expect, once the high import content of Chinese export is netted out. The US study shows that the undervalued Yuan accounts for 11 per cent of price benefit for Chinese suppliers.

The study also found that a lower China price is a possibility due to piracy and counterfeiting. As for the piracy effect, obviously the price benefit arises out of the lower R&D costs and smaller marketing budgets of enterprises which specialise in counterfeit and pirated goods. The US study referred above gives a further 9 per cent of price benefit. Also responsible are the lax environmental and health safety standards. This, however, makes a small contribution to the price benefit. Pollution is, indeed, not benefiting China's economy.

China's massive FDI, amounting to over USD 60 billion a year, provides Chinese manufacturers with the most advanced capital equipment and, very often, foreign managerial resources that bring to China state-of-the-art management techniques. FDI gives resources that allow China to leverage its cheap labour and clustering advantages. In fact, one suspects that many Western multinational companies seem to go to China in response to the subsidy environment and as a way to evade tighter regulatory strictures back home. For example, China's policy of offering free land use to multinationals has been particularly effective in attracting foreign direct investment.

Lower prices are also on account of production cost content. There are products where labour content could be as high as 70 per cent.

China's efficient and low-cost workforce makes such products inexpensive. Since plastic material costs are the lowest due to high volumes and the amortised cost of the moulding tool is negligible, plastic products produced in clusters in huge volumes like the Frisbee or other toys are sold almost at par with the material cost.

China often indulges in dumping and exporting products below their cost price. The goal of 'dumping' is to capture the market or destroy the competition for a particular product or commodity and then raise prices. China is a 'neo-mercantilist' country. Neo-mercantilism is a term used to describe a policy which encourages exports, discourages imports, controls capital movement and centralises currency decisions in the hands of a central government. The objective of neo-mercantilist policies is to increase the level of foreign reserves held by the government, thereby allowing for a more effective monetary and fiscal policy.

Today, under WTO rules, more than 50 categories of goods including products like iron pipe fittings, aluminium extrusions, tyres, hand trucks, wooden bedroom furniture, paper products, etc. from China are now subject to US anti-dumping duties. Sun Tzu, author of *The Art of War* would be impressed with how his descendants have used his military strategies to dominate the world economy.

India indeed has a lot to learn while structuring its policies if it has to allow its entrepreneurs to compete with China and focus on leveraging our other benefits – like our English, our software skills and our trading skills – over China. High quality infrastructure, a motivated workforce and cluster development are the keys for us to reach closer to the Chinese competition. We might do well to learn from the clustering example, as well as to develop capital-intensive strategies to cope with China's labour advantage. Showing the way are Indian clusters in Punjab and Rajasthan which are doing extremely well in exports.



CHAPTER 22

Buyers' Experiences with Chinese Products

China Too Has its Black Sheep

ONE OF THE IMPORTANT MOTIVATIONS for a foreign buyer to go to China is the product price. Chinese companies often offer unexplainably low-product prices. These low prices are not just on account of low-labour cost. For instance, factory labour costs in India are lower than those in China by almost 50 per cent. One could very well produce cheaper goods in a country like India if the productivity of Indian workers was comparable to that of Chinese workers. Furthermore, China scores over the others in offering a level of convenience that other exporting countries like India fail to provide. It is indeed very easy not only to buy from China but also to get anything manufactured in China. Manufacturers in China often say to an importer, 'all we need is your sample', and their factory would work out the details. A buyer need not work on engineering drawings or take trouble in specifying materials, parts and tolerances. Trader buyers all over the world love this. Importers, especially trader importers, are actually happy and often willing to pay a little more for this kind of convenience. It is only later that problems arise due to poor product quality, which often results in short product life. Traders looking for low prices have to live with it; after all, the convenience factor is still there! For these reasons and

more, we found that China has become a favourable factory site for innumerable foreign buyers.

However, China's reputation as the world's factory floor has been dented in recent years by horror stories about the poor quality of 'Made in China' goods. Children's toys were found to be coated with lead-laced paint and medicines and pet foods with toxins caused fatalities overseas. But beyond such aberrations, which perpetuate something of a myth, it is possible today to find many 'nicely made-in-China' products.

Unfortunately in India, there is a widespread myth regarding Chinese goods as not being well-made, and which score low on durability. Contrary to what the world believes, a majority of China's organised industry produces goods that meet exacting European and US standards. Of course, one can always find products that are poorly made in China, just as you can find them elsewhere in the world, where people don't care about their work. Quality is also price dependent to an extent. One must pay the right price for things that are thoughtfully designed and carefully produced. Trader buyers from India and elsewhere are always on the lookout for buying cheap and good products, but these products are not particularly cheap.

Before one buys products, like elsewhere, in China too, one must do a bit of research. Seek help from knowledgeable related fields, meet the manufacturer and be personally satisfied about the quality of the product as well as the supplier. One also needs to be educated and experienced to buy a good quality product. Curiously, many trader buyers whom I know have no insight in quality merits regarding the products they purchase. They are in business with the sole purpose of making quick money.

For a better understanding, one needs to look at the evolution of the current Chinese exporting industry since the early 1980s. Large global producers and multinationals with operations in the Asian Tiger countries like Hong Kong and Taiwan were the prime movers of export growth in China. These companies first moved their production to China, exploiting the opportunity provided by the Chinese government to use cheap labour and ensure free movement of men and materials in their newly set up SEZs. These companies

brought in their own managements and plants and imposed a work culture focussed on quality and productivity. These products were well-engineered to meet global standards of safety and reliability. They progressively developed local subcontractors, who in turn imbibed the same work culture so as to offer quality and productivity. This is how Chinese-owned SMEs evolved. These SMEs then progressively started serving importers from whom they got better prices than their local principal buyers. China got vertically integrated with huge incentives offered by Beijing for SME growth. Making a start with the manufacture of primary raw materials and moving on to innumerable industrially processed parts, China created huge capacities in the SME sector to primarily serve their principal buyers as local vendors. This is why one can get products manufactured faster in China than in other developing nations like India. Besides the well-maintained infrastructure and logistics support, China's SMEs work in clusters, which are efficiently interwoven for efficiency in production.

During the course of our study on Chinese SMEs, we heard about several cases where problems faced by the buyers mostly started after receiving the first batch of supplies comprising good quality products. The Chinese SMEs often wanted to save money by diluting specifications. The initial production samples were fine, but with each successive production run, a little more of the necessary inputs were found missing. This is one complaint that we often received in our study. On one hand, the importer is fighting for higher levels of quality at reasonable prices and, on the other, SMEs are trying to cut costs by switching to cheaper, lower-quality raw material or using lesser material than specified. Quality failures are often the result of a relationship imbalance and asymmetrical information. The problem of low quality is not due to China's culture, but due to the impetus on extremely fast economic growth. The Chinese government could not make related laws laying down standards in quality and timely delivery. Most Chinese SMEs are domestic companies without modern management or adequate exposure to international quality standards. Progressively, things are changing. Some SMEs have modern management tools and are delivering products conforming to global standards. We also found that importers on buying sprees

to China rush in their purchasing decisions just by looking at the products showcased with a total disregard to detailed discussions about the existing linguistic and cultural gaps. Our study shows that these indeed are real issues. One must remember that Chinese SMEs are often owned and operated by manufacturers without the backbone of technology or knowledge of quality standards. China is a country where, even today, controls are lacking and where business ethics, in some cases, are in short supply.

However, culture does impair quality in many instances. Without a doubt, low standards in quality have evolved due to different cultures prevalent in China. Unhygienic habits and the lack of sense for quality of rural Chinese workers like spitting on the floors are noticed in factories producing supposedly sterile products. Bad quality is not necessarily due to ignorance alone but may also be due to cost cutting by using substandard materials in products or packing. This is especially true of consumer products. The melamine scandal in China's dairy industry is a case in point, though it affected the Chinese more than it affected the rest of the world. China has recently come under fire for a number of quality problems. Instances include allegations of talcum powder sprinkled with asbestos, diluted jet fuel, tyre failures, heparin, fumes from wallboard, lead paint on children's toys, poisonous chemicals in toothpaste, carcinogens in blankets, etc. Due to these reasons, there are thousands of foreign inspectors running around China in a bid to pre-empt problems of poor quality. It is worthwhile for us to quote from a reference mentioning that this phenomenon did not exist in Japan at any point in its development. Quality is embedded in Japan's culture. So, it is indeed the cultural issue that needs to be addressed by China.

Every developing country often lacks quality standards within their own country as is the case in China. There is a basic difference between products produced in China by foreign-owned enterprises using their own production systems and processes and copies of these products offered by Chinese SMEs. Though it may not be intentional, the lack of engineering skills and process knowledge in most of the SMEs leads to quality deterioration.

China is a tale of the modern-day gold rush and its consequences arising out of its fast-paced export growth. The performance of

many SMEs highlights the extent to which culture affects business dealings. China, in its rush to expand trade, has become a learning experience in current global trade and economic development for newly exporting countries. The quality problem is a reflection of the intense cost competition. We found that the Chinese sell products at low prices initially to gain customers and short change the buyers in terms of product quality. Once their own domestic consumers have the competitive choice, their own markets would demand quality, and once these countries implemented consumer protection laws, product quality would come out of the new demand-driven work culture. We found that the Chinese product quality is widely variable. At one end, China delivers products that are well accepted by discerning customers from Germany or Japan, and on the other, we have trader-importers from a country like India, who are more interested in low prices rather than enduring quality. Quality certainly demands a premium, and traders who buy from China are as responsible for poor quality as are the Chinese suppliers. We all experience this in India.

I often tell my friends that the quality of products made in China is indeed world class since 70 per cent of the goods in European and American stores are of Chinese origin. If these did not meet the German and American quality standards, they could not find their way into their stores. The Chinese product quality seen in India is often poor because our traders want to buy cheap and hence, approach the cheapest sources.



China and India as Global Resource Centres: A SWOT Analysis

INDIA'S ECONOMIC GROWTH OVER THE past decade, in terms of its GDP, is impressive even though this growth may not be as long, as high or as consistent as that of China. Many similarities between China and India allow economists and scholars to compare the two and discuss their potential and their global position in the years to come.

Both of these nations have one billion plus population with a large percentage of young people. As such, they have been recording impressive and resilient economic growth in output, and both have greatly expanded their positions in the global economic scene. Both countries also have a large, inexpensive and educated workforce. One would therefore expect the two countries to compete with each other in becoming important sources of manufactured goods for the world.

Outsourcing in business process, software development and IT enabled services is another opportunity for both countries to contend for. The Chinese outsourcing bandwagon is growing every year, and is set to overtake India's. Also, with an advanced space programme, the fastest supercomputer and a growing military budget, China is easily the dragon in the equation. China and India have shown a remarkably distinct pattern of growth to respectively become

global resources for manufacturing and software services. A SWOT (strength, weakness, opportunities and threats) analysis of both is therefore necessary to understand their unique growth patterns.

Outsourcing of Manufacturing

As far as manufacturing is concerned, India has failed to exploit its intrinsic potential, allowing China to be the preferred destination for global companies to set up manufacturing or to source their merchandise from local Chinese companies.

Almost 50 per cent of the world production of any commodity is done in China today. India has mainly failed in developing its logistical capabilities to support its industries in becoming as efficient and a low-cost source of production like China.

India's capability to compete shoulder to shoulder with China in manufacturing is revealed in its automobile and pharmaceutical sectors. It shows that the Indian industry and its workforce are certainly capable of making it as strong a manufacturing hub as China. International companies always look for not just low wages, but also productivity of the workforce and the quality of products manufactured.

Mere low wages cannot attract them to outsource to a low-cost country. India has indeed proven its ability to compete with China in these two sectors. One, however, cannot deny that the decision to establish manufacturing in India, in case of the automobile industry, has been driven by three aspects: primarily, due to India's fast growing domestic market; secondly, the handling of logistics of merchandise; and thirdly, the opportunity to enhance profits through local manufacturing.

The success of Suzuki, which began in the 1980s and that of Hyundai in the 1990s, has indeed motivated others to take a plunge. One should however note that the success of the automobile sector has not happened in the IT, telecommunication or any other sector. With logistical and infrastructural inadequacies of India having become significantly important and relevant factors, manufacturing in other sectors could never compete with China. When it comes to

IT products including PCs or laptops, electronic components and systems, cellular phones and other telecom products, very little, if at all, is being produced in India even though the domestic market in India for these products is one of the largest in the world, and it has abundant qualified human resource and entrepreneurs to use them. The Indian government's inappropriate and skewed industrial, taxation and labour policies are largely responsible for the present situation.

A study performed by the London School of Economics on the supply chains of India and China's automotive industries in 2007 is, however, revealing in its findings. It shows clearly, but implicitly, that it is not the workers and managers in India but its national manufacturing policies which have made manufacturing in India non-competitive and non-rewarding.

The study clearly shows that two-thirds of the domestic suppliers in both the countries were able to provide inputs with defect rates of less than 100 parts per million – the typical threshold for suppliers in the United States, Europe and Japan.

It was observed that both Chinese and Indian auto manufacturers domestically outsourced component production at similarly high rates, suggesting an adequate availability of local competent suppliers. The study found higher productivity levels in India in terms of capital intensity, whereas in delivery frequency and stock-turn ratios, China clearly had the edge. Quality levels are similar in both countries.

The study found that even though productivity cost was a little lower in both than international best practices, when taking into account relevant wage ratio, the unit labour cost per part produced has been lower. Inferior infrastructure in India, however, did create problems. This is reflected in another study by Deloitte in 2009, which found that the average number of days an item sits in inventory favoured China at 24.2 compared to India's 32.5. Poor quality road infrastructure in India disables companies from delivering their products to the end users on time. In spite of India having the world's second largest road network of over three million kilometres, the roads are often too narrow, poorly paved and ill-maintained. City border checkpoints such as Octroi nakas further add to the delay.

China, in contrast, has roads that are wide and well-maintained with minimum administrative road blocks. It has five times the number of multiple lane highways than in India. While Indian suppliers primarily depend only on its bad roads, China also offers more transport options to its supply chains in the form of rail, air and waterways.

Goods can be flown in and out of China by way of 500 airports as well as many navigable waterways. Its 110,000 km of waterways with modern ports helps in faster transit of bulk commodities. The World Bank's Logistics Performance Rankings rate China as the highest in all BRIC (Brazil, Russia, India, China and South Africa) countries.

It also scores high in factors such as speedy customs clearance, infrastructure adequacy, logistics, timeliness and tracking ability, and is placed much above India. Some of the largest discrepancies between the two countries are shown in survey data collected by the World Bank. There are other bureaucratic delays due to frequent imposition of compulsory warehousing/trans-loading for 'inspection' like load permits. Over and above this, there is also the extra cost incurred in 'speed money' in India to line the pockets of border officials. China has considerably less hassles, if any at all, in the speedy movement of goods across the country or to foreign destinations.

Outsourcing of Services

The infrastructural and logistical inadequacies as well as inefficiencies in India do not, fortunately, apply to those involved in outsourcing of services, particularly IT and IT enabled services. There are no physical goods to be exported. It was in my capacity as Chairman of the Electronics Commission of the Government of India and advisor to the Prime minister during the late 1980s, that we could drive India to gain rapid recognition for its software development skills and ensure minimum bureaucratic intervention in the export of software services. Jumpstarting in 1984, we could push the growth rate of this industry from a mere 10–12 per cent per annum to a still sustaining 35–40 per cent annual growth. The impressive success

of India in such services shows the intrinsic ability of its workforce. If only the Indian government would eliminate its wily bureaucrat-created roadblocks, even its manufacturing industry could challenge China's.

Both India and China had earlier allocated over 10 per cent of their GDP towards infrastructure development so as to enhance their future logistical abilities in bringing their products to the world's consumers. China used the allocated funds within time, but the Indian administration could use only a fraction of it in that period.

It would be short-sighted, however, for anyone to under-estimate India and ignore its multiple strengths like its English-speaking manpower, IIT and IIM qualified modern management talent (manning the top positions globally in multinational companies and elite universities) and its reliable legal system for dispute resolving. China is still far behind in spite of its 98 per cent literacy and talented workforce.

Anywhere in the world today, including in China, whenever India is mentioned, three facts immediately come to everyone's mind: the IT industry, software outsourcing and Thomas L. Friedman's *New York Times* Bestseller *The World Is Flat*.

If China is a jealous admirer of India, it is due to India's prowess in developing computer software. Since I was at the helm of IT affairs in Delhi in the late 1980s when it all started, I know that this reputation of ours as IT savvy people came to us without any effort put in by the government. It came from the performance of our migrant IT engineers working in the United States and Europe. Judging by their talent, companies across the world soon realised that a huge talent pool of a similar grade existed in India. I must give due credit to Texas Instruments for having set it in motion.

Luckily, the development in digital telecommunication also allowed the world to 'invent' Bangalore, Hyderabad, Chennai, Pune and other cities across India to outsource software and reduce their costs. Indian outsourcing companies were, at first, merely engaged in simpler programming and maintenance work and depended solely on their low-cost labour force.

Indians soon grasped the opportunity to benefit from the expansion of the world outsourcing industry and developed India into the

'Back Office of the World'. However, soon thereafter, the ambitious Indians were no longer contented with their minor role as 'software clerks', and they climbed up the value chain and convinced many multinationals to transfer their operations of R&D and knowledge innovation to India.

Today, the Indian software companies are extremely successful financially but have remained just as service providers offering complex solutions, albeit being a little higher in the value chain. Regretfully, these large and successful businesses have not become 'industries' with their own software products; making money by selling products as Microsoft and SAP do. Also, the zealous fanaticism evident in the depraved, self-obsessed West is one of the reasons why our country has not moved even further.

Another factor for the limitations of these giants is the lack of development of IT hardware industry. Every hardware product including domestic appliances and automobiles is getting intelligent by the day with integrated embedded software products. India's IT companies lack in specialised core technologies and also mainstream experiences and methods. Even today, there is excessive dependence on the US market for services and paucity of original research. Domestic sales are small and growth is slow due to the lack of hardware development and the limited use of IT in governance. This industry needs to continuously innovate and upgrade itself. Hopefully, things will change in the times to come.

Today, China's IT hardware industry is the strongest in the world, specially concentrating on the manufacture of hi-tech electronic goods. It probably produces 50 per cent of the high-technology merchandise in the world market. India emphasises more on software and IT services, and these have become the fastest-growing sectors in the Indian economy. This has less to do with India's government policies and more to do with its other strong points like its large English-enabled workforce, focus on mathematics in early education and the Y2K 'millennium bug' crisis. One must also consider the fact that several million Indians in the United States and other developed countries are employed by local companies of those countries not just in the field of IT but also in other sectors of business as well as in universities.

TCS, Wipro and several others including the computer education major NIIT have established themselves in China in a big way. Chinese businesses are, however, slower to establish base in India. This is clearly another example of our country's tendency to focus on short-term marketing aims and the wisdom of the Chinese. As a fast-growing company and the world's second largest telecom equipment manufacturer, Huawei is now in India in a big way employing a large software workforce in its R&D centre in Bengaluru. Compared to China, India lacks in both production and consumption of consumer electronics and IT products. The use of cellular phones, however, has reached almost every Indian even in the deep hinterlands.

The IT market in India is growing, but the use of IT is considerably lesser than in China. India and China offer the best chance to cooperate and create joint ventures to match the IT strengths of the Western countries. The current global software market has a total worth of 750 billion dollars, of which 40 per cent is in the United States, another 40 per cent in Europe and 10 per cent in Japan.

Both, India and China, have realised that the software outsourcing market is too large to be monopolised by a few enterprises in any single country. So the best strategy for China and India would be to join hands rather than become rivals.

Today, both nations are, in a sense, subcontractors for the world. The Indian talent drain continues with an annual migration of millions. Since 2000, India has issued passports to a substantially large chunk of percent of its citizens for visiting the United States.

Use of Internet and Personal Computers in China and India in 2010

A 2010 study reveals that 42 crore Chinese regularly use the Internet while only 8 crore Indians use it. This may be because of the literacy rate which was 96% in China against just 61% in India. Cost of access to broadband wireless network in China is also just half of that in India. China beats India by 5:1 in the number of personal computers, with the Chinese using 14 crore versus India's 3 crore plus.

Some Indians like to call India as the 'IT Superpower'. To them, I can only say, 'Ignorance is bliss indeed!'

Let me explain why India is not an IT superpower. In the IT sector, India sorely lacks what China has created in Zhongguancun, once a sleepy suburb of Beijing. The Zhongguancun Science Park is not just a software park but a comprehensive IT hardware, software, sensors and actuators development hub that delivers complete IT solutions. Today, it consists of 17 specialised areas and accommodates over 18,000 enterprises which employ 690,000 people. It has 71 key national laboratories, 75 key research centres and 39 universities and colleges enrolling 700,000 students. In 2006, the enterprises in the park achieved a total income of USD 100 billion, and each of its 650 enterprises earned over USD 13million!

The Science Park covers an area of about 200 sq. km and accommodates 17,000 medium and small enterprises, a density rarely seen anywhere else in the world. Of these enterprises, 56 per cent are engaged in the IT industry.

There are 19 venture capitalist parks, which have invested in start-ups by overseas Chinese students who have returned back after completing their education. Besides these, there are a large variety of comprehensive incubators.

While young Indians migrate in hordes to the United States and other destinations, overseas Chinese are returning in large numbers. Every provincial government in China has a Science Park modelled after Zhongguancun in Beijing.

It offers free space and investment capital to returning Chinese entrepreneurs, unlike in India, where software parks are just a real estate business with completely unrealistic commercial prices which are beyond the reach of any start-up. No engineering entrepreneur gets any special treatment; forget about providing him easy access to venture funds.

Indian officials must remember that talent will return only if they provide an environment conducive for growth of free enterprise, suggest choice of projects and offer high potential for development in diverse fields of research. These are the opportunities that China offers to its entrepreneurs.

In India, the state industrial development bodies have become like commercial real estate dealers who use free government land to build industrial estates and sell them at commercial prices. There is no promotional support even to SMEs in their states. Since the land is free, these bodies can profitably rent industrial premises to SMEs even at 10 per cent of the current rate. If India desires to compete with China in science and technology, it needs to follow China's methodology of providing the right environment and facilities for budding entrepreneurs. In order to realise its IT superpower dream, India needs to follow the Zhongguancun model.

IT development in China and India are extremely different. China's IT industry spreads deep and wide over both hardware and software sectors even though India remains far ahead of China in terms of the export of IT services. The Chinese government supports IT growth so extensively that it sometimes appears to go overboard in terms of its initiatives!

Support by the Government of India, on the other hand, does not go beyond tax exemptions and a lot of lip service. China seems to be on a perpetual infrastructural and real estate boom. All major cities are implementing large scale projects that support IT growth. On the other hand, India's own 'Silicon Valley' – Bangalore – is groaning under the strain of its miserably inadequate infrastructure.

The only thing that has changed in recent years is its name; now called a tongue twisting 'Bengaluru'. Not just Bengaluru, but entire India still continues to suffer from several hours of power blackout each day. Major cities lack roads and highways, thereby leading to paralysing traffic jams. Nothing could be more hostile for the development of the IT industry or any other industry for that matter. China's Prime Minister Zhu Rongji during his visit to the Infosys campus in Bangalore said, 'You are No. 1 in software. We are No. 3 in hardware. We put these together and we are the world's No. 1'.

It was repeated again in 2008 by its current Prime Minister, Wen Jiabao, with another simile. But, both countries are still far away from enabling that collaboration. Luckily, even today that complementary position – India being strong in software and China in hardware – still exists.

Comparing Merits and Limitations of the Two

One, however, does wonder if India will ever catch up with China in its infrastructure development. Unless that is in place, development of India will suffer in the years to come. China's growth is riding on the sturdy back of its high quality and well-maintained infrastructure. Its skyscrapers, roads and bridges are provided with equally excellent water, electricity and communication utilities which run smoothly and efficiently.

India's metropolitan cities also have a booming real estate industry, but it is chaotic and without any support in the form of proper supply of water, power and communication utilities. Life for the common man in Indian metros is pathetic and hard. The elite in India can only boast about India's capital markets and its world-class, well-regulated banking and legal systems, wherein China lacks miserably. (India's banking system, in fact, is far superior and better-regulated than that of the United States). This inadequacy of China is an opportunity for India; both in terms of attracting global investments and as a business opportunity in China.

Many Indians, including me, are paying close attention to China in terms of its strengths and weaknesses. China offers a strange fascination because watching it grow so fast and so spectacularly not only makes us spellbound, but also sad to realise that what is happening in China could have happened in India too only if our leadership had had the vision. Poor focus on literacy growth, manufacturing and infrastructure for the last 65 years has, today, become an enormous drag on India's economy.

The strength may be India's software services sector. It is relatively elitist and lacks the potential to provide work for millions of rural poor. India's development, thus, crucially depends on reviving its manufacturing sector.

India has all the resources, material as well as human, to progress as China has done. One therefore wonders whether the politicians of India chosen through adult franchise by its largely uninformed masses merely on the basis of their popularity could ever work for the good of the country. Watching its elected representatives participating in debates in India's parliament makes thinking Indians worry about the future.

China, in spite of its enviable infrastructure and its speedy economic growth, has many fundamental and serious inadequacies. Those in power in China appear more professional and systematic in their governance, but they are facing many challenges because slogans like 'Harmonious Society' are no longer functional.

The rich and poor divide is rapidly growing. With the backdrop of its 'all poor' past, China's rich and poor divide appears more glaring to its people than in India. Indians are traditionally used to such a divide. Its poverty is perpetual with a traditionally unequal society divided by caste and wealth. Here, though poverty-ridden, people are rich in tolerance and appear secure. They wear their poverty with a kind of unexplainable grace.

The rich are not as much disliked in India as in China. Social awareness, prevalent amongst the traditional rich as well as the middle class in India, is sorely missing amongst the neo-rich Chinese society. NGOs are far more active in India, in taking care of the disadvantaged, than even its bureaucratic government.

Such social groups are almost missing in China. In fact, its government discourages such social initiatives. The lack of such a safety valve endangers China more than anything else. Fast-paced economic development and a burgeoning informed society via social networks would make another Tiananmen massacre impossible in today's China, and the current leadership seems to be aware of this. Political freedom is India's biggest asset, since it allows people to vent their anger if not choose the right people to lead the country. It enables creativity to flourish. Unfortunately, India suffers on account of the vice-like grip over governance of its undisciplined, callous and archaic government bureaucracy.

China has been lucky to get a break by having a leader of great vision like Deng Xiaoping in the late 1970s. He did not give the Chinese political freedom but gave them economic freedom. China could, therefore, profitably use the foreign direct investment to promote growth in manufacturing, initially for export from its huge export zones.

Later, those with the spirit of enterprise used that freedom to make China the 'Factory of the World'. It gave security to foreign investors, to set up factories with few or no restrictions, and in the

process created jobs for its rural jobless poor. Strangely, imposed discipline during the last three decades has helped China to improve its economy and develop its infrastructure at an amazingly high speed. Discipline is a great virtue to inculcate in childhood for personal growth, thereby giving a moral meaning to life. The same is true of a newly liberated society. Chinese leaders achieved that by giving people economic freedom and progressively increasing social freedom. They, however, should not forget that imposition of discipline needs to reduce with the developmental process, as happens to the young when as they grow up to be adults.

Many of my Chinese friends feel that the time for adult franchise has arrived in China. Indian society today, on the other hand, lacks social discipline almost completely. Since its leaders are undisciplined and consider themselves above the law, Indian society too follows their waywardness.

Interestingly, the richer the people grow in India or China, the lesser is their sense of social discipline. Many of us in India deeply fear that many of those enjoying political and/or economic power in India think that they have a license to indulge in lawlessness and corruption. The leaders of both countries indeed have big challenges in the times to come.



China's Rising Technological Prowess

China: A Mass Production Hub

For more than a decade now, China is recognised as the 'factory of the world'. Everywhere in the world almost all products that super markets carry are directly or indirectly produced in China. This clearly shows that Chinese products do have standards that are acceptable to quality-conscious customers, especially in western Europe. Many in India, however, believe that 'Made in China' toys, luggage and other consumer goods come cheap and are of undependable quality. This could be squarely blamed on our Indian traders buying from China who demand for cheapest prices with no respect for quality. Some Chinese suppliers oblige them; after all, it is big business for them.

However, even in Western countries people believe that the Chinese are just imitators and subcontractors for products designed in their countries. Over 66 per cent of China's exports till date fall in this class. Multinational companies procure their production from China either from their own factories in China or through several Chinese subcontractors mostly from industrial clusters of Chinese SMEs. This procurement process essentially involves transfer of technological knowhow for new materials, associated technical processes and product packaging to Chinese engineers and technicians working for SME sub-contractors.

India's Wrong Manufacturing Policies Make China Powerful

Unlike the Indian government, the Chinese government provides massive support to its manufacturing industry. Millions of blue-collared jobs, which could have been ours, are being usurped by China. India can indeed prevent this malady, since the labour costs in China are actually more than 50 per cent higher today than those in India. There is a strong misconception that China just makes cheap household goods. This does not hold true at all. On the contrary, China is steadily marching up the 'value chain' to grab its share in the global market for high-tech products ranging from electric cars, aerospace systems to advanced medical devices. Today, it is the world leader in green products used for synthesis of wind and solar energy. It is flooding the world market with low-cost hi-tech products. China is today, the world's largest producer for light emitting diode (LED) lights; an ideal solution that drastically cuts power demand, since LED consumes less than one-eighth the electric power for the same light output, which makes it lower than every other light source currently used. Besides this, it has ten times the life of incandescent or compact fluorescent light (CFL) sources. If India were to focus on LED production, its current power generation would be sufficient to meet the current demand and some more!

China's huge manufacturing industry has also led to it becoming the largest consumer of energy and raw materials to feed its manufacturing monster. It consumes half of the steel, a third of the copper and a third of the aluminium produced in the world. In another 20 years, all the oil that the world pumps out would be used up by China alone. To protect its supply of raw materials and oil, China offers low-cost loans to countries in Asia, Africa and South America. It builds highways, railways, telecom networks and sea ports for these countries by sending out thousands of its own workers to work there. Thus, it has cornered Cameroon's timber, Congo's magnesium, Djibouti's gypsum, Gabon's Manganese, Malawi's Uranium, Mozambique's titanium, Niger's Molybdenum, Rwanda's Tin and Zambia's Silver. In addition to this, it floods the markets

in these countries with Chinese goods of all types. India's iron ore and unprocessed cotton worth over 15 billion US dollars also made its way to China last year. By its own carelessness and callousness, India allows its traders to make money rather than creating factory jobs in India for processing these within the country which would have been a socio-economically far more profitable opportunity. Hundreds of SEZs have been built in the country during the last five years but there is little manufacturing happening there. Instead, they have become a land hoarding racket by India's big businesses.

Entry into Hi-tech Domain

Hi-tech knowhow is a mystery till it is closely held. Once open, it is often simple for recipient Chinese engineers to imbibe and harness it. Inevitably, this *shagirdgi* (apprenticeship) turns out to be an excellent way to learn the world's best practices in manufacturing and process management. It has also helped China to inculcate high quality work culture on their factory floors, resulting in productivity hitherto unachievable in our factories in India. Chinese engineers and technologists are learning fast, and now many are not only mastering what they learn but innovating further! The country is no more a manufacturer of consumer goods. It is now a major producer of computer chips, IT and telecommunication products, automobiles and even commercial aircrafts. Many semi-conductor fabs are also set up in China. About 70–75 per cent of laptops, cellular phones, telecom products of every variety sold in the world are produced in China. Most of the new models are also designed in China. It may be interesting to note that till 1998, China imported 90 per cent of complete telecommunication equipment and within four years, that is, from 2002 onwards, this reduced to below 10 per cent.

A visit to China's mammoth annual Hi-Tech Show during the last two years – 2009 and 2010 – has convinced us that the country is rapidly ascending on its technological ladder; climbing from being mere imitators and subcontractors to becoming independent developers, product innovators and pace setters. No other country, including India, has set such high goals in technology and carried

out organised planning to achieve them at such a rapid pace. The proof of China's growing strengths in technology became visible when it leapfrogged to set new global standards in cellular phones, video compression, electric vehicles, etc.

The world took notice of China's technological prowess in late 2010, when a Chinese supercomputer, the Tianhe-1A, became the world's fastest. Though it was made from American processors and was soon surpassed by a Japanese machine, it was still indisputable evidence that the Chinese had achieved world-class computing designs.

Then, in October 2011, another Chinese supercomputer, the Sunway Bluelight MPP, broke the teraflop barrier (a quadrillion calculations per second), putting it among the world's 20 fastest computers. This machine proved even more surprising in the West. Not only was it based on a Chinese-made microprocessor, but it also achieved a significant advance in low-power operation. This indicates that the Chinese now have a significant lead in 'performance per watt', which is a measure of energy-efficient computing. This will prove crucial to reaching the next generation of so-called exa-scale supercomputers, which are computers that will be a thousand times faster than the world's fastest today, and which are scheduled to arrive by the end of this decade.

IPv6 (Internet Protocol Version 6) offers advanced security and privacy options, but more importantly, many more I.P. addresses, whose supply on the present Internet (IPv4) is almost exhausted. China already has almost twice the number of Internet users as in the United States. Therefore, it is moving fast so as to deploy the new protocol before the United States. China has already become the world's biggest maker of computers and consumer electronics products. Now, riding on its booming economy and growing technological infrastructure, China wants to be in the forefront of the next generation of computing.

'Never mind that there may be no Chinese Steve Jobs', said Clyde V. Prestowitz Jr., President of the Economic Strategy Institute. 'There are different kinds of innovation', he said. 'We tend to equate innovation with companies that start from garages based on brainstorms. There is another kind of innovation that results in constant

improvement that we are not good at – and they are’. Today, China poses a very different kind of challenge. It will soon have the world’s largest domestic market for both Internet commerce and computing.

Government’s Open-minded Policies

The Chinese government is achieving its technological goal progressively with extremely clever planning. Thoughtfully, in its initial phase, China leveraged foreign investments by multinational technological companies to ensure their smooth entry. Chairman Deng Xiaoping had a crystal clear vision at the outset. He envisioned the need to learn technological and economic progress from the West, and gave up China’s deeply communist stance prevalent during Chairman Mao’s regime. Deng Xiaoping’s pragmatic approach was clear when he said, ‘The colour of the cat does not matter as long as it can catch mice’. The Chinese realised that joint ventures are the best way to ensure transfer of knowledge and technology comprehensively. As opposed to this, in India, we allowed our trader-managed industries to import production lines and ‘buy’ technology during our ‘Permit Raj’. China, on the other hand, liberally allowed 100 per cent ownership to foreign investors, especially when technology was of supreme importance to China. Cheap, competent and disciplined labour (with ban on strikes), and a free access to China’s large domestic market attracted Western multinationals. Ease of manufacturing was supplemented by rapid investment in creating world-class infrastructure consisting of huge mechanised ports, a network of express ways and other logistic inputs.

Such incentives for technology transfer worked very well. The government in Beijing turned China into a global factory by the end of the 1990s. Almost all Fortune 500 global giants moved their manufacturing setups to China. This also enabled China to rapidly procure technology related to innumerable hi-tech industrial sectors like energy, micro-circuits, micro-mechanical devices, maglev (Magnetic Levitation) transportation and intelligent products with embedded controllers, sensors, actuators, etc. A 1982 report on technology submitted to the British government by Macintosh

Consultants says that technology can't ever be purchased; it has to be either acquired or stolen! The guys at Macintosh, however, did not realise that greed for profits was just another way found by the Chinese to get and inculcate modern technologies without ever paying for them.

Research and Development

Role of Universities

China still has a long way to go before it can catch up with the United States when it comes to scientific research and reaching for new knowledge. However, it has alternatively planned for acquiring R&D capabilities in modern technologies through its universities. Till the late 1970s, China concentrated on R&D efforts in the fields of defence and heavy industry, mostly in public sector enterprises, similar to the Soviet model India followed. Once China embraced reforms in 1978, it gave up the obsolete Soviet model and supported personal innovation and enterprise, thus adopting a modern approach. Today, we find a large number of university-incubated, private high-tech enterprises called *Xiao ban* (pronounced as *shaoban*) all over China. They have grown into leading players of the Chinese hi-tech industry. This is instrumental in helping China to evolve as a nation with its economic growth based on industrial production and technological development rather than through trading.

Zhongguancun, formerly a tranquil rural suburb of Beijing, is China's Silicon Valley today. *Xiaobans* here include state-of-the-art silicon foundries producing integrated chips (ICs) with sub-micron geometry, and many others developing and producing micro-mechanical peripherals. This area is home to about 30 universities, including the famous Tsinghua Beijing University. The Chinese Academy of Sciences based here is also a proactive research organisation and not just an administrative body. According to the statistics of the Chinese Ministry of Education, in 2003, 364 universities operated 2,490 hi-tech enterprises, which earned 52.8 billion RMB (₹19,000 crores approx.), amounting to 75 per cent of the

total revenues of the universities, and generated profits of more than 4.5 billion RMB. These enterprises had 320,000 employees, including 88,000 specialists in science and technology. Many of these were university post-graduate students. It is noteworthy that these enterprises also carried out their basic mission of providing practical training to university students with some 780,000 students engaged in research activities in these enterprises. The Beijing Tsinghua University has been shouldering roughly half of their expenses of academic activity with profits from their affiliated enterprises. In fact, the government expects university-affiliated enterprises to make up for the shortage in its higher education budget. Indian universities and their faculties need to ponder over and understand the consequences of total lack of focus on knowledge pursuits over our youth.

University-affiliated enterprises in China are entitled to a series of preferential taxes, including income tax. No limits are set for liabilities incurred by a university in the event that its affiliated enterprise goes under. By doing so, an environment that allows universities to concentrate, to a greater extent, on their original duties of education and research activities has been created. Tsinghua is an institution that has produced several top executives of the Chinese government, including Hu Jintao, the President of China! Similarly, Shanghai's Jiao Tong University is the alma mater of Jiang Zemin, the former President of China. Both these universities are not only China's top elite schools but are excellent scientific institutions too. It is said that approximately 7,000 graduates from Tsinghua University alone reside in the San Francisco Bay area including Silicon Valley. So it can be confidently deduced that this university works as a supply source of human resource which even supports the development of the US economy.

R&D Joint Ventures with Chinese Industries

Since 2004, the Chinese government proactively encourages joint ventures in R&D by multinationals in association with *Xiao bans* and other Chinese partners. Chinese universities today are engaged in research and development of applied technologies with practical

use. Therefore, they are attracting joint research with foreign enterprises. This is applied technology, where such enterprises develop products based on established basic technologies. Thus, foreign enterprises cooperating with Chinese universities are more than happy to utilise their own established technologies as well as other technology available in their countries to open up new markets in the world.

Establishing R&D centres on Chinese soil is a major priority for Chinese authorities since 2004. In addition to General Motors and GE such R&D joint ventures are now functional for Oracle, Siemens, Lucent, Nokia, Nortel, Agilent, IBM and Hewlett Packard. In all, about 215 such centres are now functional. Access to domestic business is also used as a strategy to encourage foreign companies to share technology. For giants like Intel and GE, China today represents a huge market. Both share technology with China to retain that access. For instance, GE conceded imparting key turbine technology to its Chinese competitors in order to gain a large turbine contract. A 2009 survey by Peter Buckley and his associates shows that foreign investments in China generated considerable technology spill-over, which Chinese companies are harnessing to their advantage.

International Patents in Hi-Tech

A nation's R&D strength is determined by the number of international patents filed by its scientists and innovators. According to the Organisation for Economic Cooperation and Development Organisation (OECD), report related to hi-tech Information & Communication Technology (ICT) patents in 2005, the United States had a 38 per cent share followed by Japan (18.7%), Germany (7.7%) and China (4.2%). Another telling fact is that only five years back, China's share was just 0.3 per cent. The Chinese patents are mainly related to functional design features and packaging rather than new inventions.

We self-proclaim to be an IT super power. Our multibillion dollar software services companies such as TCS, Infosys and Wipro claim employing bright brains, but it is surprising that the Indian

share of ITC patents was just below 0.3 per cent. The rapid growth in China's patents shows its motivated efforts to gain technology. It also highlights the neglect in making planned R&D investments by our big business houses as well as by the governments at the centre and state level.

It is clear that joint ventures and foreign-owned businesses in China help in spill-over of technology, process and material knowledge to Chinese companies and SMEs. Even in the case of joint ventures in R&D, technology transfer does take place. Chinese scientists and engineers working in these centres are not robots but technical talents eager to learn. The adaptation of research develops skills and insights that can later be used for core development tasks. According to the National Research Foundation (NRF) of USA, China today, is the seventh largest recipient of overseas R&D expenditure by US firms, amounting to over USD 1 billion.

Human Resource: Overseas Chinese and People of Chinese Origin

Today, unlike Indians, every Chinese below the age of 30 is fully literate. Having gone to a formal school for at least seven years, followed by either university education or livelihood skills training, today, China's workforce is literate. Nothing helps technology inculcation better than putting a literate workforce on the shop floor. This is reflected in China's amazing productivity on their shop floors. Although China has a literacy rate of 98 per cent, a greater part of its human resource resides overseas, working and studying abroad. Chinese people from Hong Kong and Taiwan, and those from other Asian nations like Singapore, Malaysia, Indonesia, etc. also form a Chinese technical talent pool. Post-liberation, Hong Kong immediately opened a wide window for Mainland China to be a driving force in the global economy. Over 40 per cent of FDI in China comes from Hong Kong. A well-defined economic policy (that kept a wide distance from its international political policies) by the Chinese government in Beijing, encouraged companies in Hong Kong and Taiwan to use low cost, disciplined Chinese labour, as well as other

incentives, to move their factories to China. Hong Kong is a part of the People's Republic of China (PRC) since 1997, and the entire manufacturing industry in Hong Kong has now moved to Mainland China. China may have a serious militarily confrontational dispute with Taiwan, but almost all Taiwanese own factories in China, and many of them have settled in China. One should not overlook the fact that the Taiwanese have decades of experience in hi-tech field. During a visit to Shanghai in 1983, China's only semiconductor factory had just established an IC making foundry with Taiwanese help and were producing chips equivalent to Intel's 8080. Incidentally, this was the same year that China almost attacked Taiwan militarily!

As a policy, the Chinese government encourages its students to join foreign universities. In 2005, there were 123,000 Chinese students studying in the United States, of which 78,000 were from PRC and the rest were from Hong Kong and Taiwan. Indian students also go abroad to study in hordes, matching China's numbers. It was called 'brain drain' then. In 1986, while discussing this with Rajiv Gandhi, Dr. Abid Hussain, a good friend put it differently. He said, 'Brain drain is better than brain in drain!' For the Chinese, it was a way to acquire modern technology and enrich human resources. Like Indians abroad, most Chinese students in the early 1980s did not want to return home. But in 1995, only 11 per cent of Chinese with Ph.D.s chose to work in the United States, while the others chose to return to China, where opportunities were ever expanding. Unlike India, China offers huge incentives to its people to return. The financial assistance comes in large measures. There is evidence that a large number of senior successful Chinese scientists and technologists are now returning home, even after decades of stay in the United States. They bring along with them, not only technological proficiency but also executive and international savvy, which are quintessential to get a share in the global market.

An Emergent Global Power

As China gets economically stronger, its bargaining power to get foreign companies to share and transfer their technology is on the rise. The Chinese have also been steadfastly following Macintosh

Consultants' advice about not buying technology but stealing it. It has already shown nerves of steel. The Chinese government will continue to turn a blind eye to companies who blatantly indulge in piracy of intellectual property and in counterfeiting patented products.

It is time that India awakens to the urgent need to revamp our policies to support local innovation and invest heavily in R&D carried out by technocrat-owned enterprises. There is a need to create focussed areas for subcontracting in large defence, agriculture and biotech projects to them. Innovation is best supported on the back of a large manufacturing sector that adds high local value. Total tax exemptions to manufacturing SMEs will help the rapid growth of that sector. If we do not want to subsidise inputs to SMEs in space rental and power tariff, then a better option would be to exempt all taxes to manufacturing SMEs and those working as feeder industries to PSUs and large private enterprises. By this, innovation and R&D would get automatically encouraged. Instead of speculating over the China threat in television debates, we must gear ourselves to encourage local talent and enable them to work freely on creative solutions.



India and China

Corruption and Business Culture

THERE ARE REMARKABLE SIMILARITIES IN the manner in which traditional Chinese and Indian businessmen conduct their businesses even though there has been no interpersonal contact since several centuries. The roots of these similarities date back to the time when the two countries traded extensively along the silk routes, both in the north and the south of India. The northern route was via road and the southern route was via sea due to which they also shared a strong cultural bond during (several centuries in the first millennium) the Buddhist period.

The two shared over 70 per cent of the world trade till as late as the 18th century. During the second half of the 20th century, while Indian business got increasingly Westernised, China isolated itself from the world. As a result, while the trade practices of the two may appear different today, the mindset, especially in the family-owned Indian businesses and that of the Chinese, is indeed, similar. The business culture and etiquette have similarities due to their common historical backgrounds. The business negotiation styles of the two are also very similar.

There are rather sharp variations in the perception of the Western and the traditional Eastern business cultures. The Western philosophy looks at things in black and white, whereas the Chinese Yin–Yang

philosophy and the prudent ways of traditional Indians prefer looking at all in shades of grey.

Taking quick and hasty decisions is never their style. Ancient Chinese philosophers laid out two distinctive forces – Yin and Yang. Yin was considered a dark force, while yang was a captive and light force. The Chinese philosophers believed that the two parts are considered as a whole, and one cannot succeed in dividing them. This implies that in life, one must always try and search for a middle ground called ‘the way’.

Rapid decision making, incorporating quickly gathered and processed information is a typical characteristic of an aggressive, highly competent manager in the West, but to the Chinese and Indians, this strategy is unwise and hasty. The process of negotiation in China and by traditional businesses in India owned by the Marwaris and Kutchhis are based on the policy of references and long-drawn bargaining. It also depends on whether the business is within the ‘Guanxi’ (gwan-zhee) for the Chinese and within their ‘friendly’ community for the Indians.

Traditional Chinese and Indian businesses are still the same, at least in their domestic business practices. Credit worthiness and trust are more important for entering into a business deal than elaborate legal contracts, as is the practice in the Western businesses.

Zaban, a verbal promise, is more trusted than a piece of contract paper. When private pay-offs are involved, putting everything on paper is not practical, right? Guanxi or its equivalent in India is an important basis in a business relationship. As a part of the guanxi, Chinese and Indian businessmen find it essential to be ‘friendly’ with those in power; both bureaucrats and politicians. They are treated as a part of the guanxi or ‘family’.

Today dispute settlement using the court of law is getting more common, but within the guanxi or family, since the deals often are not clean, it is done through intervention of the elders. What we call corruption today, is a traditional part of business conduct in this part of the world. Gifts and other favours have been an essential part for maintaining relations with those in power.

One might say that viability of businesses in India and China depends on cordial relationships not only with vendors and

distributors but most importantly with the municipal, regional and central government officials and ministers whose disfavour could cripple a company. A large number of books have been written in China on this art of relationship – the *guanxi*. A *Guanxi* relationship goes far beyond a business transaction, and this is the same in India. For instance, I know of business houses, who even today, are paying for foreign education of so called ‘clean’ officials in high places in the government.

A Chinese businessman told me that he has often hosted a banquet for a customs official to make sure precious hardware shipments are cleared in time! At the highest levels, it could mean bringing the CEO of the foreign business partner to China to shake hands with the minister of a key industry sector that represents potentially lucrative business. Delhi is also full of such middlemen.

Business negotiations in both countries are always long drawn. Many people often want to be included in the decision-making process, which a Western businessman may find unnecessary for relatively simple issues, but is never-the-less important in Chinese culture. A snap decision is normally shunned by the Chinese businessmen. They want to feel honoured that one brings issues to them and seeks their guidance. The Chinese affirmative response or the Indian saying *dekhte hai* or ‘it is OK’ may sound reassuring, but such an answer may be a product of the cultural tendency towards politeness and reluctance to disappoint. At the most, it may mean ‘I’ll try’, but not a ‘firm Yes’! They may not even tell if things start going wrong since they do not wish to disappoint.

The actual act of relationship building by the Western companies is, therefore, often left to the Indian or Chinese liaison agencies. They would more quickly understand the expectations of local power brokers, and these agencies have a lifetime of cultural habits that enable them to handle delicate situations with more aplomb than a Western businessman could.

Frankly, business in China as well as India has been traditionally based on corruption. Today, this business practice has spread to social practice, and sadly, it is hurting even the helpless and the poor. In both the countries, networking and relationship-building is now not limited to the *Guangxi*. Government servants involved in

giving service to people today, refuse to perform their duties without greasing palms. Both, India and China, today suffer from rampant corruption. Money is worshipped in all forms and hedonism is the buzzword for good living.

Corruption in China and India

This traditional business culture is a part of the civil societies in China and India. As a result, the beneficiaries of rapid economic progress, business growth and profits after liberalisation in China since 1980 and in India since 1991, got limited only to the business community, officials and political leaders of municipal, provincial and central governments, lawyers, bankers and landlords, etc., since all these are a part of the Guanxi or a 'gang', as one might call it looking at its structure. Economic theory of the 'trickle effect' of this prosperity to the rest of the working population has, so far, been very marginal. Farmers, artisans and the unorganised workforce were left out. 'Inclusive Development' in India and 'Harmonious Society' in China have largely remained political slogans.

Both China and India are still very poor, with large disparities in incomes across each country. In China, nearly half of the country's labour force remains in agriculture and the same is true of about two-thirds of its people in India. Further, India has the largest number of illiterate people in the world. China too has large poorly educated rural masses. All of these would continue to present challenges for their economic development.

Poverty, however, is less of a challenge than containing corruption. It seems that the economic liberalisation and business-driven spread of consumerism are making everyone rush towards money and earn it by any means. This materialist culture is indeed a reason for further rapid growth in corruption. This has made taking and offering of bribes in varied forms, a part of life. I find this more rampant in India than in China. The larger issue that engulfs the people of both countries – uncontrolled endemic corruption – is something that eats away at societies like termites.

Corruption levels are enormous in both India and China but there is a difference in their spread. Dishonest officials in China seek ways

of implementing approved projects without compromising on high quality, strict supervision and the timeframe for completion, and then set about earning some money on the side. This is reflected in the excellence of public infrastructure in that country, right from airports to roadside public restrooms and its huge network of elevated high-ways down to its rural roads.

However, in India, for its corrupt politicians and officials, the entire objective of approving an infrastructure project is to earn money for themselves with total disregard for the quality and the timeframe. No one bothers to supervise nor ensures to maintain it later as in China. Concerned government and municipal officers or politicians care nothing if the work is substandard, carried out shoddily with complete disregard for the timeframe or even left half done. Their only interest is to shamelessly share the loot. So, while the making of money is a by-product in China, with a sharp focus on high quality, in the case of India, the infrastructure itself becomes a by-product. The sole objective behind each project appears to be making money; as much of it as is possible.

Muh naakse khate hai (they eat by hook or by crook) is oft said in Hindi of such people. Unlike China's corruption which is largely limited to the high-level officials and party men, corruption in India is all pervasive; deep-seated at every level in the government and municipal administration. The practice of basing decisions on personal interest and financial greed has permeated the Indian administration, even in matters as vital to the nation as defence procurement.

As a result, corruption abounds among government officials and amidst the highest to the lowest levels of government servants in India, and in the process impedes its economic growth. While China and India have similar levels of corruption, China is able to accomplish more because corruption is less distributed and not as pervasive.

Public exposure of corruption is, however, far easy in democratic India than in communist ruled China. Relatively low-key government agencies like Comptroller and Auditor General of India, which was set up under India's Westminster-modelled system of checks and balances assisted by the media and civil society have been involved in exposing major corruption cases. Political pressure

exercised through India's democracy has also played an important part in thwarting any public enquiry.

For example, in the minerals-rich state of Jharkhand, former Chief Minister Madhu Koda allegedly siphoned off about USD 1 billion during his short tenure. Koda was exposed not by the local police but by a central government tax compliance authority. The press attacked full on, and Koda now languishes in jail.

While both India and China suffer from endemic corruption, they differ in their approaches to handling corruption cases. In India, the cases often go through lengthy court proceedings amidst a huge backlog of cases. China, on the other hand, has been dealing with corrupt officials more aggressively but which often appears repressive to the outside world, as this is one more thing in which the country has no parallel. In China, guilty party officials even in very high places are severely treated with inclusion of death sentences, but there is no open trial by an independent judiciary that characterises the democracy of India. During the presidency of Hu Jintao, there has been an unprecedented crackdown on corrupt government officials.

For instance, Huang Songyou, the former Vice-President of the Supreme People's Court, was awarded a life sentence for embezzlement and Mr Yu Renlu, former Vice Chief of Civil Aviation Administration, was sacked and sent to jail. According to reports, in 2010 alone, no less than some 5,000 higher-level Chinese government officials were punished for corruption. Further, more than 146,000 lower-ranking government officials upon being found guilty of corruption or bribery were sacked or jailed.

Some Indians often look enviously at China's one-party political system, viewing it as more efficient and more capable of curbing corruption, but it is not so. Chinese leaders are themselves increasingly identifying corruption as a major problem; with Premier Wen Jiabao saying earlier this year that it could lead to instability in the country. Perhaps, taking cue from China, some of India's recent anti-corruption crusaders like Baba Ramdev have been demanding capital punishment for those convicted of corruption.

In the early 1980s, Deng Xiaoping unfolded a 'campaign against spiritual pollution' to prevent the impact of 'bourgeois liberalism'

and to curb the 'capitalist ideologies' in society. Ever since, successive Chinese presidents have been trying to increase political consciousness and morality in people, but it has had no effect on the growing consumerism in China. Appeals to resist money-worship and self-centred ideas seem to go unheeded. The CPP has been harshly cracking down on rampant corruption in order to build a clean image of the party, but people are far from convinced.

Corruption is also hurting the economic growth of both countries. While both China and India are drawing the attention of global investors with their impressive economic performance, the prevalent bureaucratic and political corruption has stood out as a negative factor that unfairly affects foreign enterprises and would potentially stifle economic development in the long run.

Despite their recent rise in the global economic landscape, China and India are perceived as two of the more corrupt nations in the world, according to the Transparency International Index issued by Transparency International (TI), a non-governmental organisation monitoring corporate and political corruption throughout the world.

It explained that their CPI ranks countries according to perceived levels of public-sector corruption, and is based on surveys carried out by independent and reputable institutions. This Berlin-based group scored 183 countries on a scale of 0 to 10, with 0 being highly corrupt and 10 being very clean.

The CPI shows deteriorating figures for both India and China, thereby pointing to a march towards highly corrupt societies. Out of a list of 178 nations and regions surveyed in 2011 for perceived corruption, China ranked 75th, while India was placed in the 95th position!

2011 Corruption Status in the Four Neighbouring Asian Countries

In a global study conducted in 2011, India was ranked 95th most corrupt country whereas China was ranked 75th. Bangladesh, however, was the most corrupt and was ranked 120th. As expected, Singapore was the least corrupt amongst the four countries.

It is, however, interesting to note that after TI Index was released, many Chinese netizens were surprised that their country was ranked so high. One Weibo blog posted, 'this is a joke, China should be placed at the bottom, not North Korea'. Others doubted the credibility of the report, and sarcastically questioned how much the Chinese government had paid to be ranked so high.

Corruption is now a major concern of the common people both in China and India. A large majority of them have lost trust in the government and its officials. Even in China there are protests across its cities and particularly in rural areas, where farmer's land has been taken over by property developers.

Like in India, China's real estate developers have been known to have strong ties with government officials, making it difficult or impossible for rural residents to seek justice or proper compensation through the country's legal system. The TI report has found India more corrupt than China. It now stands in the 95th position in this year's rankings with a score of 3.1; 20 places below China's 75th.

People, however, feel that there cannot be a more corrupt country than India. Anna Hazare's huge mass demonstrations against corruption actively supported by millions of Indians this year has, indeed, put a sharp focus on this societal cancer. Anna forced the government to come up with a new legislation by carrying out a 12-day hunger strike. He has even stipulated a deadline for the new bill of December 22, 2012, if not he has warned to resume his fast. Subsequently, he seems to have relented under pressure from the ruling UPA politicians.

Corruption in public procurement creates unfairness in access to resources. According to an anti-corruption briefing series published by 'Maplecroft', a UK based risk analysis company, corruption is still prevalent in both China and India's public procurement, since this is one area where the governments can easily maximise their gains. Corruption scandals in public procurement that usually involve high-level politicians have caused discrimination in tender selection, and made it more difficult for more qualified foreign companies to access major projects or attend non-discriminatory public bids.

The Maplecroft research identified construction, natural resources, banking and finance and health care as four sectors which are most

vulnerable to corruption in China. Interestingly, these are also the sectors where foreign direct investment is the least in China. In addition to encountering the same problems as investors in China, foreign companies in India also need to deal with the complexities of administrative systems, complex tax regime and laws across the country. According to the World Bank's World Enterprise Survey in 2006, 24 per cent of companies in India expected to secure a government contract through bribing.

Another report by Transparency International said that the average bribe amount is estimated to stand as high as 15 per cent of the contract's value. Complicated and cumbersome administrative procedures in both countries give government officials wider discretionary powers to interpret rules, and thus lead to massive corruption in administrative services. Bribes also take place in tax and customs administrations in order to reduce payment and convenience customs clearance, respectively.

China's judicial independence is rated at 'extreme risk' by the Maplecroft research. It says that the court can determine rulings in favour of bribers or influential local government bodies and officials. Biased judgements under corruption can impact the essentials of a business such as contract enforcement and property rights protection.

In India, although judicial independence is not low, judicial accountability is still weak since the political interference in judicial decisions is relatively high – right from appointment of a judge to the final judgement delivery. The Supreme Court is clean and proactive, but corruption in the lower courts is rampant and systematic. Court officials can misuse their power with impunity at multiple points. Court procedures are very slow and complicated, making it harder and costlier for citizens to protect their proper rights. As we very well know, justice delayed is justice denied.

Action Against Corruption

China has been in pursuit of an anti-corruption drive that concerts the United Nations Convention against corruption and targets both public and private sectors since 2006. Numerous anti-corruption investigations and prosecutions have taken place and many of them

have affected top-level officials. The Indian government, for obvious reasons, is dragging its feet in drafting a strong Lokpal Bill which would seek to establish a new, independent anti-corruption governmental body.

Table 25.1 Human Development Index for 20 Asian States (1995–2005)

Country	Rank	1995	2000	2005	Average
Singapore	3	35	22	26	27.09
China	10	111	98	85	99.6
India	15	134	139	127	129.6
Bangladesh	20	146	150	139	141.4

Source: United Nations Development Program Annual Global.

There is a strong link between human development and corruption. The table below shows the human development index (HDI) for India and China. Singapore and Bangladesh are chosen for comparison. It shows China much ahead of India. China is improving the developmental status of its people more than India by being 5 ranks above India's 15th rank.

Let us now look at ranks of both countries in case of CPI and HDI. It becomes very clear that quality human living conditions are closely linked to the level of corruption in a country.

It clearly shows that corruption also hurts the poor and the common citizens, and not just the business interests of the foreign companies trying to invest in a country.

Table 25.2 CPI and HDI Ranks (1995–2005)

Country	CPI* Rank	HDI† Rank
Singapore	1	3
China	10	10
India	13	15
Bangladesh	20	19

* CPI – Corruption Perception Index

† HDI – Human Development Index

No human society can ever claim to be corruption free. Every gift could be called a kind of bribe. There should be a solution to curb rampant corruption that amounts to robbery of public resources and denial of civil rights. Having granted that its total eradication is impossible, urgent measures are necessary to severely penalise those found guilty.

Both, fear of law and moral appeal should be used. Public exposure of the corrupt via the Internet is getting common and it needs to be further encouraged. India's Right to Information (RTI) Act of 2005 is one such tool that is contributing to greater awareness of one's rights and bringing in transparency to the system. Such a law in China is impossible, but China did issue its first white paper on anti-corruption in December 2010, pledging to give top priority to the anti-graft policy and building a clean government.

Corruption would, however, not reduce without transparency in administration. Therefore, the only option is for the masses to take initiative to stop corruption by refusing to bribe and by exposing the corrupt. Web postings to reveal corruption is another way, but the essence lies in boosting one's own morale and inculcating values. If both India and China desire to make the world economy Asia-centric, they must find ways to improve their CPI rank just as Singapore has managed to do so.



China and India

Cultural Makeup of Business Behaviour

TRADITIONALLY, CONFUCIAN IDEOLOGY HAS SHAPED almost all aspects of Chinese culture including business ethics. Confucius, who propounded his philosophy about 2500 years ago in China, is regarded as the most influential educator and philosopher in China's long history. Even to this day, Chinese thinking and social behaviour are anchored to his ethics and social thought.

Even though it went against the grain, Chairman Mao established the egalitarian or classless society in China which lasted for nearly 30 years, that is, up to 1980. He and his comrades tried to influence Chinese minds to accept the Communist ideology, which called on people to sacrifice individual interests for collective goals. During this period, all religious pursuits were disallowed to the extent that even Confucian and Buddhist thinking were banned.

Finally, the family and old social values seemed to have prevailed. After realising that the lack of Confucian socio-cultural and spiritual backbone was leading to palpable deterioration of the social fabric, it was President Jiang Zemin who during his tenure stated officially, 'China should be regulated by both – Confucian moral values and the laws and regulations of the country'.

He asked all senior government officials 'to study the philosophy of Confucius and be bound by the moral values put forth by

Confucius'. With the growth of private enterprise, China is now experiencing an ever-widening gap between the rich and the poor. President Zemin realised that to sustain such a social change, it was necessary for the Chinese to turn to Confucius and live by his ideology.

The current President Hu Jintao, has gone a step further and stipulated a new yardstick – to measure work and conduct – for his government officials and the people of China. Even though it indeed reiterates what Confucius taught, it is strange that a President of a country, a politician, prescribes an ethical code for its people like a Guru. Imagine our President, Hon. Pratibhatai Patil prescribing her code of conduct for Indian people President Hu says:

- Love the country; do it no harm.
- Serve the people; never betray them.
- Follow science; discard superstition.
- Be diligent; not indolent.
- Be united; help others and make no gains at the cost of others.
- Be honest and trustworthy; do not squander ethics for profit.
- Be disciplined and law abiding; not chaotic and lawless.
- Live plainly, work hard; do not wallow in luxuries and pleasure.

For centuries, Chinese mentality has also been greatly influenced by Lao Tzu who founded Daoism (also called Taoism), and by Sun Tzu whose military treatise, 'The Art of War', is the most admired tome on war strategies revered by scholars everywhere. Both these thinkers were contemporaries of Confucius and expounded their philosophies around the same time.

Broadly speaking, Confucius' thoughts educated people on personal behaviour and social relationships, whereas Daoism provided spiritual explanations like purpose of life and living by nature. Daoism is accepting nature – taking it as it comes – rather than wilfully opposing and tampering with reality. His philosophy 'One is all and all is one' is very close to the spiritual ideal of Advaita (non-dualism) of Hinduism. In fact, the basic cultural make-up of the Chinese is strikingly similar to traditional Indian cultural values and social norms.

Guiding Life Philosophies of China: Confucianism, Taoism and Buddhism

The three religious beliefs in China – Buddhism, Confucianism and Taoism – are ethical ideologies with no gods of worship, but which espouse ethical and moral principles designed to improve the believer's relationship with the universe. Confucius or K'ung-fu-tzu lived at the same time as the Buddha. Confucius' followers, like those of Lao Tzu's, revere him as a moral teacher, a wise man and not as a religious god, prophet or leader. Confucianism's main goal is the attainment of inner harmony with nature. This includes the veneration of ancestors.

Early on, the ruling classes of China widely embraced Confucianism. Taoism shares the same principles as Confucianism. The teachings of Lao Tzu stress the importance of meditation and non-violence as a means of reaching the higher levels of existence.

Buddhism originated from India as the teachings of *Buddha*, the 'Enlightened One'. Born in the 6th century BC Siddhartha Gautama was a Hindu prince. Man, according to the Buddha, could escape the cycles of reincarnation by renouncing his earthly desires and seeking a life of meditation and self-discipline. The ultimate objective of Buddhism – to attain *Nirvana* – is a state of total spiritual fulfilment. Like Hinduism, Buddhism allows religious divergence. Unlike it though, Buddhism rejects rituals and the caste system. A recognised 'denomination' of Buddhism is *Zen Buddhism*, which attempts to transmit the ideas of Buddhism without requiring the acceptance of all the teachings of the Buddha. While some Chinese still practise Confucianism and Taoism, these religions have lost much of their impetus due to a ban on following them during Mao's Communist regime. Today, Chinese culture is still very close to the teachings of Confucius.

Similarities and Differences of Indian and Chinese Civilisations

China and India have many similarities. Both the countries enjoy long-standing and respectable histories. Both of them suffered invasions or colonial rules in the early ages of the last millennium.

Currently, China and India are among two of the most populous countries and the largest developing economies in the world.

Earlier, man found it easier to settle and prosper on the banks of rivers because they provided abundance of food, vegetation and water. Thus, rivers – the hubs of the beginning of civilisation in China and India – facilitated agriculture. Soon, agricultural villages got established around them. Both, being agricultural societies, shared the peculiarities of farming civilisations.

In terms of family structure, India and China greatly resemble each other; both have patriarchal societies and strict social organisation. The family, in China as well as India, includes families of the parents and each relation has a specific title, unlike in the West, where all are cousins! Family ties are strong. Children take care of parents with respect and love. Bonds shared with their extended families are also very strong.

I visited many rural families and saw improvements in their living standards owing to the remittances from their grown up children who are working in cities as migrant workers – something commonly seen in India too.

However, due to geographical differences, the way they built their societies differed considerably. While India embraced the caste system, China was ruled by a strong government, which followed the Confucian ideology. Confucianism's social hierarchy was based on the educational system and work ethic when it came to determining a person's position. As a result, China grew to be a more nationalistic civilisation, bonded closely by a single language script. Indians, on the other hand, devoted their mind on the caste system, their unique cultural system, which was often an offshoot of Hinduism, and their multiple language system rather than on their country.

The Indian and Chinese societies developed patriarchal societies where men worked in the fields and women at home. In the early centuries, there was abundance of food supply as a result of agriculture. Men vigorously participated in social and political activities, while women nursed children at home.

More prominently in China than in India, womenfolk were considered to have inferior status and were made to obey men – usually

their husbands or fathers – who controlled them. The agricultural society also bound women at home. When the populations in both societies produced more and more offspring supported with a surplus of food produced from farming, women had to dedicate all of their youth nursing and caring for the new-borns every year! Thus, they had no time to engage themselves in social or political activities, nor in any other activities outside home. As a result, both civilisations have predominantly been ruled by men throughout history.

As agricultural societies settled around the rivers and became sedentary, it became crucial to establish a tight social structure that would keep peace and order in villages. China adopted Confucianism, which emphasised the importance of respect and obedience to elders and males in terms of family relationship, and to upper classes and rulers in societal relationship. In smaller villages, younger people paid respect to the elders and upper classes, thereby, reducing conflicts to the minimum level.

In India, the superior role of husbands and fathers in the *kula* or family has been highlighted way back from the Vedic and Epic ages. Moreover, the caste system held India in a tight societal order with divided classes. In the villages, people belonging to various castes based on occupation carried out their duties and kept their villages peaceful. Under the caste system, the people of India became united and maintained reasonable social order in their societies. Also, the government let people believe in their favoured religion in order to maintain peace and harmony. Indians focused on their religion – as is reflected in the complexity of Hinduism and the various gods they worship.

As China did not have any significant geographical obstacles in unifying the whole country, the Chinese people easily came together as a nation. The Chinese government was able to form an efficient and powerful centralised government to rule over the citizens of China. Since the government possessed tremendous authority and importance, social thinkers of China focused mainly on the government and the order of the society.

For example, Confucius spread the ideas of political and social order instead of religious ideas; and his ideas became the pillar of Chinese culture. While the caste system endured in India, China's

religious patterns changed and mixed especially Daoism and Buddhism, whereas their social system of upper classes and the centralised government's impact on society stayed.

Lao gave the Chinese concept of *Yin* and *Yang*; and today the world knows it as a part of Chinese culture representing the way Chinese view life and the world around them. Daoism does not, however, ask the balancing of *Yin* and *Yang* but suggests finding a solution in-between. It talks of achieving harmony with nature, which is commonly known as *Fengshui*.

It would interest Indians to know that the name 'China' comes from the Sanskrit name *Cinasthana* – which is what the Indians called the state of Qin (221–206 BC). It was this state which brought unification under one ruler – an area approximating to what we now know as China; and it was the first Emperor of the Qin dynasty – Qin-Shi-Huang who initiated both – the Great Wall and an army which is today referred to as the terracotta army.

Civic defence is another area where one can see a great cultural parallel between India and China. In this context, the strategies propounded by Chinese scholar Sun Tzu in his 'Art of War' are revealing and very similar to what the Taxila ideologue Chanakya unfolded in his *Arthashastra* – an Indian ancient treatise on state craft, economic policy and military strategy. However, Chanakya is more elaborate in certain areas, while Sun Tzu is more detailed in other areas.

While dealing with a conflict or a dispute, Sun Tzu says, 'To win without fighting is the best'. It assures the win of *Yin* over *Yang*; 'The weak can defeat the strong' or 'The small can overpower the big'. These will definitely remind every Indian of the ethical war practices that Chanakya has advised. Sun Tzu also asserts that intelligence is the best weapon in any war; 'Know all about oneself and the enemy'. Today the Chinese mind is guided by these concepts and ideologies; it is used in their statesmanship as well as in business dealings. However, India remains stratified by its own internal limitations.

Let us look at some stratagems by Sun Tzu to understand the Chinese mind and note its extent of similarity to the Indian psyche:

- Kill with a borrowed knife.
- The leisurely wait for the exhausted enemy.

- Clamour in the east, but attack in the west.
- Hide a knife in a smile.
- Beat the grass to startle the snake.
- In order to capture, first let it go.
- Remove the firewood from under the cooking pan.
- Lure the enemy on the roof and then take away the ladder.

All these strategies, indeed, are traditional Indian ways to look at self-preservation. We live by very similar rules and concepts.

Merchant Communities of China and India

In spite of both China and India being agrarian societies, there are regions in both countries where local people have little scope to live on agriculture alone. As a result, over the centuries, people from these regions took to trading, thus evolving to the merchant class. India has Marwad and Kutch; and similarly, China has Shanxi and Huizhou regions.

It is interesting to see the parallel in life-styles, social behaviours and value systems amongst the merchants from Shanxi and Huizhou regions in China and Marwaris and Kutchhis in India. Both have been trading locally and internationally with commodities like tea, grain, cloth, silk, timber, salt, etc.

Chinese merchants even function as bankers by arranging inter-city remittances within China and by lending out money. While most merchants of Shanxi traded with countries such as Japan, Korea, Mongolia, etc., those in Huizhou traded in the south with Thailand, Burma and India. The focus on the younger generation of their families was to join the family business and learn management in their early teens. Earning profits, saving and living frugally defined the core of their existence. They owned pawnshops almost everywhere in China.

The communities are very closely linked and protective of the clan. These two groups dominated commerce in almost all businesses, viz., tea, grain, silk, cloth, wood, paint, paper, ink, pottery and so on. They also owned hotels, restaurants and tea houses. There

is a saying that there is no town – where there is no merchant from Huizhou or Shanxi. Sounds familiar?

Both China and India have amazing social and cultural parallels. Marwaris and Kutchhis have a highly similar approach and philosophy towards life. They have similar traits like wooing and winning the trust of their customers; have similar business principles and both merchant communities have shrewd traditional ways of building relationships with the government in power.

Confucius has aptly summed up the attitude of the masses towards the profit-driven merchants. He says that they are despised by the common people – whereas the scholars (*junzi*) who study Confucius' teachings – are held in high esteem. Merchants are considered clannish, narrow-minded and self-centred, whereas scholars are believed to value and respect virtue and commitment.

The Chinese believe that only those who cannot study as scholars take to business. Even today, the social status of scholars in China is higher and they enjoy greater prestige than the merchant class. In their later years, people from business families have taken to scholarly pursuits and have reached great heights in Chinese society. They are called '*Ru-Shang*'. In today's China, the unofficial title granted to a successful person in the industry, like the CEO of the Haier Group, is '*Ru-Shang*', since he is scholarly and very well-read. One frequently sees such parallels in the Indian society.

As in India, one can see that Chinese culture is basically people-centric and relationship-oriented. Confucius' teachings focus on a person's duty to family, friends, community and country. The family is at the core of the network followed by neighbourhood and local society. Values and beliefs are rooted in the family with high regard for elders.

Traditional business is based on trust and often done with great ease within their social network. '*Guanxi*' in China, is a notion that is derived from this culture. Loosely translated, it means 'relationship' or network. The Indian parallel is the 'community' – as a close network and the '*samaj*' – as the larger one. Trusted business in China is normally within *Guanxi*. The same holds true for the Kachhis and Marwaris.

This is very unlike the West, where family is almost never at the core of the network. Transactions in the Western world are always carried out within a legal framework and are guided by contracts and deeds. Traditional businesses in India and China are based on trust and this needs one to be within the same societal network.

For Indians, Conducting Business and Trade with China Can Be Easier

Once we understand the Chinese way of doing business, Indians could deal with Chinese with much greater ease than Westerners. I know that one can get into a Guanxi type relationship with the Chinese business community. There a bunch of clever Indian businessmen who go beyond talking about business and develop a social tie up with them by bringing in the families into picture.

It takes time and patience but relating at the family level makes business easy. Entertaining the Chinese at home would be highly appreciated by them. In fact, I know that such emotional links have eased business deals. Keeping a formal front like the Western businesses is far less rewarding than patiently entering in their Guanxi which can ease up business terms.

One must however remember that such relationship is based on trust and transparency and therefore takes time and needs openness. The Chinese will then go a long way in solving business related problems with due understanding and cooperation.



PART D



CURRENT AFFAIRS

- ❖ Two Self-inflicted Disasters that Changed China
- ❖ China in 2011: Understanding Ground Reality – Part I
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CHAPTER 27

Two Self-inflicted Disasters that Changed China

Great Leap Forward 1958 – 1961

Chairman Mao's 'Great Leap Forward', which ravaged the nation from 1958 till late 1961, is unique in Chinese history. It was for the first time that a huge country like China was forced into the horror of a totally unnatural famine brought about by its own supreme leader who led the revolution. After this start, the Great Leap Forward was indeed a pointless and totally uncalled for event in the life of the Chinese. The country had just been liberated, and after decades of strife, Chinese workers and farmers were beginning to enjoy peace in the newly established People's Republic of China. The country had got rid of landlords, money lenders and rich businessmen and traders who were accused of robbing the poor, and everyone in the countryside was living community life in newly-organised communes. 'Equality' of sorts had been established. While collective farming was less efficient compared to when farmers tilled their own lands, it was producing enough food to feed everyone around.

The Supreme Chinese leader and revolutionary, Mao Zedong, was now guiding the nation towards freedom from the autocratic rich classes. He and millions of revolutionaries around him had put their lives on the line to eliminate these autocracies and create a new nation. Finally, Chairman Mao had become a victorious leader. Like all military victors, Mao had, by then, a psychopathic grip on power and was intolerant of anyone but a cadre of enablers

he trusted. Fresh from implementing a successful revolution, he believed that he knew what is best for his country. Unfortunately for him, managing the progress of a country and making its socialist dream come true was a different ball game altogether. Instituting a regime that gave Chinese people the promised 'equal for all' good life, however, needed not a violent revolutionary at the helm, but an able administrator with aptitude and vision. Without these, there is always a disaster in waiting.

In 1956, Chairman Mao was very much angered when Nikita Khrushchev came close to admitting that the concept of communes by forced cultivation tried in the USSR since the 1930s had failed and benefitted none. He was also angry with the Soviets for not treating China honourably. This provoked him to set up a campaign to prove the soviet leader wrong. He, therefore, raised the hopes of the farmers and workers, offering them a Utopian future by initiating his fantasy of the 'Great Leap Forward'. This was a plan to set up, what is now often referred to as the 'backyard blast furnaces'. These, unfortunately, produced useless chunks of iron from the peasants' precious pots and pans. The most destructive feature of the Great Leap Forward was, however, the agricultural disaster produced by the nonsensical theories borrowed from Soviet pseudo-scientists such as Lysenko. The Soviet Union had already abandoned Lysenko's fraudulent theories and gone back to established plant genetics. The grains that were planted and the density of planting were changed according to his theories, land was abandoned for fallow, bizarre notions about the mixture of manure with rubbish and 'deep ploughing' were put into operation, and peasants were conscripted to build dams which fell apart and canals which leaked dry or silted up. Since all these innovations claimed to raise productivity enormously, exaggerated statistics were fabricated and, since everyone believed them, the first harvest was wastefully consumed, though it was, in fact, lower than that of previous years.

Most of the common party cadres in contact with the communes were unable to do anything but attempt to obey orders that came their way to extract the government share in proportion to the false figures they had transmitted upwards. Senior Communist Party officials travelled to the countryside and discovered what

was happening, but upon their return, merely encountered Mao's dogmatic denial of what they had seen by Mao. Since he could punish their disagreement with dire penalties, the more honest voiced it only in the most tentative terms, while others simply lied, and the whole situation remained deadlocked while the peasants starved. As millions of people all over the country were dying of starvation, even at the beginning of 1961, the Chairman was blaming 'counter-revolutionaries' and not his mindless policy and adamant arrogance of refusing to listen and admit the reality of the situation. It is clear that Mao was responsible for the policies that caused it and for his stubborn refusal to admit its failure that delayed its cessation or amelioration. Not only did he never admit to take the blame, but also carried out personal vendettas against those who brought the famine to an end because he had to step down as the Chairman and let Liu Shaoqi and Deng Xiaoping take over the reins of the country. Chairman Mao did not forget this humiliation and took his revenge on them during the Cultural Revolution initiated by him in 1966.



Village Blast Furnaces in China

Hundreds of millions suffered in different provinces. The peasants attempted to cling to life by eating even inedible stuff like straw, cloth, leather, bark, etc. Ironically, there was grain in the state granaries and some of it was even exported! Western scholars studying China note that many peasants were also imprisoned in one of the

work camps – the Laogai, China's equivalent of the Soviet Gulag. Some ten million people were incarcerated. Rural folk were forced to live in their commune and no one was allowed to escape from the countryside. Those who tried were turned back from escape roads and were off-loaded from trains. Those who lived in towns were better off and were given rations but no peasant was allowed to migrate from the countryside communes. The accounts of the persistent horror and misery of these famine years makes reading about them a painful experience. It is interesting to speculate over the kind of economy China would have had if Deng Xiaoping – instead of being at the helm in 1976 – had ushered in a new era in 1956. This was, indeed, possible because it was actually happening in Taiwan and South Korea in the late 1950s when millions were facing starvation in Mao's China.

The Great Leap Forward from 1956 to 1961 followed by the Cultural Revolution from 1966 to 1976 robbed the Chinese people of the peaceful productive life they deserved after the 1949 liberation. During these fateful years, China's industrial and infrastructural growth stagnated; the population grew, but food supplies barely kept pace. The average peasant never recovered even his low standard of living of 1957 until after Mao's death in 1976. During all these years, the other neighbouring nations of China were making great progress. Many of us believe that China is overpopulated, but the fact is otherwise; as against China's population density of 10 per arable hectare of land, South Korea has 17.3 and Japan has 23.9 per arable hectare! There is no reason for the Chinese to ever die of starvation.

Many may not be aware but the famine of 1958–1961 was China's best-kept secret for several years. No one knew of it even in Hong Kong! Even today, while China is relatively open about the Cultural Revolution, the Chinese are reticent about the famine. China has neither officially acknowledged that it was devastated by a famine nor has it published an estimate of the death toll. Estimates from the census statistics taken in 1953 and then in 1961, gives a rough figure of 30 million. Western China studies, however, estimate the figure to be much higher; comprising all the 'unnatural deaths' for which Mao Zedong could be held responsible.

The Cultural Revolution 1966 – 1976

The Great Proletarian Cultural Revolution in China was set in motion by Mao Zedong in 1966, and it ended a decade later after his death in 1976. This prolonged revolution took its toll on China. It was the second-most wrenching and complex period in China's history, the first being Mao's Great Leap Forward in the late 1950s. One reads a variety of interpretations of the happenings of this period. The most common of these being that it was a simple power struggle – a purge of the so-called 'rightist' factions in the Chinese Communist Party and government by the 'radical puritan' factions led by Chairman Mao Zedong. This explanation is adequate when examining the power shifts at the very top, but does not reflect the fact that at street-level, the Cultural Revolution was also a popular uprising against the entrenched authority and bureaucracy of the party and government. One would indeed wonder why Mao, the very man who had led the party to victory in 1949, would engineer a revolt against the political structure he had created.



PLA with the Red Book of Mao's Thoughts

From Mao's point of view, the ultimate step in bringing about the revolution was to transform the Chinese society itself by means of a cultural purification. After the failure of Chairman Mao's Great Leap Forward and his agrarian experiments, his opponents, popularly

called the 'Rightists', obliged him to step down. They believed that it was undesirable to let politics and ideology decide everything, and that it was much more necessary to create social stability by building a professional class of managers and civil servants. The rightist leaders like Liu Shaoqi, the Head of the State and Deng Xiaoping indeed, brought the country back to normalcy by 1965, but Mao and his leftist followers were far from happy with the new liberal policies taken by these intellectuals without consulting 'the Mass Line'. They disapproved the special privileges given to bureaucrats and concepts such as granting of financial incentives based on performance or production. The rightists became Mao's main adversaries during the Cultural Revolution. His special anger was directed to major political and bureaucratic figures such as Liu Shaoqi, who was the Head of State, Deng Xiaoping (First Party Secretary), Chen Yi (Foreign Minister), Peng Chen (Mayor of Beijing), etc. Diplomatic Zhou En-lai luckily escaped in spite of being liberal. Mao realised that in order to reform the party and bureaucracy, he would need to create power bases outside it. His most important ally would be the People's Liberation Army (PLA) which was headed by Lin Biao, a man even more radical in temperament than himself. Under Lin, the role of the PLA in Chinese politics and its society changed drastically. Lin gave the PLA an egalitarian look by abolishing ranks and insignia. He ensured that Mao would have the political loyalty of the military through organisational changes and political indoctrination. He, in fact, edited and wrote a preface to the quotations from Chairman Mao's famous *Little Red Book*, and made its study compulsory for all members of the PLA. This Red Book became the Bible of the Cultural Revolution. The sight of huge crowds waving this book and chanting slogans from it would become one of its most enduring images. The PLA was held up as the country's best example of correct thinking, revolutionary spirit and dedication to Maoism. Hundreds of 'soldier heroes', both real and fictional, were displayed as examples of socialist zeal. The government in Beijing headed by Liu was fast losing control on governance. Mao used the 'Socialist Education Movement' to indoctrinate young people, especially in rural areas, with his ideas. The younger lot of students later formed the famous Red Guards. Mao allowed a 'cult of personality'

to develop around himself even though he had technically retired as Head of State in 1958, and was Chairman of the party only in name. He re-established himself as the undisputed leader of China to the great majority of the Chinese people. He would trade on this strength throughout the difficult years ahead.

In May 1966, the 'Poster War' began in Beijing University when a young professor accused the President of the University of suppressing student political activities. These large handwritten sheets were pasted on every public wall. It became the major medium of anti-government propaganda during the Cultural Revolution. Mao inspired students across the country to begin questioning their teachers and local party leaders on their political orthodoxy and to start accusing them of rightist activity. Liu Shaoqi and his team were fast losing the battle. In July 1966, Chairman Mao wrote his own Big Character Poster entitled 'Bombard the Headquarters' which declared his support for the students and contained the famous slogan: 'To rebel is justified'. He also authorised the formation of hundreds of 'Red Guard' organisations. These young political fanatics



A 1966 Photograph of People in Beijing Burning
Old Literature and Cultural Objects

were encouraged by Mao to forcefully purge officials at all levels of the party and government in all of China. Education almost came to a standstill after all teachers, university professors and intellectuals were sent to do hard labour work in farms and factories. Historically and archaeologically important sites were earmarked to be destroyed. Thanks to Zhou En-lai's intervention, most of these were saved. With the logistical support of the PLA, a series of huge Red Guard rallies with millions of attendees were held in Beijing during 1966. Government offices throughout China were occupied by gangs of Red Guards declaring themselves to be 'Chairman Mao's little soldiers'. Government bureaucrats and politicians at all levels were called in for 'revolutionary self-criticism and struggle sessions'. Most faced humiliating public show-trials attended by thousands. Liu Shaoqi and other top rightist leaders were sentenced to solitary confinement. Liu later died of maltreatment in prison. Deng Xiaoping was exiled to a tractor factory in Manchuria. Others were simply beaten to death or committed suicide. Over 150,000 people were killed in incidents of mob violence from 1966 to 1968. Within a few months, the zeal and dogmatism of the Red Guards caused the movement to break apart into hundreds of factions. There was chaos and violence prevailing in China by the end of 1967. In many cities, local PLA commanders took control. In Shanghai, the entire party leadership was forced to resign by the radical workers' group. Madam Jiang Qing, Mao's wife, was powerful by then. PLA tanks and artillery were often used in support of the Red Guards. It became obvious to Mao that he could not let incidents like this continue without plunging China into a bloody civil war. In order to reduce the chaos, Mao ordered the Red Guards to disband in the summer of 1968. He sent the PLA into high schools and university campuses to restore order and crack down on radicals. In the following three years, almost seven million young people were 'sent down' in this way. At the Ninth Congress of the Chinese Communist Party in April 1969, the delegates declared the Cultural Revolution to be officially over. The Congress adopted a new Constitution that formally expelled Liu Shaoqi from the Party and named Lin Biao as 'Chairman Mao Zedong's close comrade-in-arms and successor'.

The shock waves from the Cultural Revolution continued to be felt at the highest levels of the party and government. The PLA was now the *de facto* government in most of China. Mao himself now had to be on his guard against a possible military coup. He removed Chen Boda from the office of Chief Party Theoretician and curtailed the powers of Lin Biao who was getting too powerful. It is alleged that Lin and his family and some senior officers from the Air Force planned to assassinate Mao and seize power in a coup d'état. Lin died in a plane crash while trying to flee from the country. Mao then purged away several hundred top military and party officials.

Mao's health began to fail after 1972, and he became less active in public life. Premier Zhou Enlai came to occupy the number-two position of power. His economic philosophy of pragmatic modernisation and economic incentives was very close to the ideas represented by Liu Shaoqi and Deng Xiaoping, but he had escaped censure during the Cultural Revolution due to his close association with Mao, his administrative competency and a carefully cultivated neutral stance. As leader of the State Council, he had essentially run the country by himself. From 1972 to 1976, a seesaw power struggle developed between Zhou's more moderate faction and the radical group led by Madam Jiang Qing. Zhou died in January 1976 and soon Mao himself died in September 1976. Premier Hua and the 'moderate' elements in the party arrested Jiang Qing and the 'Gang of Four' – the radical leaders associated with her within a month of Mao's death. After 10 years of turmoil, the Rightists had won. Hua proved he was unable to establish himself firmly as Mao's successor. By 1980, through clever manoeuvring and the backing of his supporters in the party, the administration and the 'professional' factions in the PLA Deng Xiaoping replaced Hua as the ruler of China.

In the end, it would seem that the Cultural Revolution, instigated by the Party's chief radical thinking, achieved nothing but chaos and violence. Certainly, no one wants to return to the days when ideological postures prompted mass mob violence.



China in 2011: Understanding Ground Reality – Part I

IN INDIA, FEAR AND SUSPICION about China is mainly due to a backdrop of the armed conflict of 1962. It is also the result of lack of contact between the people of the two nations. This kind of fear or suspicion of India is not seen amongst the Chinese people or by its press. Not many Indians have actually been to China or personally known someone from China. The Chinese are nothing like our biased news media makes them out to be. The few who have been to China will tell you that the Chinese, like Indians, are very friendly and far from being suspicious of us, they are just like you and me – nice people who love their families, work hard and are proud of their country. There is, of course, no need for us to blindly trust other countries including China, when it comes to national security and interest. We must, indeed, focus on not just strengthening our economy, but also our military, and do so with a quiet determination. This is how China functions to go from strength to strength.

We need to use the currently prevailing peace to concentrate on strengthening ourselves. One does not see the focussed and comprehensive attention that Chinese leaders give to developing China at a great speed, in our own governments – either at the centre or in various states. Our governance is almost chaotic and most of our leaders appear without a vision.

There is indeed, no need to create panic, when both our governments and leaders appear determined for friendly relations. They are

talking of growing cooperation, building mutual trade and resolving all our disputes through peaceful negotiations. If at all we need to debate over it, it should be to determine which of the two could be our trusted friend for a long time – The United States or China.

Today, fear mongering – a common media tactic to gain more eyeballs – if not discouraged, will hurt our interest more than China's. China is militarily stronger and to maintain a balance, we too need to strengthen our border defence as China does, but this is a matter a planned action and not a point for impotent debate on television which does little beyond creating panic. Some Chinese factions too seem to take India for granted and fuel distrust by making unwitting and ill-advised statements when they very well know that any military provocation or posture would hurt China badly and impede its pursuit of economic and social development. China can ill-afford to get into military conflict over the next few years at least; not just with India, but with any other country for that matter. This is the right time for India not to just chat away, but to act, to put our house in order and focus on inclusive development. The time is right to understand China and its current position and find common grounds for mutual good. There, indeed, is so much to learn from China, its amazing economic rise and its evolution from an agro-centric economy to a vibrant industrial one.

The Chinese political system is different from ours – but not as different as you'd think – if you consider its influence on day-to-day life. China is a completely different country in 2011 than it was in the 1960s and 1970s. Its government too has little resemblance to the one under Chairman Mao. Many may not know, but the common people in China, today, are as free as us in conducting their lives and in their choice of career, their workplace or their schedule. Socially too, they are as free as we are. They can shop, bargain and fight as we do. However, what they do lack is the freedom to vote in their leaders forming the government or criticise their policies. On the other hand, common people in India are not as 'free' as we assume them to be. Our leaders are very clever, they allow us to abuse them and simply ignore us as we bark about the injustice or over-bearing attitude of officials. Government servants seldom treat us like citizens of a free country. The *Raja-praja* (the ruler and the

ruled) relationship still prevails. We are still being ruled over like during the British times. 'The greatest trick the Devil ever pulled off was convincing the world he didn't exist'. We can say the same of our rulers of today. Try to protest on the street and be ready for a *lathi* (cane) on your head howsoever genuine your cause may be. The most recent example is putting Anna Hazare in jail on trivial grounds, when all he did was to merely demand a law enactment to prevent corruption.

The Western powers too have never been democratic or even humane in their early period of progress. When other world powers were moving up, they were forcibly taking over other people's land and resources by killing natives, destroying cultures and trading slaves. England, for instance, was the biggest drug dealer in history with its military enforced opium trade to China. The United States got its economic start on the back of the black slaves. The Chinese, for a change, exploited their rural migrants to offer cheap labour to lure multinationals. Some experts, in hind sight, feel that it provided apprenticeship and job opportunities to China's rural unemployed. The migration has also been a controlled one. Chinese authorities allowed only the workers to migrate, forcing them to leave their families behind in the relative comfort of rural homes rather than allowing the uncontrolled growth of slums as in Mumbai and other urban cities of India. Therefore, it was more humane than uncontrolled migration elsewhere. No one was allowed to live on the streets and employers were held responsible for housing and feeding their migrant employees free of cost. There was exploitation to some extent, but it was mainly by the employers rather than the policies of its government. Many people in India are not aware of this situation. In sharp contrast, one has to only look at the condition of migrants to cities like Mumbai or Delhi to realise how callous our own officials have been. Are these migrants not in a worse condition than Chinese migrant workers? The people ruling China actually look more humane than our leaders elected by the people.

In my opinion, the common people of both India and China are smart, hardworking and peace-loving, unless provoked. On the other hand, the neo-rich go-getters – the South Mumbai and South Delhi types – in both countries are taking to the American way of

life. They like to live in a world of fantasy, turning a blind eye to their surroundings. While poor and middle classes are developing, these people ape the Yankees and focus on gay marriages, live-in relationships and making money sans ethics. Luckily, the youth coming from modest backgrounds in both countries now understand the importance of learning. Armed with their cell phones, these well-informed young Chinese and Indian, men and women, focus on learning science, computers and acquire skill sets to choose from hundreds of new careers open to them in this age of information technology so prevalent in everyday life.

Today, China is just like any other emerging superpower. In this pursuit, it is leaving no stone unturned in consolidating its enviable economic progress and its global positioning by exerting its economic prowess to win over nations which are rich in resources. India would have done the same, if we too had focussed on good governance and more discipline. China will build its defence power, but its economic ambition will not allow it to get involved in a military conflict with any country. Today, like the United States, its defence equipment industry is primarily selling arms to other countries at war like Pakistan and making good profits.

Many readers may not be aware that there are severe critics of China amongst the Chinese, and they are vocal about their dissent. A recently published book, *China Dream*, written by Colonel Liu Mingfu, who is currently a professor at Beijing's National Defence University is based on the theme 'how China can displace the leadership of the United States after the global economic crisis'. The book is a strong criticism of China's present leadership, but I wonder if his views reflect the ambitions of the People's Liberation Army of China. There have also been other critical works like the 2009 published book titled *Unhappy China*, which, in fact, is far more critical. *China Dream* advises the United States to behave itself if it wants to avoid war. The author offers a strong critique of what he regards as the low status of the military and the corruption of the current political elite. On one hand, he is happy to align with the leadership by citing Hu Jintao's statement to the 17th CCP Congress as evidence that China will not be a hegemonic or expansionist power. Yet, on the other hand, he insists that great

military power still becomes a necessity to protect national security, uphold world peace and achieve unification. A country with a big economy and no military, he concludes, is like a plump sheep waiting to be picked up in the market. Liu adds his voice to those currently calling for a revival of China's 'militaristic spirit'. He then observes that this spirit has now degenerated due to the corruption of the bureaucratic political elite in today's China and the enervating lifestyle that comes with wealth and prosperity of some leaders. He talks of 'culture weakening' due to the powerful bureaucracy. Liu then goes on to quote a warning given by Mao Zedong in 1956 that the most dangerous time for China would arrive 40–50 years later, when the country would have to deal with the temptations of corruption, bureaucratising and great power chauvinism. He also cites Deng Xiaoping's concerns over the threat to stability posed by the growing inequality of wealth. As in India, anger over corruption and inequality is, of course, widespread in China. PLA newspaper, Jiefangjun bao in 2009 listed the problematic areas in which China stands number one in the world such as the number of its bureaucrats, the cost of government administration and the amount of public money spent by officials. He, in fact, openly blames the current CCP, saying that the founding generation of idealists has been replaced by a group of people who pursue their own material interests. Liu doubts whether a possible economic decline could be managed on the basis of growing inequality and corruption. He also argues that even the creation of a stable welfare system seems impossible when CCP cadres are working with 'two hands' – one to serve the people and the other to help themselves. One can see that, today, there exists a strong divide in the Communist Party of China between the Youth League and the Shanghai factions at the top level of the party. In some way, the status resembles India.

Today, some of the Chinese intellectuals are looking beyond the CCP for ideological inspiration. Sun Yat-Sen is now being mentioned as the National Father and his advocacy of Chinese racial superiority is being recalled. Here, one could also mention John Naisbitt's popular 'China's Megatrends' that predicts a vertical, one-party 'democracy with Chinese characteristics'. I would conclude by

saying that China's current passion is indeed to evolve a new kind of political system that is superior to US democracy.

I have found that people change their opinion about China once they visit it. There are many lessons we could learn from China like acquiring social discipline, building and maintaining a world-class civic infrastructure, etc., instead of becoming hapless victims of pride and prejudice due to targeted information campaigns unleashed by vested interests.

It is, indeed, true that China's focus on its economic and infrastructural development is hindering its social development. But we must understand that this is not unusual or any different from the course of developmental trajectory followed by the developed countries like the United States that came before it. Anyone who has studied US history knows that the industrialisation of the United States in the 19th and early 20th century saw the same exploitation of labourers – both black slaves and immigrants from Asia and Europe, environmental deterioration and lack of social development or social security net. There is reason why the Rockefellers, Carnegies and others of their ilk were nicknamed 'Robber Barons' – for their exploitation of resources. The United States also struggled with wide-spread political corruption during the same developmental period. Social development can occur only after society and government have been able to achieve a certain level of economic development which caters to the basic necessities of life such as food and shelter. Once this has been achieved, the demands of the populace would then push for and achieve the social development of labour laws, environmental protection, social welfare and protection of the less fortunate. This has been the course taken in every developed country including our developed neighbours like China, Singapore, Japan and Korea. Many believe that the social development of China would evolve in the next 10 years due to its already prevalent outsized middle-class.

Even in the case of corruption, people point out that in India and China, corrupt politicians tend to be upfront and therefore they get exposed. Corruption in America is different, since the United States managed to legalise corruption by legitimising bribery to politicians

and called it as campaign donations. Corporations are able to legally bribe politicians through lobbyists and trade associations, who not only contribute money, but arrange and pay for various favours to obliging Senators and Congressmen. In China, when and if caught, corrupt politicians die or vanish from public life. In India, on the contrary, they earn new respect!

A young Chinese who returned after working for long in the United States, and who now works in China has made some interesting observations about modern China. From the local municipal's slogans of the city and towns he visited, and the articles he read in local newspapers, he was convinced that the focus of the Chinese government is on domestic economic growth and the fortification of its central economic role abroad. China is clearly no longer passive in the game of global currency. It is utilising its large foreign currency reserves and surplus trade balances to derive maximum benefits by signing favourable trade agreements with smaller nations. One can see the foresight of the Chinese government in its modernistic highway network, reformed banking sector, advanced school and university education, vertically integrated manufacturing industry and the development of modern business districts, malls, hospitals, etc. This focus on development has spread all over China. He adds that this is benefitting the common citizens and they are participating in growing numbers in this economic prosperity. Mao's China had no foreign relations, but today, China has established relations with most of the nations of the world. All this has happened after it has experienced over half a century of devastating civil wars and foreign invasions which crippled the very core of the Chinese race. On this backdrop, when one sees China's growth from its 81st position with respect to GDP in the 1960s to the number 2 position in 2010, one realises the enormity of the success of its government policies and administration.

China began its economic adventure by opening its doors to foreign companies from the developed nations and giving them access to its readily available massive labour platform. Businessmen of the West, in their lust to obtain maximum margin out of their products, chose China to set up their production units. They did so because of lower wages and a strike-free productive

environment. It also enabled cheap supply of imported inputs by the formation of Free Trade Zones. Within a decade, thousands of foreign companies started production in China. In the process, Chinese got to learn for free the world's best manufacturing processes. This decision to allow 100 per cent ownership and profit repatriation to foreign enterprises allowed China to create almost 300 million new white and blue-collared jobs, helping them to engage their unemployed rural youth. The common man in China learnt the art of producing high quality goods. Labour exploitation has proved to be a *shagirdi* (apprenticeship) that has benefitted today's Chinese industries.

China's lapses in social development during this period need to be examined in this context. Elsewhere in the world such a development has never been created and perfected in so short a duration. The United States took over a century for the same. As in all modernising nations, industrial pollution is unavoidable. The United States has a few prime historical examples – the unimaginable pollution of lakes and rivers by Standard Oil in the late 1800s, where a single lighted match could cause a fire 'on' the lake or river, the year round smog resulting from industrial and automotive pollution in the central districts of California in the 1920s that severely damaged health and prevented visibility beyond 10 ft, not to mention other present day pollution catastrophes. Both India and China should realise that accelerated economic growth comes with a heavy price. No nation including the United States could avoid growth in pollution and high consumption of resources during its economic growth.

Human rights is the biggest and most threatening subject to, not only the Communist Party, but to the entire Chinese population as well. Somehow, I believe that its far-reaching consequences are well-realised by the present Communist leadership in China. It realises the potential rewards and dangers of democratic freedom, and one can see that it is taking careful steps to allow its people social liberties. Even though confined to the one party rule, rural level leaders are now required to contest elections. However, China is far away from being a true democracy as we understand it in India. If one privately asks Chinese friends, they say, 'One day, but not now'. Tiananmen Square of 1989 today looks like a piece

of history that the Chinese leaders would like to forget. A friend reminded me of 1970, when US President Richard Nixon told the National Guards at the Kent University, ‘Shoot to kill, no mercy for the pigs on campus’. Madness and recklessness are often found in the political history of the world. In India too, police atrocities are rather common. Flaws and proficiencies always co-exist, especially in countries with a sharp rich and poor divide.



Understanding Realities of China in 2011 – Part II

CHINA'S DEVELOPMENT BEGAN IN EARNEST in the 1980s with the government programmes focusing on the rural economy, specifically with programmes designed to encourage rural entrepreneurs. The architect of this rural-China-centric development was Deng Xiaoping. It was this visionary who primarily focussed on rural China. Deng Xiaoping's goal in 1976 was to set China back on the course of economic development that had been badly interrupted during the final years of Mao's leadership. Deng's rallying cry became the 'Four Modernisations', articulated by Zhou Enlai in 1975, which entailed the development of industry, agriculture, defence, and science and technology. The first task he did was to dismantle the communes set up under Mao and replaced them with the household responsibility system (HRS), within which each household must be held accountable to the state for only what it agrees to produce, and is free to keep surplus output for private use. In addition to this programme, which was an incentive for households to produce more, Deng encouraged farmers to engage in private entrepreneurship and sideline businesses in order to supplement their incomes. He believed that only by experimenting with alternative forms of production and entrepreneurial activity would China find the best path for economic development. Thus, began China's rural reforms that gave amazing boost to rural economy. Freedom to use land for better earning resulted in multi-fold increase in

agricultural production. This was his experiment with capitalist methods of production in agriculture. He was bold to say that it does not matter if a cat is black or white so long as it catches the mouse. It no longer matters if an economic policy is capitalist or socialist as long as it results in economic growth. Deng Xiaoping's worthy quote is 'practice is the sole criterion of truth'.

Deng also desired that leadership succession takes place according to legal guidelines rather than based on a personality cult and thus ensure that China has social and political order and is governed by 'rule by law, not by man'. By retiring himself, he showed the way by own example. But his rural focus on development was lost in 1989 when he ordered the military to move in and clear Tiananmen Square of those demonstrating for greater freedom of speech and press.

After that landmark event, the technocrats from Shanghai soon were heading the government in Beijing. They shifted the focus from rural China and concentrated on major programmes for urban areas, including massive construction projects and encouragement of foreign investment. Rural enterprises and their required informal and official funding networks were shut down. Although there was a proliferation of high rise buildings and massive construction projects like the Three Gorges Dam, Shanghai's Maglev or the 2008 Olympics, income growth, especially in the rural areas was negligible but for migrants' remittances.

Unaffordable fees led to increasing illiteracy and health care declined since hospitals like schools also became profit centres for local bureaucrats. There were many cases of appropriation of farmers' land and rapid increase in corruption. Rural folks soon found themselves falling behind the city dwellers. Party cadres' pay had rapidly increased and the number of this privileged class, members of the party, grew fast. Deng's success in rural development has also to be seen on the backdrop of the disastrous floundering that took place in Russia's efforts and India's lack of focus leading to slow growth for the first several decades till 1990. Post-Deng China too lost its rural focus but China continues to record impressive growth since Deng ensured earlier to move away from bureaucratic socialism of the worst kind like Russia and India has, to fast responding governance

focusing on market economy. This process of industrialisation is still going on by expansion in underdeveloped western China and other less developed areas.

The development so far has led to improved living standards, but also increased economic uncertainty and risks such as unemployment, deteriorating income distribution, health insurance with gaping holes and environmental deterioration. As is experienced in India, as wealth and pay increased, the productivity growth has declined or is, at best, flat unlike fast increase in early years. The policies of the 1980s by Deng Xiaoping were clearly given up in the 1990s by Jiang Zemin and Zhu Rongji. Later President Hu Jintao and Prime Minister Wen Jiabao have been trying to fix things. Unfortunately, they still have to rely on top-down commands and controls and keep a much larger bureaucracy happy.

I find that too many US business school trained economists and analysts have been overwhelmed by the vision of Shanghai's massive development without understanding the tremendous cost and waste involved and the penalties paid by the common people. They indeed point out that China's many challenges such as demographic, environmental, trade issues, etc., mainly seem concerned with one relating currency valuation issues with the United States. They worry that it will become increasingly critical and act as a source of growing tension in the Sino-American trade relationship. China indeed is not an open country when it comes to economic statistics. Many therefore doubt about its accuracy. For example, measuring its economic performance due to the ambiguity in its GDP; whether it is PPP-adjusted(?) or unadjusted.

When we look at the developmental challenges in China, we need to also look at its geographical background. Today, only 6 per cent of the population lives in its dry, mountainous west. The Tibetan Plateau occupies quarter of its land but has just 1 per cent of the population. The 2,900 miles long Yellow River is one of the great rivers of the world, but it runs dry since many years due to withdrawals. The Yangtze has 20 times the water of the Yellow River and the Pearl River six times! Allowing farmers to work for themselves on newly assigned plots at the start, since 1978, had proved the correctness of Deng's doctrine; when grain production increased manifold

even with a reduced workforce, since many have migrated to work in towns and village enterprises.

China, like India, has been under foreign rule for centuries and therefore personal family savings are a common habit. But unlike India, China has had remarkable price stability and limited inflation. High inflation has led Indians to spend more and save less. But in China low inflation has encouraged personal savings further. The government also tried to steer the economy towards labour-intensive manufacturing sectors where, unlike in trading, economic gains are shared by the working class too. During the period 1995–2005, China created 73 million new blue-collared jobs. According the Reserve Bank of India's report, during the same period the jobs in organised sector in India declined! China's such development strategies helped it to avoid inflationary pressures as supplies grew; it also prevented the economic collapse experienced by Russia, when state enterprises were suddenly cut off from financial support.

Taxation reforms were also very pro-growth. After 1990, a 17 per cent VAT was implemented, with sharing among local governments. This was primarily, the most important taxation regime implemented in China. One can see its wisdom by comparing it with India's complex multi-level tax regime imposed by the central, state and municipal governments. This indeed is one of the most important reasons for India's failure in developing its manufacturing sectors. India is struggling since more than a decade to move to a GST regime but is still not successful. Foreign direct investment policy of China that allowed global companies to begin 100 per cent owned manufacturing has paid rich dividends to China in many ways. Not only has it created over 200 million new jobs for its unemployed rural people but has also brought in work culture, which has given them high productivity gains and the right attitude for high quality production.

With employment opportunities in these multinationals and other foreign firms has helped China to reduce the workforce in its public enterprise employment by almost 50 per cent. The planner's vision is also reflected in the way extra-high interest rates were given on household term-savings accounts at the rate of the consumer price index (CPI) increase, in order to encourage savings.

An incredibly fast increase in industrial development, however, resulted in proportionally rapid environmental degradation. This is the biggest challenge faced by any country today. It is claimed that a major improvement in air quality has been achieved by a reduction in the household use of coal, with 80 per cent of the urban population now being given access to gas for cooking. China also eliminated leaded gasoline in 1999. Overgrazing of grasslands after the economic reform also encouraged farmers to grow more in the deserts of Inner Mongolia.

China's total holdings of foreign assets reached over USD 3 trillion by the end of March, 2011. This includes US government bonds and other institutional bonds, but excludes the reserves held by Hong Kong and Macau. These constitute the highest foreign exchange reserves in the world, the second being Japan, with just a third of China's holdings.

Just look at 2010 development statistics of China to appreciate (and may be, even feel alarmed) by its magnitude. China has 19 per cent of the world's population, but consumes 53 per cent of the world's cement, 48 per cent of the world's iron ore, 47 per cent of the world's coal and the majority of just about every major commodity. In 2010, it produced 11 times more steel than the United States.

China currently has the world's fastest train and the world's largest high-speed rail network. China is currently the number one producer in the world of wind and solar power and it currently controls more than 90 per cent of the total global supply of rare earth elements.

Mao, Deng and Bureaucracy in China

Chinese politics is also as incredibly complicated as India's. Many think that a small group of political leaders led by Mao and Deng in China, or a similar lot belonging to a ruling party in India, could dominate and rule their nations.

We, however, forget that none of them, including Mao or Nehru, could have ever ruled their billion plus people without a bureaucracy. Bureaucrats rule within an administrative framework, albeit, without

the people's mandate. To make them accountable, a nation needs to have a strong judiciary and a right for citizens to get their grievances redressed through a judicial process. Bureaucrats, however, also rule over the nation by issuing 'administrative orders' after interpreting legislated laws, which common people consider as laws. A few in India know that such interpretation of law in the form of administrative orders are challengeable in the court of law since they are not the 'enacted laws' by the legislative body of a state or the central government, but only their bureaucratic interpretation. Indians are lucky to have a judiciary that is independent and alert. In the single-party governed China, the Communist Party also plays the role of the judiciary, thereby making its government too strong and self-righteous. The bureaucracy is, however, the most important component of its governance. Look at what happened when Chairman Mao, with his staggeringly limited vision, decided to bypass the massive structure of bureaucracy that is essential to govern a nation effectively. China suffered heavily under Mao because he wanted to do away with bureaucracy. Indians too suffer under bureaucracy and I have experienced its vice-like grip over India. No reforms, no new ideas and no innovation in governance is possible since the established 'system' is too entrenched to bring about a speedy change. At the same time, it is certain that bureaucracy brings stability and continuity in governance. Mao's Great Leap Forward proved to be an immense human disaster, where 20 to 30 million human beings – primarily peasants – died of starvation due to his extremely misguided economic policies attempted by breaking away from an established system. The Cultural Revolution, wherein he tried to manage China by using unruly immature students and unemployed youth, naming them as Red Guards, was far more terrible and a bigger disaster than what one often reads. *Wild Swans* by Jung Chang gives us an excellent first hand description of the cruelty committed by the Red Guards during the Cultural Revolution. The post-1950 period looks interesting and intriguing when one tries to understand the aims that Mao set out to accomplish by bypassing bureaucracy and its painful outcome. To a large extent Deng Xiaoping undid it and adopted another set of policies within the same party and the same government. It is a fascinating study in contrast when these

two historical giants flung the nation at the diktat of new ideas of their own. They both, in their own way, set a stage for the rise of the Chinese Communists to create Chinese modern history and the themes which have shaped China in the 20th century. One tends to idealise and criminalise the characters representing ideology, but it is always better to look at them as the people they were, the conflicts they inspired with their motivations to drive the country in the bizarre manner typical of China through the last century.

Chinese Communist Party Today and its Role in Governance

China's communist party can be looked upon as an adaptable and resilient social network. It is made up of 75 million party members. One in 12 adult Chinese is its member today! They constitute a segment of elite of Chinese society that has no legal form beyond a mention in the preamble of China's constitution. But entry is restricted only to prequalified!

The party exists outside the regular state bureaucracy and operates like an unofficial controller of China's governing structures through party cells throughout the government, the military, public companies and even private firms. Through its ubiquitous presence in the state, military, public and private spheres, the party maintains its grip via a number of interconnected processes. Its personnel system allows any individual to be replaced, transferred or expelled at the will of the party leadership. The party control of the military provides ultimate coercive sanction. The party's discipline system places members above the law, even as it strengthens control of member behaviour. The propaganda department uses sophisticated story-telling to sculpt the narrative around events to conform to the party's best interests.

As an organisation alone, the party is a phenomenon of unique scale and power. It does more than just rule the country. The party not only has a grip on every aspect of the government – from the largest, richest cities to the smallest far-flung villages in Tibet and Xinjiang, but also has a hold on all official religions, the media

and the military. It also presides over large, wealthy state-owned businesses and exercises control over the selection of senior executives of all government companies, some of which are in the top tier of the Fortune 500 list.

Especially during the last two decades, few join the party for ideological reasons. Rather, achieving party status is akin to gaining membership into an elite club which, provided you stay within its unwritten bounds and contribute to the goals of the organism, gives a member a form of immunity from the law and other powers and abilities not available to the average citizen.

Corruption is endemic to any system. As in India, many party members are often guilty of something – from taking bribes, tax evasion to sexual impropriety and acting out of line. Members who are guilty are however are not necessarily punished for the real fault. Yet, simply knowing that straying too far would result in being punished for something entirely different is enough to self-censor unwanted behaviours, particularly the unwritten ones. Self-reflexive and analytic, the party is alert to the internal and external dangers it faces and has proven itself capable of responding to challenge with remarkable agility, creativity and effectiveness.

The party's peaceful and admirably achieved transfer of power in 2002 and its repeat in 2007 was an unusual event in over 2,000 years of Chinese history. Today's China is no longer ruled by a single individual; but instead, at its apex is a party committee atop an organism which permeates into the whole society. Later this year, in 2012, one will see how interchangeable the personalities at the top are.

A major mile-stone during the 10 years of Hu Jintao's leadership was the decision of the party to admit businessmen. This demonstrated pragmatic realism, where the party turns to proven entrepreneurs, who were at one time considered the extreme enemies of communism. Hu and his team did not just allow them to join the party but actively recruited them. Binding China's rapidly emerging entrepreneurial elites to the party provided benefits to both sides, allowing entrepreneurs more freedom from the stultifying strictures of state apparatus, while reinforcing and renewing party control on an element of Chinese society that may have come to threaten the party's very existence.

Prior to this, the shock of Tiananmen Square and the fall of the former Soviet Bloc caused a wave of realistic threat assessment and self-reflection within the party. Given the importance of the party in China and the growing importance of China in the world, it is imperative for us who deal with China to understand it better.

When it comes to the people of China or India one can see that both Chinese as well as Indians are remarkably industrious and capable of wealth generation, if given the opportunity. When Deng Xiaoping created one for the Chinese, the results are obvious for everyone to see. One just has to look at the way the Chinese and the Indian Diaspora have achieved grand success in numerous places around the world. Why didn't they do better at home? The fact is that they also did quite well in their own countries when situations allowed them to do so in the past few centuries and some more capable and lucky ones are doing so even today. As many in India often say, 'If entrepreneurs and professionals succeed in India, they do so in spite of the government'.

One thing is for sure: the political agenda of the rulers in both the countries in the 1970s and 1980s did not have economic prosperity or professional success of its people as one of their priorities. This political paradigm has changed. Private enterprises are succeeding in both the countries. The number of private US dollar billionaires is growing in both countries. The Forbes list for 2011 shows 115 (up from 64 in the 2010 list) in China, 36 in Hong Kong and 55 in India. But the rich and poor divide is increasing even faster. While we count our dollar billionaires with a sense of pride, one cannot but feel ashamed that billion plus people are getting short changed. In both the countries, the focus on economic growth, therefore, continues to be lopsided. Money-centric lifestyle of both the societies is taking its own toll in making that divide more acute. There is a need to ensure that the poor can live in dignity and get work as well as affordable shelter, food and healthcare. Neither India's Western-styled democracy nor China's Marxist Mao inspired one-party rule seem to be capable of delivering this in their foreseeable futures.

The demographic statistics, however, reveal that China has achieved far more success in poverty alleviation of its people than

has India. This has been possible because China took manufacturing as its central theme of development which created job opportunities for blue-collar workers with limited or no education. India, on the other hand, focused on service sectors since IT and IT enabled services like call centres created job opportunities for its literate unemployed. It helps to put good money in their hands that helped the growth of products for wealthy life style. But this approach did not create employment opportunities for the several millions of semi-educated, uneducated and unskilled youth in the country. They were left to fend for themselves through self-employment or whatever kind or beg.

The neo-rich business entrepreneurs and traders in both the countries are doing well. However, they seem to lack maturity and a sense of social responsibility, which are essential to the backdrop of poverty surrounding them. Lack of such sensitivity often leads to the fuelling of social divide and social tension since monetary wealth is overwhelming the noble virtues especially amongst this class. 'For money anything OK' is the mantra.

Both in India and China one finds very few amongst the wealthy, who wear their wealth with grace and modesty. Both nations also have many wealthy people making big money through widespread corruption. There was a time in both nations, when those citizens who were involved in self-less work and pursuit of knowledge enjoyed much higher social status than the wealthy ones. Both societies today have become money-centric and comprise of passionate consumers dreaming of an unsustainable American lifestyle. The social yield of economic growth in both countries is, unfortunately, poor.

One finds that regime preservation is at the top of the current government/party leadership's list of priorities in both countries. Inclusive progress of the nation does not appear to be of any particular interest beyond mere lip service. The political agenda seems to rather focus on ensuring preservation of the system of ruling party primacy and, one should add with it, their posterity and their children's prospects.

When it comes to civic behaviour, Chinese society overtly looks far more disciplined than that in India. The Chinese leadership

has very effectively used ethnic Chinese spread all over the world, especially the remarkably industrious and capable Chinese in Hong Kong, Taiwan and the United States to help China grow speedily.

The Chinese also used the greed of multinationals to get jobs for its rural unemployed as well as acquire in the process, world-class process technologies and production knowhow without spending a dollar. It has done so for over three decades and helped home-grown enterprises to learn the correct practices and thrive on exports. Manufacturing creates real wealth through value addition on the shop floor and product designing. Indeed agriculture is also product manufacturing. Both use raw resources and human labour to create a new value. This does not happen in trading and branding businesses which just moves money from one pocket to other.

The Chinese leadership also used this to build a strong SME sector that today employs over 300 million former jobless and uneducated people in a short span of three decades. SMEs in manufacturing and service sectors were encouraged to grow by providing the right subsidies. People are progressively granted more and more economic and social freedom but no political freedom. One must give full credit to the Chinese leadership for creating jobs, permitting incomes to rise and enabling hundreds of millions of Chinese to raise themselves out of a dollar-a-day misery. Even more praise is due to them for giving its people high-quality public infrastructure that is well-maintained and ever-expanding.

Let us understand why the Chinese currently prefer stability over democracy. One also needs to understand the impact of the immense change that Mao and his successors initiated on the thinking of the Chinese of today. One also needs to understand the evolution of this ancient and complex civilisation over the last 60 years. Thanks, however, to the Beijing-based rulers of the Chinese communist party, China still remains a mystery of sorts which help the world to speculate on its real intent.



India Versus China

Military Strength and Conflict Potential

SINCE MANY YEARS, INDIA AND China have been the two rising Asian powers with high GDP growth rate. Both countries have an ambition to sway the world favourably towards them and expand their geo-political influence. In this context, the two have been rivals. Today, India's military suffers from paucity of resources and its military expenditure is far smaller than that of China. Due to the 1962 armed conflict between the two, Indians are generally suspicious of China's motives. In contrast, the diplomatic relations are generally friendly and have been infused with pledges to resolve our boundary issues through negotiations. The Indian media, on the other hand, regularly highlight China's provocative military activities close to the disputed border. Their recent joint military exercise with Pakistan, close to the Indian border, has created further confusion about China's objectives. With no official explanation coming forth from China, these reports have fuelled the mistrust in the minds of Indians. As a result, China is gradually replacing Pakistan as our adversary, and building a strong military has become India's biggest priority. Why China is not forthcoming in easing this tension with an official reaction to media reporting is anybody's guess.

Actually both countries have a sense of pride for their technological achievements done without any crutches from the Westerners. Domestic development of nuclear technology for defence is a good

example of such pride. In 1964, China startled the world with a nuclear explosion in north-west China and India did the same a decade later in the middle of desert of Rajasthan. Both 1964 and 1974 events revealed the indigenous progress of nuclear technology and thereby affirmed determination of both countries to safeguard their sovereignty and independence. Both countries are proud of their nuclear achievements as well as their indigenous space programme and aerospace weapons. American and its Western allies accused both countries for overstepping the rules set by them but the underlying affront was a belief that India and China were incapable of developing advanced technology on their own. Both have been under foreign rule for several centuries and strongly wish to be militarily well prepared so that they can control their own destiny. While both want peace in the world, they want to do so from a position of strength and not by being meekly submissive.

While India is still focussing on enhancing its military power, China's military is considerably stronger than India's. One therefore cannot call it an arms race. Both nations are aware that China is way ahead in terms of its military hardware. Below is a reproduction of the 2011 report of The Central Intelligence Agency from the US Library of Congress regarding the military strengths of China and India. Please note that this ranking and comparison does not include nuclear competence and solely considers each nation's capabilities on land, at sea and through air. It also includes logistical and financial aspects if they were to wage a conventional war. It strictly excludes nuclear war capability.

As per this report, globally, China and India rank 3rd and 4th, respectively, after the United States and Russia. China's military expenditure is estimated to be USD 100 billion, whereas India's is just USD 30 billion. Many experts believe that the actual Chinese military capabilities and budget are shrouded in deep secrecy to prevent foreign countries from having an idea of its military might. It also helps China to create the strategic advantage of uncertainty. On the other side, India's official military expenditure of USD 30 billion is revealed in its 2011 budget, and is thereby more accurate. India, being a democratic nation, does not maintain a high level of secrecy as does China. Its democratic government system hinges on public accountability.

One should not, however, decide on the relative strength of military power, based purely on numbers and the amount of money invested by the country. Let us not forget that the mighty US army was totally contained, if not defeated in its war with tiny Vietnam or Korea. In a final analysis, it did poorly even in Iraq. The Indian Army Chief, General V. K Singh, rightly pointed out that defence forces are not evaluated merely on the basis of numbers. It depends more on other factors like morale, physical efficiency, courage and enthusiasm of the soldier. It is the men behind machines who win the wars and not the sophistication of military hardware.

It would also do to remember that there is a relation between the military power of a nation to its economic and social position. War with India is not a 'profitable' pursuit for mightier China because of its national economic status and its ambition to become the strongest economic power to overtake the United States. It may, however, be China's strategy to keep India preoccupied and nervously guessing over its cross border activities and profitable sale of arms to Pakistan.

Many experts believe that war with India, based on relatively unimportant border issues, is economically and socially futile for China. Arunachal is, indeed, not an emotional issue amongst the Chinese as Kashmir is to the Indians or Pakistanis. Tremendous technological progress and growth of personal communication has made Beijing worried about containing internal discontent. Focus on inclusive development, especially in formerly ignored west China, is its current preoccupation. This requires China to increase its global trade. The Chinese are well aware that India is the world's fastest growing domestic market. It, therefore, makes little sense for China to even think of a war with India based on relatively unimportant border issues.

We do not believe that any kind of China-India military conflict is in the offing for at least the next 10 years. Both need lasting peace on account of overlapping economic interests. The maturity shown by the current leadership of both nations by keeping in close communication, and their regular friendly overtures, also gives us confidence that both will deter any irrational behaviour that could lead to a clash. China's current economic interests and needs will guarantee peace. China is also aware that India would certainly be backed by America's overwhelming military might in case of any aggression.

It has a parallel in the China–Taiwan conflict that has never crossed beyond offensive postures in the last 40 years due to the potential intervention of the United States.

It would be worthwhile for Indian strategists to read Dr. Henry Kissinger's recent book, *On China*, published in May 2011. His book discusses India primarily in the context of the 1962 China–India military conflict. Contrary to all the analysis made by our political and military analysts, he states and justifies that it was India who provoked China to go to war rather than the other way round. Kissinger's assertion is based on his talks with Chairman Mao in the early 1970s. However, that is history, and therefore, best left behind, since today's China is a totally different nation from that of 1962. But what is revealing is his praise for China and his deep admiration for China's approach to international relations. Known as a master thinker and renowned for his diplomatic skills, he appears clearly in awe of China's strategic acumen. He portrays China as a country that consistently takes a long view of history is deliberate in its actions and persistent in seeking relative advantages vis-à-vis its adversaries – often when these advantages are imperceptible and well before its adversaries have woken up to the truth of their competition with China.

When it comes to strategy, Dr. Kissinger outlines how fundamentally different China's approach is in comparison to that of the Western world. 'A turbulent history has taught Chinese leaders that not every problem has a solution', Mr. Kissinger writes. Therefore, 'rarely did Chinese statesmen risk the outcome of a conflict on a single all-or-nothing clash; elaborate multi-year manoeuvres were closer to their style. Where the Western tradition prized the decisive clash of forces emphasising feats of heroism, the Chinese ideal stressed on subtlety, indirection and the patient accumulation of relative advantage'. He adds, 'In contrast to the Western approach of treating history as a process of modernity achieving a series of absolute victories over evil and backwardness, the traditional Chinese view of history emphasised a cyclical process of decay and rectification'. While forming our own policies on China, this book would be of a value akin to learning from our very own Chanakya. Many Indians often argue that China's unparalleled economic progress is on account of its single-party autocratic governance and make a cloak

of it to cover up our failure in achieving progress by moaning about our chaotic democracy. Dr. Kissinger tells us otherwise. According to him, China has been blessed through the centuries with traditional custodians who looked out for the country's interests above all else. In contrast, a majority of our elected representatives lack the wisdom and vision to even understand what one means by national interest and honest nation building though they are indeed street smart and cunning enough to understand self-interest.

Globally, China seems to follow the United States in encompassing a wider vision and becoming a responsible stake holder in the international system by having positive, cooperative and comprehensive international relationships in the 21st century. The Chinese have considered the current Indian assessment that China – not Pakistan – is India's priority military threat. The Chinese have consolidated its troop strength in the border and stepped up military aid to Pakistan. China has recently justified this stance as a response to India's getting arms from the United States and Russia. It is giving mixed signals, but it would be in India's interests to continue 'engaging' China. For the next few years, China's focus would be on economic development. So while China may take provocative postures, it indeed, cannot afford any military confrontation. India should use these years to concentrate on real inclusive development, improve its governance and strengthen its defences. China has made claims on territories belonging to India, whereas India has no such claim. Therefore, if it ever attacks India, China will be considered as an aggressor, winning no sympathies in the 21st century world. The Chinese are also aware of this fact.

Finally, let us take a look at our relative positions in strategic nuclear defence and delivery systems. China's People's Liberation Army (PLA) is miles ahead of India's nuclear forces. The PLA's stockpile is estimated to have 400–600 active nuclear warheads. In comparison, India's strategic nuclear force is estimated to have stockpiled about 70–80 nuclear warheads. As of 2006, the most powerful warhead tested by India had a yield of 0.05 megatons, which is quite small compared to China's highest yield of 4 megatons. India's nuclear delivery system consists of bombers, supersonic cruise missiles and medium-range ballistic missiles.

Agni-II, India's long range deployed ballistic missile is capable of a range of 2,500 km, carrying a single nuclear warhead of ~1000 kg. In stark contrast, China's nuclear delivery system is far more capable with multiple warheads like DF-5A [12,000+ km] and DF-4 [7,500+ km]. It also fields submarine launchers like JL-2 [8,500+ km] and strategic fighter bombers like Su-27 Flanker in its nuclear delivery arsenal. India's supersonic PJ-10 BrahMos developed jointly with Russia is the fastest cruise missile with a top speed of Mach 2.8 (~ three times faster than US' Tomahawk)

Economic theory teaches us that incentives drive decision making by a nation or an individual. In case of India, a democracy with no serious military adversary, its militarisation drive is often overshadowed by internal militancy issues and political struggles. In case of communist China, it has a powerful military adversary in the United States; the conflicts over Taiwan give China a strong incentive to beef up its military defence to counter the US military might. The situation is much similar to that of the Soviet Union versus US Cold War, albeit on a much smaller scale. The end result is that of China walking far ahead of India in military might with an overpowering superiority, if both conventional and nuclear forces are taken into account.



Economies of India and China in 2012: Growing Concerns

China

It is hard to obtain authenticated data concerning China and its economy from a third party. Going by what the Americans watching China say, there is a lot of red showing in China's so far enviable pink economy. Is it the jealousy of an economically endangered West or is the China miracle indeed showing signs of faltering? A GDP growth of 9.1 per cent in 2010 gives a feeling that the economy is in enviable shape, albeit a lot slower. However, there are some signs of concern with the government beginning to apply brakes on lending in order to tame high inflation. Even more disturbing is the news that in cities like Wenzhou entrepreneurs have found themselves hopelessly indebted so much as to run away and some even committing suicide.

The recent concern of these China observers is triggered by the sharply dropping home prices in China during the last quarter of 2011. The fall is sharp, being 35 per cent in November alone. Is there a risk that it would spin out of control? My Chinese friends, however, demur, saying that the US experts seem to be waiting for China to face some cataclysmic event that would bring it to its knees. They are confident that China would deal with it by scripting out new moves, calmly and strategically, as it always does.

China's real estate bubble is a hot private debate in China. The US economic disaster of 2007 had its roots in skewed real estate financing. So naturally, the sharp and sudden drop in real estate prices in

China and its spread in several cities in the last two months would attract global attention. Will this real estate meltdown in China affect the world economy adversely?

When we look at real estate investments in China, one can see a parallel in India. Investment in real estate is largely out of the private profits of real estate investors and also from undeclared black income of the business community and politicians both in China and India. The rich consider it like investment in gold or precious jewellery. It is a place for them to lodge their black and white money considered safer than government backed local currency. I have been seeing ghost apartments and commercial properties all over China since the last three years as I have been doing so in Mumbai. Interestingly, in spite of these unsold properties in the urban areas in both countries, local people cannot afford to buy a house. Charles Lane wrote in the *Washington Post* of July 2011 that women in China are highly reluctant to even consider marrying men who do not own their living places. A typical young married couple in China would need to save their entire income for 12 years to afford a 600 square-foot apartment. This is not a healthy situation. In urban Indian cities, the situation is far worse. I was thinking about Mumbai, as I read his description of Beijing's spanking new shopping malls and other retail developments everywhere, but on closer inspection, no one actually seems to be living or shopping in these sleek new edifices. People call them 'see-throughs' in China. He reasons that China's property boom is only partly driven by what you might call 'real' factors: changes in policy two decades ago which allowed buying and selling of residential real estate, massive urbanisation, the rise of a middle class and so on. This is no different than in India. He confirms that in China too, like in case of India's rich, real estate is just a place for wealthy to park their cash. He quotes Patrick Chovanec, an American business-school professor in Beijing, saying that apartments in China serve the 'store of wealth' function that money performs in more advanced financial systems. Some people own ten or even a hundred apartments! With no property taxes or other associated costs, it is perfectly rational in China to buy and hold an empty concrete box in the sky. His comment that hot money has started to flow into jade and gold, reminded me of the

amazing number of gold jewellery stores sprouting in cities all over India. Traditionally people in both countries make their long-term investment in gold since both people have limited trust in those who govern the country like in the West.

Another similarity between India and China in this entire real estate business, with regard to the role of the local government, is indeed striking. Like our state governments, Chinese local governments too make money in land sale or granting various permissions. Naturally, the local government officials in both countries have a vested interest in an endless upward property price spiral. At least the central government in Beijing has been talking about cooling property prices for the last three years, but that too has had little effect. So it is clear that this real estate bubble both in India and China is quite unlike that in the United States. This bubble would, largely, not affect the national economy as it did in the United States since a lot of this investment is unaccounted one way or other.

However, a few major events that have transpired in 2011 in China need to be considered carefully. Everyone has been witnessing the gradual tapering of China's decades of consistent economic growth. Economic data also supported this trend as its trade surplus decreased from its 2008 record of USD 298 billion. China's USD 3.2 trillion foreign reserves have been falling in recent months despite the trade surplus. The Chinese, however, pursued a conservative fiscal policy even as the Euro zone crisis hit the world and China faced its own housing price crisis. By deliberately undervaluing its currency, China avoided any major crisis, which economists call as the 'soft landing'. The People's Bank of China has cut the reserve requirement for lenders for the first time since 2008 to ease liquidity strains. Chinese stocks too are flashing warning signs. The Shanghai index has fallen by 30 per cent since May. It is off by 60 per cent from its peak in 2008!

In fact, some visualise that the investment risk is not only in China but in all BRICS (Brazil, Russia, India, China and South Africa) countries. Albert Edwards, strategist at Societe Generale says, 'The BRICS are falling like bricks and the crises are home-blown, caused by their own boom-bust credit cycles. Industrial production is already falling in India, and Brazil will soon follow'. He worries

that China has so much spare capacity that they would start dumping goods, risking a deflation shock for the rest of the world. He also fears that it would also devalue the Yuan in 2012. 'It is risking a trade war', he said.

A recent *Economist* article states that the Richie Rich in mainland China are a worried lot, fearing that they could lose it all suddenly. Many also fear losing their political patrons soon, when China's communist party would anoint a new generation of leaders. So it seems that they are seeking newer havens like Macau for their money and their families. According to a report, about 14 per cent of rich Chinese say that they have already left the country, or are filling out paperwork to obtain a foreign passport. Another 46 per cent are considering one of these steps. A recent report by Bank of America and Merrill Lynch warned about the destabilising effects of 'hot money' speeding out of China this year. The government in Beijing is closely watching the flow of money through Macau. Many of the rich Indians too have become NRIs or have investment companies in tax heavens like Mauritius. Besides experts estimate that ₹65 lakh crores of ill-gotten wealth earned by Indians is stored in Swiss banks alone.

According to R Vaidyanathan, Professor of Finance at the Indian Institute of Management, Bengaluru, the average amount stashed away by Indians in offshore tax havens between 2002 and 2006 was USD 136.5 billion. 'These illegal funds lying in tax havens are not just related to the issue of tax evasion. It is capital flight from India and part of a corrupt nexus between politicians, bureaucrats and corporate companies', says Vaidyanathan.

Analyst of the Chinese economy, Charlene Chu says, 'The reality is that China's economy today, requires significantly more financing to achieve the same level of growth as in the past'. Construction firms reported that unsold properties had reached USD 50 bn. It has now turned into 'a spiral of downward expectations'. Meanwhile, the slowdown is creeping into core industries. Steel output has already buckled.

Dr. Victor Shih is an expert in Chinese politics and economy at NW University. In his 'Global Post' article in October 2011, he pointed out that the government public debt level in China is 80 per

cent of GDP, and if we include the state owned enterprises (SOEs), it is at a staggering 150 per cent of GDP; put together, almost as high as a bankrupt Greece! He confirmed that the government is now arranging new loans to cover their old ones.

While being concerned about the problem, he expressed that it is just a systemic problem in view of the size of China's entire financial system. He pointed out that there are over USD 11 trillion in China's banks and the lending is local, which can be dealt through money supply. He pointed out that many countries including the United States do print money these days as a way to deal with financial difficulties like, say, bailing out their financial institutions. He added that China constantly enlarges its monetary base which causes persistent inflationary pressure and the Chinese people would bear the impact via growing inflation. He also added that 'shadow banking' by loan sharks happen everywhere when banking system rations credit. There still exists a large and quite vibrant private sector in China, he added. Scene in India is no different.

China has the world's largest foreign exchange reserves, and so strictly speaking, they have the money to invest in whatever sort of bailout scheme Europe may come up with. But the Chinese leaders are very careful while funding due to long-term consequences. Looking at its substantial contributions to the IMF; soon, one might see China getting a higher voting share in the IMF. This would enable China to use IMF, as the United States and Europe did, to meet its own strategic goals. Indeed, the Chinese economy is still pink, even though paler by several shades.

Marc Faber, the editor and publisher of the *Gloom, Boom and Doom*, told CNBC during the middle of May 2012 that '...it is China that poses the biggest risk to the global economy'. He adds that China's economy depends largely on capital spending, which tends to be volatile and has a strong multiplier effect on the economy. Slowdown in China could have a painful impact on global gross domestic product growth since China is now the single largest contributor to global economic growth according to the IMF. China's contribution to global economic growth over 2010–2013 is expected to be 31 per cent, up from just 8 per cent in the 1980s. Faber added further that since late last year some sectors in the Chinese economy

have already been in a recession. Data so far in 2012 have indicated that China's economy is slowing, but not crashing. Some experts point to other economic indicators such as electricity output and rail freight for signs that China's economic slowdown is much more severe than the GDP numbers.

Add to that another risk to China's social capitalism that is currently surfacing for the world to see. It is about the recent political upheaval caused due to Chinese human rights and democracy activist Wei Jingsheng episode and the sacking of Chongqing Party chief Bo Xilai as well as the marginalisation of Zhou Yongkang, head of the Political and Legislative Affairs Committee (PLAC) and member of the Politburo Standing Committee. It seems China will now need to face the growing strength and boldness of the left-ist members and the Chairman Mao's followers in the Communist Party of China. It is not uncommon for one to see Mao's portraits in urban taxies and in rural homes. Patriotic songs from the times of the Cultural Revolution are still sung spiritedly in many parts of China. Such visible and uncommon events in Chinese politics and the growing economic disparities between the neo rich and the poor in China become a global concern. One has to remember that just 25 years ago, unlike India, everyone in China was equally poor. Economic risks arising out of this discontent look remote but it is indeed one more reason for the world to worry about China's future.

India

India's story, however, looks far more worrisome than China's as seen in May 2012. Last year China consumed eight times the steel and that indicates the relative speed of the growth of infrastructure and manufacturing industry in China as compared to India. Steel is a vital raw material for both. Even the energy consumed was six times that in India in 2011. Besides China's GDP growth is predominantly in manufacturing whereas India's is in services. As a result, in 2011, China's GDP growth is 9.2 per cent compared to India's 7 per cent. One popular past time of the elites in both countries is counting their dollar billionaires! There were 200 in 2010 in China while India had

its 69. Good news for the rich in both countries but growing number of billionaires does not solve the problems of the billion plus souls in both the countries. The benefits of development reaching the poor and the extent of country's social development expenditure are more appropriate yardsticks for gauging the real development. The leaders of both the governments have been rightly voicing their concern about the inclusive growth, but China seems to be doing far better for its people than India. For instance, China has spent nearly USD 200 billion on the public health while India's budget was a mere fifth. One index of such public healthcare is life expectancy of people. In India it is 10 year less than China's 75. India needs to remember that unless they are careful, the gap between India and China will keep widening in terms of values of most social indicators of living standards such as life expectancy, infant mortality rate, mean years of schooling, the coverage of immunisation. 97 per cent of Chinese children are immunised with DPT vaccine in contrast with India's meagre figure of 68 per cent. Prime Minister Man Mohan Singh has already expressed his anguish that India still has many malnourished children despite being the fastest growing economies of the world.

As explained in detail in this book, in the field of research and development too India is much behind China. In 2011, 12.3 per cent of residential patents registered in the world is from China. As against this, just 0.2 per cent share of India should be a matter of worry for India's policy makers in the field of science and technology. In 2013, China will send astronauts to the moon and also replace abandoned space station of the United States with its own. India too has shown great progress in space research but it still lacks the kind of government support with funding that China provides.

China's economic and industrial prowess has enabled it to overtake every other country during the last one decade. Foreign companies are still flocking to set up their plants in China. In terms of competitiveness India ranks 50, whereas China is at 31st position. Only in one very important area India scores strongly against China and that is the domestic consumption. It actually is not far off from that of China's.

India needs to take some corrective steps to contain its galloping inflation and also its growing unemployment. Other critical negative factors for India's economy are its inflation and its 50 per cent higher unemployment rates than China's. India's credit rating is BBB, whereas that of China's is AA-. This is one reason, why India's overseas funds withdrew a net USD 380m in 2011 compared to record inflows of USD 29 bn in 2010.

Not only does China have net foreign assets of USD 2 trillion but also the foreign exchange reserves of over USD 3 trillion. Against this, India's reserves are only USD 314 billion as at the end of 2011.

Dr. Kunal Kumar Kundu, a senior economist at Roubini Global Economics in Delhi says that 'at the end of the day, it was all about attractiveness of the market. Remember, even Indian investors were now more prone to investing outside of India than they were within India, given the various issues they are facing – policy paralysis and corruption. India needs to pull its socks especially by the policy makers and politicians'. Today at least concept of the flying elephant appears to be a myth.

Writing in India's *Business Standard* newspaper in May 2012, the well-respected economist Rajiv Malik wrote about the exasperation of Indian and foreign business groups pressing for the government to swiftly implement major economic reforms and formulate a coherent strategy to deal with its mounting problems. What provoked everyone was the sharp drop in its currency value against the already weak US dollar; from ₹44 to a dollar to ₹55 in the last six months. Another well-respected news paper, the *Hindustan Times*, warned soon thereafter that India will face a Greek-style debt crisis unless the government took firm action to rein in its fiscal and current account deficits. It further commented that 'increasingly the sense is that the government simply lacks the political capacity to make tough decisions'. Let us see if the self-proclaimed 'accidental politician', Dr. Manmohan Singh, can reign India's faltering economy and put it on its promised fast track.



CHAPTER 32

‘India Plus China’ to Make the 21st Century Asia-centric

THE PEOPLE’S REPUBLIC OF CHINA and the Republic of India are not only the two most populous countries of the world but also make for two of the fastest growing economies of the world during the last two decades. They are increasingly acknowledged as important growth engines of a globalised economy. China has been growing with nearly double-digit rates since reforms in 1978 and today, it is ranked as the second largest economy in the world. One of the greatest receiver of FDI today, it is only a matter of time before it surpasses the United State’s elevated global position. Much that has been written about China or believed about it is not updated. China is changing extremely rapidly and, therefore, let us first look at the current status of China in relation to India as of 2010.

2010 Economic Status of India and China

Starting from 1980, India has been generating an average real growth of 6 per cent per annum, and has constantly surpassed the 8 per cent threshold since 2003. Unfortunately, India’s progress has been much slower in spite of being head over shoulders above many other countries. The relative sluggishness is revealed by the fact that in 1980, the per capita income of Indians was twice that of the Chinese, and in 2009, it was the other way round!

Making an in-depth study and analysis of the economy of India and China is a very challenging task. Their economies are influenced by a number of social, political, economic and other factors. Currently, the economy of China is much stronger than India. While India is the eleventh largest economy, China occupies the second position surpassing Japan. Compared to the estimated USD 1312 billion GDP of India, China has a GDP of USD 4909 billion; 3.75 times higher. India's per capita GDP of USD 1124 is just 15 per cent of China's USD 7,518. To compare the two, let us look at the economic figures of both the countries.

If we analyse the India vs. China economy, we can see that there are a number of factors that have made China a better economy than India. Initially, India was under the colonial rule of the British for almost 190 years. This drained the country's resources to a great extent and led to huge economic loss. Contrarily, there was no such instance of colonisation in China. Instead, it was an integrated empire for the first 100 years followed by self-rule, albeit there being economic chaos for almost three decades till 1978 during Mao's rule.

The fast-developing economies of India and China and their huge domestic market of two billion plus have made them an extremely important destination for global businesses and investors. Many of

Table 32.1 India and China Economic Comparisons for the Year 2010

Status in 2010	India	China
GDP	USD 1312 billion	USD 4909 billion
GDP growth	8.90%	9.60%
Per capital GDP	USD 1124	USD 7,518
Inflation	7.48 %	5.1%
Labour force	467 million	813.5 million
Unemployment	9.4 %	4.20 %
Fiscal deficit	5.5%	21.5%
Foreign Direct Investment	USD 12.40	USD 9.7 billion
Foreign Exchange Reserves	USD 2.41 billion	USD 2.65 trillion
World Prosperity Index	88th position	58th position
Mobile Users	842 million	687.71 million
Internet Users	123.16 million	181 million

us believe that over the next few decades, these two countries will redefine the future of the world. We, at the India China Economic and Cultural Council (ICEC Council), therefore, centred our theme on 'India plus China'. Bill Gates always said, 'Think of "China and India" and not "China versus India"'. The knowledge age emperor can't go wrong. In this money-crazed era, the richest American in the world is spot-on in his deductions.

Agriculture forms a major economic sector in both the countries. However, the agricultural sector of China is more developed than that of India. Unlike India, the cultivation and storage techniques used in China are very much developed. This leads to better quality and higher yield of crops which can be exported. One of the sectors where India enjoys an upper hand over China is the IT/BPO services export. English language predominance in education and low-cost educated labour force has been responsible for this success. However, the IT industry of China is huge, while India has almost negligible hardware manufacturing industry in both telecom and IT sectors. India's earnings from the BPO sector alone accounts for USD 49.7 billion in 2010, while China earned USD 35.76 billion. Seven Indian cities are ranked as the world's top 10 BPO hubs, while only one city from China features on the list.

In spite of being a socialist country, China started working towards the liberalisation of its market economy in 1980, whereas India liberalised in 1990. On the other hand, India has been slow in focusing on development as sharply as China, partly because of its democratic system and partly due to successive weak coalition governments at the centre. China has strongly welcomed FD I and private investment ever since the 1980s focusing mostly on manufacturing. This has made a significant difference to the advancement of the economy and increase in GDP.

China has a highly developed and very well-maintained infrastructure. Other important factors that have helped China to leapfrog ahead of India, is its manpower and labour development, water management, healthcare facilities and services, communication, civic amenities and so on. India too has developed during this period, but its economy is still plagued with problems like poverty, unemployment, lack of civic amenities, etc.

In terms of the Western yardstick, Indians as individuals, have great managerial skills and management abilities. As compared to China, India has better managed private companies. China, on the other hand, had foreign companies manufacturing their goods in China. It was not the Chinese per se – but the export products made in China by foreign companies – which drove their economy till the mid-1990s. Private Indian companies are shrewder and have expanded internationally through the mergers and acquisitions route like Tata Steel's USD 13.6 billion acquisition of Corus, Tata Tea's purchase of Britain's Tetley for USD 407 million, Ranbaxy's acquisition of Romania's Terapia, etc.

As the two nations celebrate their 62nd year of diplomatic relations it would be prudent to note that for nearly half that period relations between them were very cold, if not extremely hostile. It was only in 1988 that relations turned progressively cordial, after Premier Li Peng invited Prime Minister Rajiv Gandhi of India for a state visit. Relations have evolved radically since then. Today, the two countries have rather complex relations – cooperative, competitive and even distrustful to some extent. Serious issues like an unresolved border dispute, rather poor social, cultural and institutional interactivity and unsaid rivalry in respective global roles have fuelled antagonism. It is, however, important to recognise that even economic growth is determined, to a large extent, by socio-economic factors of a society and by determinants that go beyond the economic sphere.

Current Status of Bilateral Relations

Three aspects of the India–China relationship are crucial for a manifestation of its mutually beneficial future.

- Foremost of these is the state-to-state diplomatic relations. Indian and Chinese leaders seem to agree that mutual relations have to focus on working together for peace, progress and shared prosperity. The Joint Communiqué signed on December 16, 2010 by the Prime Ministers, Hon. Dr. Manmohan Singh and Hon. Wen Jibao highlights the will and readiness of both sides

to elevate the partnership to a higher strategic level covering political, defence, social, economic and cultural as well as developmental cooperation. While state-to-state relations remain friendly and cordial, unfortunately the general mood in India is a volatile mix of suspicion, fear and a certain grudging admiration for China. Obviously, good relations have had something to do with the ever-booming bilateral trade; growing from a mere billion US dollars in 2001, to nearly USD 60 billion in 2010.

- The second aspect of bilateral relations relates to military relations, and here, mutual cordiality and trust is sorely wanting. Military-to-military relations are especially weak. There is a wide trust deficit between the two civil societies and between the security machineries of the two countries. Indian media, senior leaders and political observers highlight the growing assertive military policies of China in the Indian Ocean. They also voice concern about the China–Pakistan relationship and pending disputes about sharing water resources. Coupled with these is the genuine concern of many economic observers regarding trade imbalances in favour of China.
- The third aspect of mutual relations is about people-to-people contact. Today, unfortunately, civic society interaction between the two does not match economic growth. Interpersonal contact is minimal and limited to buyer–seller relation. There is little by way of relations amongst professionals of the two neighbouring countries. This dearth is speedily influencing the general mood of the people, especially in India.

Maintaining cordial and healthy bilateral relations between any two countries needs multilateral contacts and communication. The state-to-state interaction, limited to diplomatic exchanges, needs to get strongly supplemented with mutually beneficial business joint ventures having a satisfactory two-way trade, cordial military relations and most importantly, wide and deep interpersonal contact.

Civic societies should have good cultural exchange, social interaction as well as regular exchange programmes amongst professionals from both the countries. What is sorely missing between India and China is vital people-to-people and institutional

interactivity. Today, there is a need to make concerted efforts for greater institutional interaction, which is almost completely missing. This needs to be addressed on priority. Universities and think-tanks from both countries need to meet and interact more often.

Association between India and China could be a great success as history reveals many striking similarities between the people of India and China. To review this more elaborately, evolution of culture in ancient Asia centred on interaction between man and nature. The unique environment of the region made these cultures equally unique but similar in many aspects. Even though they developed in isolation, both showed admirable and remarkable realisation of being just a small part of the environment by not attempting to overpower nature. Both cultures are indeed conditioned by the physical world but their attitude towards life is amazingly similar.

Topographically speaking, both China and India have big land masses though China is considerably bigger and naturally more isolated. People of both countries exhibit a unique bond with the soil. Agriculture kept each country bound to its soil. Limitations of resources and relative ease drove them to take up farming. Natural barriers to communication led to the emergence of an assortment of cultures, subcultures and spoken dialects in both countries.

Physical barriers isolated both countries from the rest of the world. China is bound on all sides – unfathomable seas to the east, a high Mongolian Plateau to the north, some of the largest deserts on earth to the north-west and the Himalayas, the roof of the world, on its western border. India, on the other hand, has its vast northern plateau sandwiched between the Himalayas and the Vindhya Mountains. The Indian peninsula is surrounded by three oceans on three sides. These natural barriers isolated them almost completely right up to the end of the first millennium, after which, both were traumatised with repeated invasions by Western powers.

In spite of their separate evolution, even a cursory look reveals that Chinese and Indian cultures are very similar. Both have agrarian character. These are cultures of harmony, coherence and continuity. A well-known ancient Chinese rhyme eulogising daily life in China reveals the similarity of the two cultures: 'Rise with the sun to work, retire with the sun to rest. Farm the land for food, sink a well for

water. What has heaven got for me?' Another maxim by Confucius is also revealing: 'The knowledgeable love waters, the benevolent love mountains; the former are active, the latter tranquil; the former enjoy a happy life, the latter a long life'.

Both cultures are basically congenial and not too ambitious, unlike the outward-looking and adventurous cultures of Southern Europe and the Mediterranean. Both civilisations intrinsically believe in peace, and living an uneventful life attuned to nature. Even proximity to the sea manifests differently here. A self-sufficient farming culture in both countries brews conservatism and satisfaction. Both societies are prone to fatalism due to dependence on the unpredictable and often treacherous weather and watch the heavens to nourish their crop.

Rivers have been key lifelines in both these countries. The two longest rivers on earth, the Yellow river and Yangtze river, flowing from east to west are cradles of Chinese civilisation. Of equal cultural importance are the Ganga, Yamuna and Sindhu rivers in north India and the Krishna and Godavari in south India. Even today, in spite of being in the Information Age, the rural life in both India and China are very identical. Both rural societies are inward looking, tolerant and frugal in habits. Life for the common man has been one of hardship and tolerance. Currently, urban India and urban China may have taken to a Western lifestyle, but rural life in both countries remains unchanged and attitudes as well as aspirations are similar.

Unfortunately, in spite of these similarities, Indians and the Chinese remain isolated geographically by the Himalayan range. Communication between the two is non-existent due to totally different forms of languages used in speaking and writing. Consequently, a civic society interaction is absolutely lacking. Common citizens are unaware of the similarities of problems and aspirations. The similarity, however, is clearly reflected in the way Buddhism appealed to both and spread so rapidly in China in the final years of the first millennium. Even today Gautama, the Buddha, and his religious teachings are a strong cultural link between the two.

The time is ripe again for the two nations to work together, taking advantage of modern technology not only to serve the Western world, as we do today, but to bring about the 'China-India Combine' at the

economic and cultural centre of the world. Currently, the growth in world trade is being evolved through flagrant propagation of a Western lifestyle. All of us are collectively responsible for it. It would be a pity if we fail to exploit our ingrained social similarities for harmonising our civic life of tomorrow built on the common aspirations of our rural masses and shaping them more consistently within a ‘Knowledge Society’, and concentrating on a nature-friendly daily life for both our people. We could create an exciting alternative to the consumer-driven society propagated by Western nations. This world will create a market for products supporting the new pan-Asian lifestyle.

It is clear that even globally there are business opportunities for products that address the needs of the mind more than the body. Both of us then will have a variety of products. Our cultures themselves have become products due to the fast-growing disillusioned and confused Western elite. Both have to contend with far more pressing problems like rural poverty on hand. The challenge is to develop a sustainable and comfortable rural life sans hardships. We could work together to harness modern technology that would support our ancient wisdom and heritage.

Indians and Chinese Suffer from Communication Gap

In spite of living in the exciting ‘Information Age’, Indians know little about modern day China, and the Chinese in turn are totally ignorant about Indians and their prevalent cultural and social life. Popular culture reflects the wide communication gap. In a sense, the two remain in complete cultural isolation. The status has remained the same for over thousands of years. The Chinese and Indians are unaware of the striking cultural similarities and family-centric social system they share.

However, unlike in India, the common man in China carries no distrust nor has any bias against Indians. He does not view India as a threat. Like an oasis in a desert, I find Raj Kapoor and his *Main Awara Hoon* still remain our best cultural ambassadors. This link excites the

Chinese to get friendly with us even to this day! The people-to-people exchange between India and China is indeed improving, but there is still no comparison with Sino-US or Indo-US relations. People-to-people interaction can be enhanced by constructive engagement. The Raj Kapoor magic worked much before the Information Age dawned. It did so because of the social content of his art, which appealed to the common Chinese. India has plenty more in its culture that will tell the Chinese that Indian society has striking similarities with theirs.

Given the growing interest in each other, it is important that relations between the people of India and China, and the social and cultural exchanges between them emerge as one of the most important happenings in the world.

What does 'connectivity' mean in the context of India-China relations? In my view, it is not just pertaining to physical infrastructure connections, information and communication technology or trade, commerce and tourism linkages. While these form the bedrock of India-China connectivity, to me, connectivity must include interpersonal contact, which comprises of interaction, not just limited to diplomatic or business matters but between a wide cross section of society such as leaders, people's representatives, officials, intellectuals, academicians, scientists, media personnel, artists, cultural experts, youth, children and many others to form a web of relationships that will buttress India-China relations in a substantive and sustainable way.

As such, diplomatic and business connectivity must be reinforced with that between artists, professionals, agricultural and social scientists. Such interactions and dialogue are necessary for the India-China partnership to blossom to its fullest. As Indian Foreign Secretary Nirupama Rao has rightly said, 'India and China have learnt lessons from the ups and downs experienced in the 60 years of bilateral ties'.

It is time we consolidated these experiences and formulated a stable bilateral mechanism that will encourage people-to-people relations. The India-China friendship should be based on growing understanding amongst millions of Indian and Chinese families and people from various walks of life. The Indian and Chinese

governments have often talked about people-to-people contact; cooperation in education sector, cultural diplomacy, etc. but it is long overdue for both administrations to walk the talk.

Socio-economic Characteristics of Indians and Chinese

Economic development of the two giants, and differences in pattern of growth, make it worthwhile to study the underlying socio-cultural characteristics of the two. Both countries introduced economic reforms since the 1980s, but the post-reform differences are attributable to cultural values, the social capital and the existing social networks in the two countries. This indeed, seems to have decided their respective international competitiveness. Some social scientists believe that China's cultural heritage tends to favour modern economic development more than that of India. They say that the values of Chinese Confucianism emphasise the importance of education, integrity, assiduousness and mutuality which are virtues conducive to economic development. On the other hand, Hindu culture claims divine salvation, promotes individualism and undermines the yearning for material wealth and economic success, as well as the accumulation of savings.

The caste system limits the freedom to choose and blocks ways of social advancement. Both countries, however, fear foreign cultural influences largely rooted in historical experiences of long foreign occupation. India's failure in developing manufacturing prowess like China is, indeed, due to its pluralist society, besides a lack of focus in framing policies, administrative inadequacies, its archaic infrastructure and official logistic impediments.

As a result, Indian entrepreneurs focused on educated labour in service sector, whereas those in China went deeply and extensively into manufacturing, using its educated rural youth to form a formidably productive blue-collared workforce. China's homogenous society and the hierarchical political system helped in creating common national targets. 98 per cent literacy in China helped it to promote positive values and norms conducive to economic progress.

India would do well to remember that access to education and knowledge will be the most crucial issue in economic politics of the future. The wide-spread use of English in India and an efficient legal system are conducive for global business but confusing policies and uncertain logistic support to businesses negates most of these advantages.

The World Value Survey in 2001 shows that while 87 per cent of the Chinese evaluated globalisation as predominantly positive only 54 per cent of the Indian respondents were of the same opinion. Talking about competition, 90.4 per cent of the Chinese and 55.7 per cent of the Indians evaluated it as being predominantly advantageous. Actually, in both countries, the family is the elementary social unit, and often, family includes caste grouping in India or a rural unity in China. Indians have a sense of community that results in lack of civil culture. In China, the Han-Chinese are the state-carrying element with a population share of over 90 per cent. In addition, there is a uniform spoken and literary language, and Confucianism dominates spiritual life. Its social networks are also limited to family and '*guanxi*' – a close network of personal relationships. The social networks in both countries are characterised by a tight circle of trust which does not go beyond family and friends.

This creates a fertile ground for corruption. In India, this is enhanced due to a pluralist social structure and layers of entrenched bureaucracy. A lack of confidence in public institutions further adds to the problem.

Long-term Orientation

Both political and social structures of a society are crucial for the development of a common national vision. In complete contrast to China, India has at no point in history been a unified country under one leader. India, therefore, has to struggle to articulate a national vision, whereas the same was self-evident for China. In China, the political structure is hierarchical with the communist party placed at the apex of the pyramid.

India, on the other hand, is a parliamentary democracy with strong federalist structure. Thus, it is obvious that it is easier for

China than for India to pursue long-term political goals where about 12 parties form the governing coalition, and the next elections could very well bring about a government with completely different economic and political targets. The concentration of power on a very small sector of the population dilutes the hope for rapid democratisation. This also limits the role of the newly developing Chinese middle-class, which could be the harbinger of pluralism, liberalisation, and thus democratisation.

The Way Forward

Indeed, the India–China connection and relations are on an upward trajectory, given the benefits and opportunities created by a rapidly increasing bilateral trade, but there are inadequate efforts to expand it in the social and cultural sectors. Both governments need to make concerted efforts to ensure that impediments to a broader people-to-people contact and unhindered friendly interactions are removed.

China has settled its border disputes with most of its other neighbours through negotiations. For people in both countries, this remains the single most important reason for mutual distrust and fear.

The boundary between China and India was drawn by the British and needs to be freshly delineated. Robert Frost, in one of his poems, says it all: 'Good fences make good neighbours'. Almost all confrontations between the two hinge on this singular issue. If not handled properly, the road ahead for both could prove to be not as smooth as expected.

India and China together, need to build an Asia that will drive global economy in the decades to come. It is essential that besides our governments and business communities, civil societies of both nations need to bridge the gap socially and culturally. If this could be achieved, our partnership is destined to succeed in more ways than we have ever envisaged. Let us remember the words of Mahatma Gandhi: 'As human beings, our greatness lies, not so much in being able to remake the world, as in being able to remake ourselves'.

Anti-China sentiments, fuelled by the Indian media and utterances of some high-ranking leaders and officials, are indeed, not

helping us cultivate a friendly atmosphere for the growth of bilateral ties. Nothing has stopped India from competing and addressing its national concerns about China by strengthening itself economically and focusing on its defence readiness. Endless media commentary and empty words cannot help make India strong. It will merely sow the seeds of distrust between the two countries.

Another grudge harboured by India is regarding China's close friendship with Pakistan. The China–Pakistan relationship is historically older than the currently budding friendship with India. The Chinese surely know the deep significance and importance of its friendship with India. To maintain a peaceful external environment, China feels the need to build closer ties with India. In that sense, China's influence on weak Pakistan could prove to be useful for India to ensure regional peace and stability. There is a need for us to analyse the situation pragmatically.

In this context, China's chief fear about India relates to a belief that India is a part of a grand US design to encircle their country. It feels that it is 'evidenced' by the US–India Civilian Nuclear Agreement. This encourages China's desire to 'trip' India before the military asymmetry begins to close in. India feels threatened by China's 'string of pearls' strategy and its increasing adventurism in Aksai Chin and other border areas. Further, besides this distrust about Indo–US relations getting cosier, China may also be concerned about India's future economic growth, specifically since China's GDP growth rate is expected to decline in the near future, while India's is supposed to steadily rise. As a nation, India is perceived to be a young nation, whereas China is rapidly ageing.

Endless debate has time and again reinstated the equation between the two emerging superpowers. A meaningful transition for a better tomorrow is possible if we resolve our differences and infuse renewed dynamism into a very strategic relationship.



Chinese Leadership Needs to Revisit Its India Policy

Current Status of India–China relations

Bilateral relations between nations, in today's shrinking world, are decided by a much larger and complex matrix largely guided by perceived military threats of the future. Strategists in their chess game see enough uncertainties to create a variety of alignments to justify their predictions to national leaderships. Till the early 1990s, India remained non-aligned, but since the post-Cold War era, especially during the last decade, New Delhi has been gradually moving away from its traditional position, relationships and policies in the international arena. The India–China relationship gets complex because the 1962 armed conflict still looms large especially on the minds of a majority of Indians. Media too has enough arm chair 'experts' to keep the pot boiling. Add to that the current global resource competition. Many countries in the 'US camp' indeed have many reasons to keep alive prevailing Sino–Indian cleavages and tensions. This is similar to Henry Kissinger's US strategy during the Cold War to keep China and the Soviet Union in conflict by nursing Chairman Mao's ego. Due to these tensions with China and vested foreign interests, many Indian pro-US strategists still hold onto a vision about a showdown with the Chinese and try converting the fears of Indians into animosity towards China. Fortunately, leaderships of both the countries are working towards closer cooperation and display mature statesmanship that takes the two towards closer friendship and maintain direct communication between top

leaderships in New Delhi and Beijing. India's foreign policy is however far more visible than that of China. Unless the Chinese leadership takes positive steps to dispel the fears of the past conflict and supplement their diplomatic efforts to develop friendly institutional ties involving civic societies, the prevailing tensions cannot be wished away with mere friendly diplomatic overtures. It is clear there is an unseen shadow of PLA (Peoples' Liberation Army) ideas in China regarding its global positioning as the only global super power and this indeed affects the Sino-Indian ties. On account of this lack of clarity and 'social' silence on the part of China, India seems to have no option but to step up its military build-up in spite of being weaker than China today. On the other hand, there is a distinct military dogma of the United States towards China that affects our relations. The United States considers China as a threat to its interests in Asia. The United States since the last few years is wooing India. Some even fear that the US strategy is to fight its possible war with China on Indian soil. Since the United States indeed has fought all its wars in foreign lands, away from its mainland, this observation seems to have merit. Nuclear India is therefore what the United States may like. India's build up therefore sends unintended signals to China, adding to the misunderstandings. Chinese strategists are certainly anxious about the 'crescent-shaped ring' that the United States is planning to encircle and contain China. In that context, China also worries about whether India would be a part of this ring. Moderates in China however think that it is unlikely and India will not align with the United States in military matters. Fortunately, the Hu Jintao government and official think-tanks are pushing for a softer and non-confrontational foreign policy line. In spite of this, the mistrust between the two will likely persist. 'China threat' is however often over-hyped and is often just perspectives dished out by strategic analysts. Today the media has a big role in building China's image in the Indian mind. Since the talk of conflict has better news value, such views make for better viewing than by highlighting the balanced views of the government and other experts.

China's lack of transparency in stating its policies often leads to misperception. To create a win-win situation China must not get overconfident of its power even though it is today militarily much

stronger than India. Hardliner Chinese leaders should give up the historical belief that military power is the ace in their policy pack. They should remember that the United States lost almost its wars since the Korean War in spite of a vastly superior fire power. India too has changed and moved way ahead from 1962. Indians may severely criticise their government but the spirit of India amongst its people is as strong as spirit of China amongst the Chinese. Dr. Manmohan Singh's government is for peace and development and that does not mean that it is weak. China has a lot to gain by being a friend of India and the two together would bring mutual benefit – and create a win-win relationship.

Confusing Signals on the Backdrop of Current Friendship

Chinese leadership, we think, is not really forthcoming in their bilateral policies with India. On one hand, they extend a cordial and friendly relationship with India – with regular visits of their President and Prime Minister to India, write 'Friendship Documents' and resolutely commit to resolve the border issues strictly through negotiations, etc. On the other, however, they are seen to be active across the border line, building roads and other infrastructure as if to get ready for a possible military confrontation. Occasionally, they make provocative statements about Arunachal Pradesh to make Indians feel concerned about China's real motive and become confused about their intentions. One can understand that the Chinese wish to regain the land that they believe is a part of China – according to the borders drawn during Mao's time and even earlier when the British drew the McMahon line. The question is whether they will, or whether they can, afford to indulge in waging a war with India or do so as they did half-heartedly in 1962. The world, as well as China, has changed deeply during the last 3–4 decades. Today's China is nowhere near Mao's devastated China of the 1960s and 1970s. One can see that China has other important global ambitions and fighting a war of any kind will hurt that objective. At least for the next few years armed dispute in China is impossible.

We have to keep in our mind the fact that both India and China have never shown any imperialistic ambition in their long history unlike the Mongols, the British and the French. China, indeed, would have no interest to engage militarily with India. They therefore have repeatedly pledged to resolve border issues only through negotiations. There is no reason therefore for them to provoke Indians with such military buildup across the border. If the news of that build-up is untrue, there should at least be an official denial of such news reports from their Indian mission. China must remember that such press reports are leading to suspicion amongst all Indians. If there indeed is a build-up one wonders why China needs to do so in absence of any provocation from the Indian side. Why act in a way that will hurt its economic ambitions as well as its commitment to a harmonious and peaceful world?

Chinese must realise that there are countries in the West that would try and undermine China's friendly relations with India. These countries would want to fuel the mutual distrust between India and China and they would therefore effectively use the past armed conflict to keep the pot of suspicion boiling. Historical records show that the 1962 conflict itself arose out of an egoistic official approach in resolving border issue from both the sides. Times have changed dramatically during the past 60 years and so have the leadership ambitions. Both governments are focusing on rapid economic development and dealing with rural poverty. Both know that this is no time for war.

Let us take China's recent joint war games exercise with Pakistan just 25 kilometres away from the Jaisalmer–Bikaner districts of Rajasthan along the international border. This obviously has not gone un-noticed in India. For the first time, Chinese troops have been detected along the western border. According to information from intelligence sources, China is extending all possible help to Pakistan militarily. This is more than just arms sale business that China does today like the United States, France and the United Kingdom. It is reported that after assisting in oil and gas exploration in Pakistan, China is now working in close cooperation with it in India's western sector, providing Pakistan with tank upgrade technology and unmanned air vehicles (UAVs). This could, indeed, prove to be a dangerous build-up for India. If Chinese leaders desire to be a friend

of India, then why this silent provocation? Is it to prove that they are militarily stronger? These actions sans any official clarification do not match the official talk of friendship.

By making these unwise moves, which appear clearly anti-Indian, China is unwittingly pushing India to get closer to the United States. It should realise that an 'educated India' is developing increasingly closer cultural ties with the United States on account of its proficiency in English, spread of Western culture, lifestyle and entertainment through electronic media and a burgeoning Indian population in the United States. On the contrary, China is failing in encouraging civil society interaction between the Indian and the Chinese people except at the governmental level. It does not encourage interaction between the common people. Fast-growing bilateral trade has created significant business tourism but leisure tourism between the two is far from satisfactory in spite of the fact that both have huge tourism potential. India too appears too cautious as compared to China in issuing visitor's visas to common Chinese, even businessmen. China continues to isolate itself with media control. If at all China desires closer relations with India, it should be very active in improving its cultural ties with India rather than being satisfied merely with growing bilateral trade.

Both governments should remember that money and business involve just the rich, whereas culture involves all people. There are huge similarities between Indian and Chinese traditions, cultural beliefs and rural lifestyles – but little is being done to exploit them by developing people-to-people contact. Television – the cultural melting pot – is being ignored completely. It is not just some diplomatic initiatives but civil society interaction that will help these two great Asian nations to develop and sustain enduring friendship.

Asia-centric World Needs Close India–China Friendship

In my personal opinion, it is better for both India and China to be together and have much closer ties. India's closer association with the United States is, at least partly, a reaction to China's apparently uncertain India policy and its lack of openness. Chinese leadership

should recognise this before it is too late. A growing number of Indians, who prefer closer friendship with China than the United States, are getting worried and losing faith in their leaders. If China desires that India and the United States should not get closer, it will have to visibly prove this with positive action and openness.

It is in China's long-term interests to work towards an 'India plus China' theme rather than an 'India versus China' one. It is high time that its leadership amends its policies and gets away from its engagement with powerless and chaotic Pakistan, and instead build stronger and open ties with India. Unbalanced trade in its favour is another aspect that needs rethinking of its import policy because this imbalance is partly due to China's import restrictions on certain types of merchandise from India. China should see that such trade unbalance will not provoke India too to get restrictive.

If these irritants are removed, for India, China would be a preferred friendly neighbour. This is the best way to prevent India from being a part of the US camp. This, some of us are sure, will hurt India by getting caught in the race for economic and military supremacy between the United States and China. Some of us also fear that United States looks at India as a buffer state in its probable military confrontation with China. The United States would prefer that its battle with China be fought from Indian soil. Incidentally, it has always fought all its wars including World War II, on foreign lands. Indian leadership should ensure that we do not get caught in the cross-fire of a possible nuclear war between these two ambitious military powers. Let that war be far away in the Pacific.

Let me borrow from a recent *NYT* article by Prof. Tarun Khanna at Harvard Business School to make my point. He finds that there are some telling signs of economic rapprochement between China and India. He observes that in Gurgaon, near Delhi, home for ever-growing call centres, people feel surprised to see groups of young Chinese rushing off to their workplaces in software companies and manufacturing facilities. This is extraordinary since there were no Chinese in Gurgaon just a couple of years ago. The only Chinese one met were Hindi speaking ones running restaurants that serves Indian food with Chinese names; almost! One can see these Gurgaon's Chinese in the evening with Indian friends.

During my visits to China, I too meet many Chinese who have been to India and uniformly all of them carry a good impression about Indian people and have pleasant memories. Khanna goes on to state that a similar scenario is unfolding in China. The Chinese do not find it unusual to see Indians in Hangzhou, the centre for India's software companies in China. Hangzhou, in any case, is familiar with India since centuries. In the 5th century AD, a Buddhist monk from India built the Lingyin Si Buddhist temple there. One can see a rock inscription of the 'Om' symbol, an invocation in many Indian prayers.

It is time that Indian and Chinese people are made aware of the forgotten history of Chinese-Indian cooperation. More than 1,500 years ago, a sizeable Buddhist translation bureau was set up in Luoyang in western Henan Province, at the mouth of the Silk Road by the Emperor Yang. Prof. Khanna goes on to quote Dr. Tansen Sen, a Sinologist in New York, who points out that 'Translation often involved up to four people. One reciting the Sanskrit texts, one translating, one scribe and then the fourth proof reading. It was very ritualistic, involving big entourages of monks that were housed in monasteries, and survived on patronage, both from merchants and monarchs'. It was indeed China-India joint venture of the time.

He also points out that P. V. Narasimha Rao as well as Atal Behari Vajpayee, our Prime Ministers, searching for economic links to China, started their tours in 1993 and 2003, respectively, in Luoyang, where Buddhism first arrived from India to China. The Chinese Prime Minister, Wen Jiabao, and President Hu Jintao, in subsequent visits to India, alluded to centuries of Buddhist interaction then and now software. The Chinese in India and the Indians in China represent the beginning of an economic rapprochement that might well offset decades of animus. Admittedly, there is still ample suspicion. And it is true that each country will continue to flex its military muscle as it seeks to protect its borders and indulges in newfound economic confidence – China's blue water navies, India's nuclear weapons. But the main story is the growing entrepreneurship in both countries, and the recognition in both countries that they can help each other develop economically.

Prof. Khanna points out that the Sino–Indian relations are now based on corporate rather than religious ties. China’s telecom equipment giant Huawei taps into hundreds of software engineers in southern India, and India’s Mahindra and Mahindra combines design expertise from Nasik in western India with efficient manufacturing in a plant in Nanchang in China, to ship tractors from Phoenix to Houston to Harrisburg, Pennsylvania. India’s National Institute of Information Technology (NIIT) runs dozens of software training programmes across the length and breadth of China. In the ultimate irony, the state-owned oil and gas enterprises of both countries are learning to cooperate in their search for energy resources around the world, shifting the focus of historically warring countries to economic cooperation. He sums it well by saying that China and India, as they accumulate power and influence will work together rather than hurriedly borrow from the West.

Nations interact on two planes; diplomatic relations maintained by their governments and social and cultural interaction between its people through cooperation between their institutions, their artists and tourism. Presently therefore there is need to develop greater social and cultural interaction between the two countries.



China, India and the United States

A Tangled Triangle

AFTER THE COLLAPSE OF THE Soviet Union, relations among countries in Asia have undergone a dramatic change. During the Cold War, Indo–US relations were rather estranged. The United States did not approve of India’s non-aligned policy, close relations with the erstwhile Soviet Union and its tensions with Pakistan.

On the other hand, the United States had a containment policy towards the Soviet Union and a strong alliance with Pakistan. It is only during the last 20 years that this situation has progressively changed due to some corresponding strategic, economic and political interests of India which emerged after the end of the Cold War. Today, the United States and India have moved from being ‘estranged democracies’ to ‘engaged democracies’. This, of course, has a lot to do with adjustment of the US strategy and policy towards India as well as South Asia and the Asia–Pacific.

In Asia, China has emerged as a new, strong economic and military power that can challenge US hegemony. India too has emerged as a strong regional power though in no way comparable to the other two. The growing strengths of China as well as India are evinced by their impressive economic growth, the development of nuclear arsenals and their expressed ambitions seeking to influence world

affairs. While China's role as an economic and geo-strategic player is more widely recognised, it is only now that India has established itself as a regional competitor who needs to be taken seriously.

For several decades now, the United States has had an unprecedented military presence in South Asia and the Asia-Pacific region. China has never been comfortable with this US supremacy in its waters. Americans have always been conceited of their historically unparalleled power in the region, and would never want erosion of their global position. But its speedy economic decline since a decade and its deep trade engagement with China have created big problems for the United States.

Since 2003, it has fought wars that distracted it from its economic problems and wasted trillions of desperately needed dollars in fighting wars that did little else but spoil its image in the world community. The US Congress and its president are now in a gridlock; the American system appears to be in deep trouble. However, even today, strategically and militarily, the United States indeed remains a super power that cannot be challenged even by China.

Since the summer of 2010, military tensions between the United States and China have begun to rise in the western Pacific. China indeed is using multi-billion dollars of its commercial profits from its export trade to United States, Europe and other nations to fund its war machine. This, many believe, is to face the US military challenge arising out of American domination over the Asian and the Pacific sea routes.

It is said that Beijing has a plan to establish its maritime predominance from Korea to Indonesia. In August 2010, when the United States conducted naval exercises in the South China Sea, Beijing's official *Global Times* responded angrily: 'The US-China wrestling match over the South China Sea issue has raised the stakes in deciding who the real future ruler of the planet will be'.

The US Pacific Command chief has claimed that the United States is mindful of Chinese 'assertiveness'. His report to the US Congress mentions that Chinese military modernisation is an attempt to deny the United States an access to Asia by acquiring ballistic missile capability to hit giant air craft carriers of the United States stationed in the region. This is the latest twist to the

United States–China trans-Pacific disagreement among others like North Korea's nuclear ambitions and US interests in Taiwan.

Long ago, America adopted the Monroe Doctrine to project power in the western hemisphere. Now, it is China's turn, as it believes that it has a right to its own sphere of influence in the Asia–Pacific region. After all, it is said that East Asia has been Sino-centric for several thousand years. China, therefore, will not give up easily. This, some believe, will lead to a war-like confrontation.

At least, it would be an arms race between the two. China's enormous military build up may some day, provoke the United States for a show down. The United States may even think of war. After all, it did go for a war with Iraq due to the alleged 'Weapons of Mass Destruction' and are now planning to start another one with Iran. There are some analysts who say that the United States needs to revive its 'military industrial complex'.

US defence contractors, the Pentagon and some of its Congress men would push for it, since they have huge influence on US foreign policy. Many in the United States have often voiced that China has developed offensive nuclear, space and cyber warfare capabilities. Chinese preparations include development of the powerful Long March V booster rocket, which has launched five satellites since the beginning of 2010. China has a well-laid out plan to have its own network of 35 satellites for global positioning, communications and reconnaissance capabilities by 2020. All this certainly rattles the current super power and will not allow it to keep quiet.

The United States too has plans to build a new digital network of air and space robotics with advanced cyber warfare capabilities and electronic surveillance. By 2020, the Pentagon will launch a three-tiered shield of space drones – reaching from the stratosphere to the exosphere, armed with agile missiles, linked by a resilient modular satellite system and operated through total telescopic surveillance. So, some of us fear that there is a good chance that some kind of conflict between the United States and China may happen sooner than anticipated.

In the mean time, remarkable changes have taken place in the United States–India security relations in recent years. These changing relations would have a great impact on China's security

environment. China already has a complicated security situation in South Asia and the current leadership of China recognises the importance of its friendship with India. In spite of some hiccups, China is careful to maintain friendly relations with India by having close diplomatic ties. Besides this, its rapidly growing bilateral trade too demands that the relations between the two remain friendly. China fears that the United States will push the situation and try to pull India away from China.

China's Strategic Moves

Since the US aggression of Iraq in 2003, the Chinese leadership is convinced that some form of confrontation with the United States could come earlier than expected. Therefore, it began to fine-tune its domestic and security policies to counter the perceived threat from what it calls the US neo-imperialism.

China, since that time, seems to be putting more emphasis on boosting national strength and cohesiveness. That is why both, President Hu Jintao and Premier Wen Jiabao said way back in 2004 that Beijing must pay more attention to global developments so that 'China makes good preparations before the rainstorm ... and be in a position to seize the initiative'. Wen Jiabao told in one of the State Council meetings that the leadership 'must keep a cool head and must boost our consciousness about disasters and downturns – and think about dangers in the midst of safety'.

China also firmed up its plans to build up strategic oil reserves along with that of industrial raw materials. Interestingly, since then, China keeps in mind 'the synthesis of the needs of war and peace' while building its infrastructure. All road and other infrastructure plans thereafter have been planned keeping requirements of the defence forces in mind.

The presence of the United States as if it is an 'Asian' power disturbs China like nothing else. Some of us feel the threat that India would one day get sucked into the incipient global rivalry between the US hegemony and its challenger, China. So far, India has been careful in maintaining cordial relations with both China and the

United States without reference to the proximity or otherwise with either power. For example, India not only exercised its military regularly with the United States but also has had two rounds of exercises with China. However, some of us see that though not alienating China, India is indeed leaning more towards the United States.

To some extent, China has only itself to blame, for pushing India away by several of its provocative postures and utterances which do not befit its friendly overtures. The Chinese very well know that India recognised the new Communist-led government of China in December 1949, regarded Taiwan as a part of China, and criticised the United States for its official stance against the People's Republic. In January 1951, India was the only non-Communist state that voted against a US sponsored resolution in the United Nations (UN) General Assembly, which labelled China as an aggressor. Then, like a bolt from the blue came the 1962 border conflict.

For the next 26 years, the two turned their backs to each other; diplomatic relations were severed by India. It was Rajiv Gandhi who went to Beijing in 1988 to start afresh India's engagement with China in spite of some local resistance. Then Vajpayee upgraded it in 1993 by raising the border talks to a higher level with the National Security Adviser heading the Indian team. Dr. Manmohan Singh set in motion bilateral trade that over the years resulted in China becoming India's largest trading partner with a trade volume of USD 62 billion in 2011; up from a mere USD 1 billion in 2001.

Even then, India cannot forget that during the 1971 India-Pakistan war, the United States and China jointly supported Pakistan. (Is the word 'jointly' really necessary? Of course both supported Pakistan, but they did not consult each other for this stance of theirs. Both the United States and China would not like the word 'jointly'.) The United States, in order to threaten India, had sent its Seventh Fleet into the Bay of Bengal. India also believes that the United States was guilty by omission of ignoring China's actions in actively building up Pakistan's nuclear deterrence against India through the 1980s because both China and Pakistan were US allies in fighting the Soviet Union in Afghanistan. Indians also cannot ignore that soon after India's nuclear tests in 1998, the United States and China issued a Joint Communiqué to condemn these.

Today, if India seems to be closer to the United States during the last one year, part of the reason for this development is due to China's provocation. China has not behaved in a way that would make the average Indian feel friendly towards it. Most recently, India cancelled a few confidence-building military engagements with China because of it not granting a visa to India's Northern Army Chief.

China's attempt to derail a USD 2.9 billion loan from the Asian Development Bank meant for water projects in Arunachal Pradesh, its discreet lobbying against India's access to nuclear technology and material at the Nuclear Suppliers Group meeting in Geneva in 2008 or minor irritants like stapled visas to Indians from J&K were made 'Breaking News' by the Indian media.

After all, the Indian press is not like the state controlled media in China. The free press is India's strength. One wonders why China creates such irritants if indeed it does not want to push India away from it. China has also made no attempt to allay the popular Indian fear about its 'string of pearls' strategy to encircle India. Bad press is a weapon in India, and if China desires to build good will amongst Indians it should avoid such provocations. Maintaining mere cordial diplomatic ties are too bureaucratic and certainly not enough. China must understand that India is a democracy and that its people are far more important than its handful of diplomats and politicians.

Such misjudgement by China about India makes a good opportunity for the shrewd Americans to encash upon. After all, the Yankees are experts in exploiting the media machine to their advantage. Let us not forget that the United States has culturally invaded the world including India and China and sold their materialistic lifestyle, making its branded luxury goods more essential than even water! This cultural invasion is more deadly than a military one. Young Indians and Chinese today feel barefoot without a Nike, thirsty without a coke, hungry without a Mac and naked without a Levi. (This is a good one. I like that.)

The American media also adds fuel to the fire, to add to the Indian doubts regarding China. It promptly publicised the Pentagon report that China has moved CSS 5 Medium Range Ballistic Missiles to Tibet. (If this is true, was Indian media sleeping? Certainly this won't be the only occasion when events in South Asia get publicised first in the Western media.)

Its press added to these fears with an observation that China is encircling India by constructing ports in the Indian Ocean that could potentially have military use later. This has proved to be great fodder to further enhance the India–China friction. In one sense, China’s silence confirmed the validity of the news. One also wonders why China made an issue out of the meeting of the Indian PM with Dalai Lama, or the visit of its defence minister to Arunachal Pradesh. Till the border issue is under negotiation, such provocation is therefore uncalled for.

China continues its relationship with Pakistan in such a manner as to provoke India to doubt its intentions. For instance, consider its infrastructure development in Gilgit in Pakistan-occupied Kashmir or its decision to supply two nuclear reactors to Pakistan. While India–China border talks are still on rail, China’s defective engagement policy with respect to India has spurred India to upgrade its military capability in the east and build many strategic roads along the border.

May be, China believes that by warning India tacitly, it would prevent India from explicitly weighing-in on its support to the United States. China should realise that this policy does not work within a friendship. India cannot be dealt with by rubbing on its weaknesses.

India has many Westernised Indians who believe that India needs to get closer to the United States since it needs technology, both civilian and military, and capital. The United States, on its part, is shrewd enough to oblige since it needs India as a counterweight to China. The United States, however, has a poor record of fidelity in its relationships. It is known to interfere with local domestic matters and do so quite trickily.

The nuclear deal that India and the United States signed in 2007 has indeed paved the way for closer ties. The United States always has a selfish motive in its strategic policies. Some experts are of the opinion that for the United States the nuclear deal is not really about allowing India to use it for generating power, but for allowing India to arm itself with nuclear weapons as a counter measure to China’s nuclear arsenal. This is the reason why the deal allows India to work in this area, without being questioned by the global nuclear powers. The intention, however, is not to help India but to ensure that India is

on its side if and when the United States engages in a war with China. This would ensure that such a war will then not be fought in the Pacific region but on Indian soil. After all, the United States has fought all its wars on foreign territory. India, therefore, would be a good battle field for the possible China–US war, if or when it happens.

One should not forget that during the latter part of the Cold War, China had sided with the United States, particularly on issues of nuclear armament and non-proliferation. This indeed was to gain favour with Washington, while diminishing New Delhi's role in international politics. The United States also knows that relations with the Northeast Asian giant, China, has direct consequences on relations with the South Asian giant, India, and the other way round.

India, luckily, is doing what China has been doing; working on achieving fast economic development and simultaneously enhancing its military capabilities, thereby adding to its preparedness for any eventuality. Both China and India are aware that one needs peace and stability to ensure sustained inclusive economic growth.

Traditionally, war has not been the methodology for resolving problems in India as well as in China, except in the event of war for liberation. Both countries would want to be militarily strong nations, but the common people in both countries prefer to follow the path of peace in its march towards inclusive development and prosperity. This is very unlike the people in the West and the Middle East, who love wars to settle disputes. So far, at least, neither India nor China has attacked any country to rule over it. In any case, both nations actually have enough challenges in ruling over their own countries!

Some have their reservations on whether India can remain non-aligned. They are of the opinion that it should gravitate more towards the United States as a hedge against China. But China's threat to India is proportional to the extent India seems to tilt towards the United States. One has to remember that the US support for democratic India (seen in India as a way to subordinate Pakistan) will fan Chinese nationalism and fears of containment.

So the best option for India is to stay friendly with both and engage them in regular dialogue. India should be seen as non-aligned and equidistant. This would give it time to speed up its economic growth by having the best of both in this endeavour. China would

then gradually develop confidence that it does not need Pakistan's support anymore. Beijing needs to soften its generally abrasive talks about the border dispute, if it cares to help Delhi diplomats in convincing our citizens regarding the merits of its friendly diplomatic ties.

If they do not, the coming years would witness closer relations between the United States and India. One also cannot overlook the geopolitical rivalry between India and China, and their never-ending border talks. India has many internal problems including poor and weak governance, and this strategy would give it time to set its house in order. In many ways, India can benefit a lot more from China in creating good infrastructure necessary for its economic and social development. The United States has little to offer other than technology and, of course, weapons of mass destruction. A visible non-aligned foreign policy would certainly improve India's relations with China.

As America loses its global leadership, it needs to take a few lessons from the British. Britain lost its empire, but retained and enhanced its goodwill in their former colonies. It succeeded in shaping a world order that protected its interests, preserved its prosperity for a long time, and left the imprint of its best values on the people they ruled over for over 150 years. Today, all these former colonies remain its friends. Americans, however, are too self-centred to retire with that grace.

This is the basic cultural weakness of the United States. Actually, the worst is yet to come! Soon, the United States would start a war against Iran with its own consequences. America is hugely indebted to China, and this gives China a grip over the US Economy. China is, however, less dependent on any other country economically. Only time will tell how the Iran issue would develop, and with what consequences and global ramifications.

To sum up, one can say that currently the United States is deeply concerned about China's challenge to its world leadership. On the other hand, India is certainly concerned about China's future relationship with Pakistan and the resolution of the border issues. While creating or joining an alliance against China does not suit India, it certainly does not want to participate in the containment of China.

Indians believe that China's development would lighten US strategic pressure on India. As a developing country, India's priority lies in its economic development. India has always attached the highest value to maintaining independence in making its foreign policy and sovereignty, and avoided becoming part of a US or Western agenda towards China. The United States is also unlikely to be willing to underwrite the costs of guaranteeing Indian security, and it would be foolish for India to entrust her security to a superpower with global interests.

Furthermore, the United States and India both have substantive interests in China. Within the United States and India, there are a significant number of people who believe that China is a 'threat' to their national interests. However, India also has many people who advocate a non-aligned approach towards both China and the United States, while remaining in close diplomatic engagement with both. India needs to be watchful that it does not get hurt when the two titans clash. For ensuring this, the only viable option is to remain non-aligned with either side.

When it comes to economy, both China and India need America's cooperation and support for their economic development. On the other hand, the United States needs the huge markets of 2.5 billion Indians and Chinese. The United States, therefore, has options. It can be a positive factor for Sino-Indian relationship if it promotes regional stability in South Asia and helps China and India's economic modernisation. But it may probably play a negative role by playing India to contain China, or using China to contain India.

China too seems to have reassessed India and its importance in geo-politics as well as its role in regional affairs. There is a reason to believe that China desires that the nature of their relationships should be like that between good neighbours in geo-politics, good friends in economic cooperation, and good partners in international affairs.



PART E



ARCHITECTS OF THE PEOPLE'S REPUBLIC OF CHINA

- ❖ Mao Zedong
- ❖ Deng Xiaoping
- ❖ Zhou En-Lai

CHAPTER 35

Mao Zedong

1893–1976

MAO ZEDONG, POPULARLY KNOWN IN India by his other name Mao Tse-Tung, was born in Hunan province in December 1893. His father was a well-to-do farmer in the rice trade as well as a landowner. Mao became a Marxist while working as a library assistant at Beijing University and served in the revolutionary army during the 1911 Chinese Revolution.

Early Years of Chinese Communist Party

Inspired by the Russian Revolution, the Chinese Communist Party (CCP) was established in Shanghai by Chen Duxiu and Li Dazhao in June 1921. Early members included Mao, Zhou Enlai, Zhe De and Lin Biao. Over the next few years Mao, Zhu De and Zhou Enlai adapted the idea's of Lenin, who had successfully achieved a revolution in Russia. They argued that in Asia, it was important to concentrate on the countryside rather than the towns in order to create revolutionary changes. Mao wrote in 1948 recognising the revolutionary potential of the peasantry. Marx and Lenin followed the communist doctrine using the urban working class as the leading revolutionary force. Mao eventually used the rural masses of farmers



Mao Zedong

and artisans for his revolution. He worked for the Kuomintang (Nationalist Party) in Shanghai. After its leader Sun Yat-Sen died in 1925, Chang Kai Shek emerged as the new leader of the Kuomintang, who, a few years later, purged communists like Mao from the organisation. Mao and his forces had to move away from the coastal stronghold of the Nationalist Party.

The Great March

In 1934, Mao, Lin Biao, Zhu De and some 100,000 men of the communist forces and their dependents led by Mao, started the legendary retreat and their Long March to the west, stretching over 6,000 miles through mountainous areas. The marchers experienced terrible hardships. The most notable passages included the crossing of the suspension bridge over a deep gorge at Luting in May 1935, travelling over the Tahsueh Shan Mountains in August 1935 and the swampland of Sikang in September 1935. Marchers finally reached Shensi on October 20, 1935. It is estimated that only around 30,000 survived the 'Long March'.

Chairman Mao from 1935

Mao Zedong soon thereafter, established a new stronghold in the north-west of China. In 1935, Mao's political power increased when he was elected Chairman of the Politburo – the post he held till his death. Mao's rural based guerrilla warfare eventually led to the fall of the Nationalist government. Mao believed that political power grows out of the barrel of a gun and progressively strengthened the Red Army. He even grew opium to fund the army.

People's Republic of China

When the Japanese army invaded the heartland of China in 1937, Chiang Kai-Shek lost control of the coastal regions and was forced to move his capital to Chungking. In an effort to beat the Japanese, he agreed to collaborate with Mao Zedong and his communist army. During World War II, Mao's well-organised guerrilla forces were well led by Zhu De and Lin Biao. As soon as the Japanese surrendered, communist forces took on the Nationalists led by Chiang Kai-Shek and defeated his forces in September 1949. Chiang Kai-Shek had to flee to the island of Formosa in the South – now known as Taiwan. On October 1, 1949, standing on the Great Wall of China, Mao announced the establishment of the People's Republic of China.

The Great Leap Forward

In 1958, Mao announced 'the Great Leap Forward' – an attempt to increase agricultural and industrial production. This programme of reformation included the establishment of large agricultural communes containing as many as 75,000 people. The communes ran their own collective farms and factories. Each family received a share of the profits and also owned a small private plot of land. However, three years of floods and bad harvests severely damaged production levels. The scheme was also hurt by the decision of the Soviet Union to withdraw a large number of its technical experts working in the country. Mao's unrealistic projects like the backyard steel furnaces to produce steel were not without a certain good will – but they turned out to be unreal with very tragic results. About 30 million people died in the famine, when ill-trained peasants were forced to carry out the gigantic industrialisation plan. In 1962, Mao's reform programme came to a sad end. As a result of the failure of the Great Leap Forward, Mao retired from the post of President of the People's Republic of China. He reluctantly surrendered his position as head of state to Liu Shaoqi. Mao remained vital in determining

the overall policy. It was Prime Minister Zhou Enlai who became a moderator between the opposing camps of President Liu Shaoqi and Mao. Zhou Enlai died in 1975. The 'Great Leap Forward' was indeed a man-made disaster and the man most responsible for it was Mao Zedong.

The Cultural Revolution

Mao became openly involved in politics again in 1966, when along with Lin Biao, he initiated the Cultural Revolution. Mao galvanised students and young workers as his Red Guards to attack revisionists in the party who were in power. Since he had no hold over the People Liberation Army, the regular national army, he gathered young party workers and called them Red Guards. Red Guards were not an army but a huge crowd of youngsters and goons who left schools and education and forced bureaucrats, professors, technicians, intellectuals and other non-peasants into rural work. In the vengeful outburst of hatred against these intellectuals and the liberal groups in power in Beijing, Red Guards murdered or forced tens of thousands of them to give up their jobs leaving no one to govern. Naturally China's economy suffered enormously.

Mao disliked party leaders such as Liu Shaoqi and Deng Xiaoping who favoured the introduction of piecework, greater wage differentials and measures that sought to undermine collective farms and factories. In an attempt to dislodge them and others in power, Mao told them that the revolution was in danger and that they must do all they could to stop the emergence of the privileged class in China. In the 1960s, Mao's *The Little Red Book* or *Mao Zedong on People's War* (1967) became the ultimate authority on political correctness. Its ideals were followed by millions during the 'Great Proletarian Cultural Revolution'. The plastic-bound work edited by the Minister of Defence Lin Biao consisted of quotations from several of Mao's writings such as: *Significance of Agrarian Reforms in China*, *Strategic Problems of China's Revolutionary War*, *On the Rectification of Incorrect Ideas in the Party*, *A Single Spark Can Start a Prairie Fire*, *On the Correct Handling of Contradictions among the People*.

‘A revolution is not the same as inviting people to dinner, or writing an essay, or painting a picture. A revolution is an insurrection, an act of violence by which one class overthrows another’, said Mao in 1965. The publishing of new books and the introduction of new ideas virtually stopped. From 1966 onwards, the publication of art journals was suspended for the next six years. Art schools were closed and artists disbanded. Old temples and monuments were smashed or vandalised in large numbers. In the end, after Liu Shaoqi’s government collapsed, the disorder was so bad that Mao himself had to call in the regular army (People’s Liberation Army) to repress the Red Guards and other factions. It is said that Mao turned China into an illiterate nation. Before 1945, 70 per cent of Chinese were literate but by the end of his life Chinese literacy rate dropped to 15 per cent! It was Deng who sharply focussed on education to turn his country to 92 per cent literacy by the time he left the world.

Zhou Enlai at first gave his support to the campaign but became concerned when fighting broke out between the Red Guards and the revisionists who were against the leaders in power like Liu Shaoqi, Deng Xiaoping and others. In order to achieve peace, at the end of 1966, he called for an end to these attacks on party officials.

Gang of Four

Mao remained in control of the Cultural Revolution using Red Guards and as governance collapsed, he was able to oust the revisionists. Liu Shaoqi resigned from all his posts in October 1968. Lin Biao now became Mao’s designated successor but soon died under suspicious circumstances. Mao now gave his support to the Gang of Four – Jiang Qing (Mao’s fourth wife), Wang Hongwen, Yao Wenyan and Zhang Chunqiao. These four radicals occupied powerful positions in the politburo after the Tenth Party Congress of 1973. Jiang Qing (1914–1991) was an actor. She gained fame first in Shanghai among others in Ibsen’s play – *A Doll’s House*. In 1933, she joined the communist party. Meeting Mao in Yunan, she married him soon thereafter. Mao was more than 20 years older than she

and had eight children. During the Cultural Revolution, she became an enormous force as the leader of the 'Gang of Four' but soon after Mao's death she was imprisoned along with her three radical associates. It is said that on the day of their arrest every wine shop in Beijing was sold out of alcohol. Jiang Qing committed suicide in 1991.

Mao Zedong – The Man

Mao Zedong was indeed a statesman whose status as a revolutionary in world history is probably next only to that of Vladimir Lenin. More than anyone else in recent history, Mao Zedong helped in reshaping the social and political structure of an ancient and heavily populated China.

Mao was a crowd-puller. He was a smart leader and a study of his life shows that he possessed inflexible will and ruthless self-confidence. His books reveal that even as a young man, Mao's perception of governing foreshadowed much of how he eventually did rule. It also reveals that Mao changed over the years from being a naive idealist to a cunning political fighter and the core of the personality cult. As his end came near, Mao became a Lear-like figure, estranged from his wife and ultimately unsure of whether his revolution had a future. When Henry Kissinger praised Mao's writings during their famous meeting, the Chairman responded, 'I think that, generally, people like me sound like a lot of big cannons'.

From humble beginnings in rural Hunan, Mao Zedong went on to become the 'Great Helmsman' of Communist China. By the time he died in 1976, he had profoundly changed the course of the Chinese history. His increasingly erratic whims and dreams of a wild utopia overshadowed his immense achievements. According to the Western historians, he was ultimately responsible for the deaths of, perhaps, 60 million people. Mao's ideas varied between flexible pragmatism and utopian visions, exemplified by the Great Leap Forward and the Cultural Revolution. One way to learn about Mao is to know him through his writings, his speeches and his poems. Mao published about 40 poems written in the classical tradition

with political messages. In his life time, he was worshipped by millions – but many, even in China, consider him as one of the most brutal dictators of the 20th century.

Mao, like most rural children, began to work on his parents' farm at the age of six. His father would beat his sons regularly. According to Mao's personal physician Li Zhisui, the leader of China used barbiturates heavily even though he was in excellent health. Mao smoked cigarettes all his life, and he also suffered from bronchitis, pneumonia and emphysema. Later in life, Mao developed paranoia. Li Zhisui also mentions Mao's aversion to bathing. His personal life became secretive and, in many ways, morally corrupt. The leadership of the moderates was then taken over by Deng Xiaoping. Mao's death in 1976 broke his wife's hold on power.

Mao Zedong – The Philosopher

During Bertrand Russell's visit to Hunan, Mao disagreed with Russell's reformist views and argued in favour of seizing power by force. Mao's strategies became the main influence on Fidel Castro when, in 1959, he was able to take over Cuba with Che Guevara. 'The people are like water and the army is like fish', Mao wrote in 1948, recognising the revolutionary potential of the peasantry. Marx and Lenin used the communist doctrine with the urban working class as the leading revolutionary force. Mao eventually used rural masses of farmers and artisans for his revolution. For the most part, Mao's own philosophical work is seen in two of his essays – 'On practice' and 'On contradiction'. These works were studied and emulated throughout China. Like Lenin, Mao made a distinction between antagonist and non-antagonist contradictions – but Mao's thought was partly derived from the Chinese system of yin and yang. He stated that contradictions would continue to arise in society even after socialist revolution. With this claim he supported his doctrine of permanent revolution, which was earlier launched by Trotsky. His success in guerrilla warfare led him to declare in 1947, that 'the atom bomb is a paper tiger'. One feels that Mao should have trusted Confucius and heeded what the Master had said; 'The superior man,

in everything considers righteousness to be essential. He performs it according to the rules of propriety. He brings it forth in humility. He completes it with sincerity. This is indeed a superior man’.

Entry of the United States of America

By the time Mao was in his 70s, his life’s work was essentially done although he retained power until the end. Physically weakened, suffering from a lifetime of effort and Parkinson’s disease, Mao’s ability to rule in new and innovative ways, to meet the demands of China’s modernisation grew increasingly weak. One of his final major acts was to reopen contact with the United States. After the secret visit of Dr. Henry Kissinger, Mao decided in 1971 to open doors to the West. China’s relationship with the United States was strained since the birth of the People’s Republic, but in 1972, President Richard Nixon journeyed to China and broke the ice. All practical negotiations were handled by Zhou Enlai and Henry Kissinger. At the meeting with Nixon, Mao kept the discussion on a fairly abstract level.

On September 9, 1976, Mao died in Beijing, China. He was undoubtedly a key figure in China’s revolution during the 20th century and one of its most significant movers and reformers. He devoted his life to the advancement of a peasant class terrorised for centuries by those in power. However, ironically, in pursuit of his goals, Mao himself became a violent and overpowering ruler.



Deng Xiaoping

1904–1997

Post Liberation: A Period of Turmoil

Post 1949, the history of China is a dramatic and unparalleled period of social churning. For three decades, till his death in 1976, China moved to the tunes of its Pied Piper – Chairman Mao Zedong – as he experimented with communism to deliver a functional and productive proletarian state. Deng Xiaoping had been a senior official of the Red Army for years prior to China's liberation in 1949. After that, he became a key political figure in the People's Republic, rising rapidly through the ranks to become the number two man to China's then President, Liu Shaoqi. Deng enjoyed a reputation as a pragmatic, trusted leader who would deliver results. He was a communist but was not bogged down by dogmas. When Mao's 'Great Leap Forward' mantra for rapid economic growth in China ultimately ended in a famine with starvation and misery, it was Liu who tried and partially succeeded in reviving the country's economy.

Mao and Liu were rivals and the growing importance of Liu made Mao strike back in 1966 by launching 'The Great Proletarian Cultural Revolution' that took China through the greatest trial of all times, which no nation in recent history has ever seen. Strangely, a visit to Wuhan in Hubei Province and a bold swim across the Yangtse revived the image of the ageing Chairman Mao.

Mao's 'Perpetual Cultural Revolution' caught the fancy of young men and women. He encouraged them to break all social conventions



Deng Xiaoping

and hit at the bad elements in the party. The capitalist minded reformers and the educated elite became the targets of radical students and the Red Guards. Mao let them loose to attack and condemn his rightist political opponents within the party. These leaders were attacked, stripped and paraded through the streets. *Mao Zedong Thoughts* became the supreme guide. There were rival factions in the Red Guards who took their own course to impose these.

The situation in China soon became chaotic. Mao put posters on the doors of the Great Hall in Beijing giving a call to attack the seat of the government. He addressed huge rallies at Tiananmen Square. Senior leaders of the government were attacked and their families arrested. They were humiliated and destroyed by Mao. Governance came to a stand-still with no one daring to go to work. The educated and learned were condemned and sent to rural farms to learn the importance of labour. All forms of intellectual pursuits were regarded as useless. Some managed to save their writings and old documents by hiding them in caves in the hinterlands. Many of the learned preferred to commit suicide.

Towards the end of the Cultural Revolution, even Mao feared losing control over the Cultural Revolution when he failed to rein in the Red Guards. President Liu and Deng were the obvious targets. Liu Shaoqi was humiliated and jailed. Soon, he and his son died of torture. Deng, however, managed to somehow survive the ordeal.

A New Dawn

From 1969 to 1973, Deng and his family were exiled to rural Jiangxi to undergo re-education, during which time he performed manual labour and studied the writings of Mao and Karl Marx. He worked in a tractor factory in Jiangsu. For eight years he slogged in that factory. In the spring of 1973, Deng was brought back to Beijing by

Premier Zhou Enlai and reinstated as a Vice-Premier after a major realignment of political forces. Deng's ability and expertise were highly valued in the Chinese leadership and he quickly assumed important roles. In late 1973, he carried out a major reorganisation of regional military leaders and was elevated to the Politburo. After Premier Chou En lai was hospitalised, Deng's role became more significant. In January 1975, Deng's position was elevated to the party's Vice-Chairman, the Senior Vice-Premier and the Army Chief of Staff. However, Deng's eagerness to carry out political reforms was rebuffed by Mao and other radicals.

After Mao's death, in July 1977, Deng made his political comeback. His first task was to destroy Mao's followers and to downgrade Mao's lasting authority. Another powerful measure he took was to put the 'Gang of Four' on public trial, which began in Beijing during late 1980. These four radical leaders, including Mao's widow Jiang Qing were the late Chairman's most devoted supporters. The trial symbolised the triumph of veteran officials, led by Deng, who had fallen victim to Mao's radical changes between 1966 and 1976. Rebellious Jiang told court that she was 'Mao's dog and would bite anyone who defied him'. Finally, in 1991, she committed suicide while in jail.

Deng's Sweeping Reforms

Eight old men of the central leadership, most of them in their 80s, struggled for power for long years, but Deng finally emerged a leader. He soon prevailed to become China's new Supreme Leader. Deng was a pragmatist and knew that China's Communist Party had to bring economic prosperity. He quickly curbed the mini-revolt that started in Tiananmen Square, one day in 1989, rather ruthlessly but realised that China's economy had to be revived and strengthened quickly, and for such revival social discipline was vital. His economic policies required opening China to the rest of the world in order to attract foreign investment and to educate students abroad in the latest technologies. Accordingly, the Peoples Republic of China (PRC), in 1978, signed a Treaty of Peace and Friendship with Japan.

In 1979, Deng obtained the nation's official recognition from the United States. Sino-Soviet relations were gradually improved over the next decade. His last success was to achieve his long-cherished goal of recovering Hong Kong through an agreement with the British in 1997.

He still had to deal with the infighting of leaders in Beijing. It was around the Chinese New Year of 1992 that he got a chance to seize the initiative during his 'Southern Tour'. He announced his revolutionary economic policy that was to change China – which the world was later to watch in dazed disbelief. He arrived in Shenzhen and planted a tree at the SEZ and symbolically declared open the new road to China's economic prosperity. His opponents in Beijing were taken by surprise. In his next stop, during his visit to Shanghai's huge development zone, Deng repeated his old slogan – 'To get Rich is Glorious!'. Ageing Beijing leaders – in their 80s – were horrified that Deng bypassed them, making profound pronouncements without consulting them. However, they soon realised that they were losers. Deng had bypassed the central leadership to work directly with young regional leaders and their aspirations. He set the stage for China's amazing economic and social success for the next few decades. He reduced investment in heavy industries; increased prices paid by the state to farmers and arranged a series of bonuses to raise workers' incomes. Farmers were encouraged to sell more produce privately, and a rapid growth of free markets for farm produce occurred.

Deng's speeches over the next few months galvanised the nation into focused action. Party officials in several provinces followed the initiatives at Shanghai and Shenzhen to set up Development Zones and hold trade fairs to attract investments. The communist government of the People's Republic of China banned workers from going on strike and announced an industry-friendly labour policy in 1994. Provincial governments achieved economic independence from Beijing in order to ensure economic growth within overall policy guidelines. Far-reaching economic reforms covering the banking sector, privatisation of large state-owned enterprises, and decisions to invest in ever-growing FDIs to rapidly build the highest quality infrastructure were all aiding China's rapid progress.

The Architect of Modern China

Deng Xiaoping was born on August 22, 1904 in the Sichuan Province. He became the most powerful leader in the People's Republic of China at the end of the 1970s. He served as the Chairman of the Communist Party's Military Commission and has, indeed, been the chief architect of China's amazing economic miracle for over 20 years of his leadership.

He joined the Chinese Communist Party in 1924 while studying in France. During the fabled 'Long March' of 1934 and 1935, when Chairman Mao led CCP leaders to travel 6,000 miles to set up home in inland China, Deng first served as Director of the Political Department. Over the years, he became the Head of the Second Field Army in 1946, when the civil war began. Deng rose quickly in the leadership hierarchy after his transfer to Beijing in 1952. He became CCP Secretary-General in 1954 and a member of the Politburo. During the Eighth CCP Congress in 1956, Deng was elevated to the six-man Politburo Standing Committee and appointed General Secretary. By then, he had become one of the most powerful men in China.

By any account, Deng was an able, talented and intelligent man. He was nicknamed as 'a living encyclopaedia' by his peers. Deng was the key official to interact with the Soviet Union. He visited the Soviet Union several times in the 1950s and the 1960s, and was closely involved in Sino-Soviet relations and their dispute over the international communist movement.

He faced criticism for the massacre in Tiananmen Square; and the uneasy domestic peace that followed did not shake Deng from his dedication to the Communist Party's one party rule. Recognising his advanced age, Deng sought to continue his 'open door' policy and other political and economic reforms by putting CCP General Secretary Hu Yaobang, Premier Zhao Ziyang and many other younger officials in positions of responsibility. In November of 1989, Deng resigned from his last official position as Head of the Central Military Commission.

In his last years, Deng started a debate within the communist party on the need to balance economic reform with political stability. As

Deng's health declined, he became further removed from his duties of daily decision-making. His last public appearance was during the lunar New Year festivities in early 1994. On February 19, 1997, he died in Beijing at the age of 92. His selfless service to the nation and his far-reaching economic reforms have indeed put China on the global map as one of the fastest-developing economies in the world.



CHAPTER 37

Zhou En-Lai

1898–1976

ZHOU EN-LAI, FAMILIAR TO US INDIANS as Chou En-Lai, was the Premier of the People's Republic of China from 1949 until his death in 1976. Today, he lives in the hearts of the Chinese people as China's most revered communist political leader. Considered as 'a modern saint' who offered protection to his people during the Cultural Revolution, he makes for an admirable figure in an otherwise traumatic and bloody era. During all my visits to China, I have never met a single Chinese citizen who did not gush over Zhou En-Lai.

Zhou thrived at the heart of Chinese politics for 50 long years and survived both the Long March and the Cultural Revolution, because he was artful and politically supple, besides being humane and ideologically committed. President Nixon called him 'the greatest statesman of our era'. He was a great survivor due to his acute understanding of where political power resided at any given time. In today's China, he is considered as 'the People's Beloved Premier'.

Born on March 5, 1898 in Huai'an, Jiangsu Province, Zhou was born into a cultured and well-educated family that suffered from the hard economic times sweeping across China. His widowed mother devoted her life to his upbringing; teaching the very intelligent and



Zhou En-Lai

precocious Zhou to read at three years of age. It is also at this tender age that Zhou developed one of the most important character traits that embodied his life – his uncanny ability to weather the turbulent political storms that dogged him throughout his life. Like a cat with nine lives, Zhou had an uncanny knack of surviving all the difficulties that he faced throughout his political career.

Twelve year old Zhou was sent off to an excellent school in north-eastern China by an uncle. He also mastered the teachings of Confucius during his childhood, and therefore Confucianism was the philosophy that ruled and guided Zhou's life. These are the traits that made him a much admired diplomat; supremely poised, suave, charming and yet, modest and soft-spoken.

After graduating in Nankai University in 1917, followed by a three year stint in Japan, he returned to China in 1919 to participate in the May 4th Movement, and soon became involved in 'revolutionary' politics. In 1920, he travelled to France as a university student for a work-study programme. He recruited Chinese students in France, Belgium and Germany to join the communist party. It was during this time that he developed friendships with several of China's future CCP leaders including Deng Xiaoping and Zhu De, the celebrated father of the Red Army. Ho Chi Minh, who later served as Chairman of the Vietnam Communist Party was also one amongst them.

Zhou returned to China in 1924 and established a 'united front' between the CCP and Sun Yat-Sen's new Kuomintang Party. His early pioneering work in the CCP and his full support to Mao in leading the Party in 1935 made Zhou the obvious choice for becoming the Premier of the People's Republic of China in 1949. His relationship with Mao was, however, very complicated and 'tortuous', filled with enough political intrigue which made even a Chinese puzzle seem like child's play! It is during their relationship of over

50 that Zhou relied heavily on his Confucian philosophy to help serve Mao, and survive his rule. Confucianism provided him with the psychological and political acumen that he found necessary to survive many of the political pitfalls he faced throughout his life. Zhou was, therefore, often called the last ‘Mandarin bureaucrat’ in the PRC.

Since he had made his fateful public declaration of support for Mao in 1943, Zhou always adopted a neutral attitude and never took a political stand against Mao, but Mao harboured deep resentment for Zhou. Mao knew that he could not run the country without Zhou and his keen sense of organisation. Throughout his regime, Mao was plagued by this paradoxical relationship. Zhou did try to help Mao’s adversaries such as Lin Biao, who was designated as Mao’s successor, who Mao was preparing to dispose of politically, but his efforts usually fell short of expectation, and came too late in the day to save them. The first major ‘folly’ that Mao put the Chinese people through was the ‘Great Leap Forward’ in 1958. Mao’s economic plan to increase agricultural and industrial production coupled with droughts and natural disasters turned out to be an economic and humanitarian disaster, killing tens of millions of people.

From 1960 to 1966, Zhou tried to minimise the economic and humanitarian damage done to the country by Mao’s ‘Great Leap Forward’; however, he never offered any serious political opposition to Mao. Zhou’s acquiescence to Mao only made matters worse when Mao embarked on the disastrous Cultural Revolution that gripped the country from 1966 to 1976, only to end after Mao’s death. Always the suave politician, Zhou weathered his most severe political storm during the Cultural Revolution. He offered tepid support or protection to ‘old friends’ as well as able party leaders such as Lin Biao and Deng Xiaoping, who he thought were unfairly persecuted by Mao. Deng Xiaoping is attributed with a pithy quote regarding Zhou’s role in the Cultural Revolution which astutely summed up Zhou’s character: ‘Without the Premier, the Cultural Revolution would have been much worse. And without the Premier, the Cultural Revolution wouldn’t have dragged on for such a long time’.

By the time Zhou became a world-renowned figure in 1972, after President Nixon's historic visit to China, Zhou was diagnosed with bladder cancer, which would take his life in 1976. One of his biographer claims that Mao, true to form, wanted to be sure that Zhou did not outlive him and become the leader of China! At the core of it all was the insatiable ego of the revolution's presumed hero.

During the madness of the Cultural Revolution, Mao's Red Guard hooligans wanted to destroy the cultural and historical sites in China. It was Zhou who saved them. The next time you visit the Forbidden City in Beijing, or the Temple of Heaven, or for that matter almost any cultural and historical site in China, you know whom to thank. Zhou did all that he could to help China to rebuild itself once the hurricane had passed away by maintaining as much social order as he could even though he needed to make a deal with the devil himself to do so.

Zhou En-Lai and Pundit Nehru were in close communication for a long period – from 1949 when he became the Prime Minister of China till the 1962 crisis which ended our diplomatic relations. On November 9, 1959, Zhou wrote to Pundit Nehru in great anguish over the border conflict. He wrote, 'It is most unfortunate that subsequently another unexpected border clash took place on October 21 within Chinese territory in the area south of the Kongka Pass. Regarding this clash, the Chinese and Indian Governments have already exchanged several notes, including the November 4th note of the Indian Government to the Chinese Government. Most regrettably, this note of the Indian Government not only disregards, in many respects, the basic facts of the question of boundary between the two countries and the truth of the border clash, but also adopts an attitude which is extremely harmful to the friendly relations between the two countries. Obviously, it is in no way helpful to a settlement of the question to take such an attitude. Under the present circumstances, I consider that the most important duty facing us is, first of all, to take effective steps, speedily and without hesitation, to earnestly improve the disquieting situation on the border between

the two countries, and work for the complete elimination of the possibility of any border clash in the future'. He further adds, 'Your letter reiterates that the Indian Government attaches great importance to the maintenance of friendly relations with China and agrees to the view consistently held by the Chinese government that the border disputes which have already arisen, should be settled amicably and peacefully, and that pending a settlement, the status quo should be maintained and neither side should seek to alter the status quo by any means. In order to maintain effectively the status quo of the border between the two countries, to ensure the tranquillity of the border regions and to create a favourable atmosphere for a friendly settlement of the boundary question, the Chinese government proposes that the armed forces of China and India, each withdraw 20 kilometres at once from the so-called McMahon Line in the east, and from the line up to which each side exercises actual control in the west, and that the two sides undertake to refrain from again sending their armed personnel to be stationed in and patrol the zones from which they have evacuated their armed forces, but still maintain civil administrative personnel and unarmed police there for the performance of administrative duties and maintenance of order. I earnestly hope that, for the sake of the great, long-standing friendship of the more than one thousand million people of our two countries, the Chinese and Indian Governments will make joint efforts and reach a speedy agreement on the above said proposal'. He further added, 'In a word, both before and after the formal delimitation of the boundary between our two countries through negotiations, the Chinese Government is willing to do its utmost to create the most peaceful and most secure border zones between our two countries, so that our two countries will never again have apprehensions or come to a clash on account of border issues. If this proposal of the Chinese government is acceptable to the Indian government, concrete measures for its implementation can be discussed and decided upon at once by the two governments through diplomatic channels. Respected Mr. Prime Minister! The people of our two countries desire that we act promptly. I think we should satisfy

their desires and not let those who seek every chance to disrupt, by all means, the great friendship between China and India, attain their sinister objective’.

What the Indian Government did from November 1959 till the culmination of the border clash, needs to be carefully considered to understand the 1962 border war in a proper perspective.



Epilogue

Fault Lines in the Development Models of China and India

In November 2001, I was invited by the Paris-based Organisation for Economic Co-operation and Development (OECD) to present a paper at their conference on 'Policies for economic and Social Transitions in the 21st Century'. My theme was very basic: 'What is development of a society, and what is its yardstick?'

Some of us have always wondered about the validity of the current yardsticks of measuring national development in terms of GDP (strength of a country) or GNP (strength of people of a country). When it comes to countries like China and India, we thought this to be certainly inappropriate. Traditionally, Indians and Chinese understand that life is indeed not just about money, but all about the well-being of the people, with money being just one of its dimensions. Our societies have never been money-centric as they are being moulded into today. Even then, most of us still believe that development of a human society in each of its aspects is related to the consequential change and development of the individual. In this sense, the development of a country needs to be measured on the basis of the percentage of people living with dignity and honour. Those who are learned and engage themselves in scholarly pursuits, have always enjoyed higher respect than the wealthy in both societies. Confucian philosophy hinges on showing the way to win this respect.

A modern Chinese scholar has suggested that the core Confucian teaching is contained in these words: 'When men wished their virtues to shine throughout the land, they first had to govern their states well. To govern their states well, they first had to establish harmony

in their families. To establish harmony in their families, they first had to discipline themselves. To discipline themselves, they first had to set their minds in order. To set their minds in order, they first had to make their purpose sincere. To make their purpose sincere, they first had to extend their knowledge to the utmost. Such knowledge is acquired through a careful investigation of things. For, with things investigated, knowledge becomes complete. With knowledge complete, the purpose becomes sincere. With the purpose sincere, the mind is set in order. With the mind set in order, there is real self-discipline. With real self-discipline, the family achieves harmony. With harmony in the family, the state becomes well-governed. With the state well-governed, there is peace throughout the land'.

Traditional culture teaches the Indians and Chinese to pursue knowledge and wisdom in order to live in harmony with one's surroundings and to try to contribute something of their own till they leave this world. One thus conducts life trying to be fully human. In Asia, there is traditional appreciation of a 'wise' person; someone whose wisdom is reflected in his behaviour than his utterances. Such a person is a fully developed person. Being informed, being knowledgeable and being wise are the steps in that transformation. No wonder that India and China together have given birth to most of the life philosophies and religions of the world! It also gave the world sages and philosophers in the 20th century such as J. Krishnamurthy who has made a profound impact human consciousness giving new meaning and content to our life, going beyond the organized religions. Even for an Indian or Chinese commoner, a wise man is one who knows what life is all about. The manifestation of wisdom is reflected in his simple living, his enjoyment in giving and living with the minimum. Wisdom, therefore, makes you consume less, derive pleasure in sharing, enjoy harmony and understand the futility of conflict. Harmony with nature is reflected in our traditional healthcare that uses nature to cure, and focuses on living healthily rather than treating the sickness. Rural life in both countries is beautifully entwined with local flora and fauna. Today all this appears unreal when one finds thieves ruling.

Many-a-times, I have wondered why Indians and Chinese have such similarities in perceptions of life. Somewhere there is a

common thread that has conditioned our psyche throughout our history. Respect for parents, teachers, mentors, peers and all others who shape our personal development, comes to us naturally. Like our habit of saving, there are many other similarities in our behaviour and the values we cherish, which are far removed from Western civilisations.

As someone told me, is it because, in India and China, religions and thoughts developed in a more peaceful forest environment with plenty of water and natural food, unlike Jewish, Christian and Muslim religions that took birth in deserts, where survival was the only basic concern? Since ancient times, there was only mutual appreciation by scholars of both countries, never any talk of war. As one can very well see, Buddhism, unlike Muslim religion, spread in China purely through love and understanding. Not only was there was no violence, it did not even upset Confucius' teachings.

When I look at the economic development in India and China, I realised that both are striving to achieve human development merely through economic development. A minor portion, one can see, is through social development. Both seem to believe that money will help their political and social objective to achieve inclusive (in the case of India) or harmonious (in the case of China) development of their society. These policies are driven by those who want to push trade and commerce. Globalisation today is, therefore, limited to economic activity. Multi-national corporations, their top officials and stock market gamblers have gained the maximum from such development. Social globalisation, like global poverty elimination, is limited to seminars and political speeches!

Two hundred years ago, the world was socially more global as there were no boundaries, passports and visas. Such barriers have increased during the last two decades. The current policies are tutored by economists, business school faculties and Western thinkers. In fact, a significant number amongst them are non-resident Chinese and Indians!

The prescription for economic development consists of increasing per capita consumption and writing economic policies that promote consumption beyond necessity. Businesses, especially multi-national ones, love this and they weave media magic to promote it. All of this is done to meet the socio-economic objectives of

both governments. There is resultant confusion here, since the chase of money and limitless greed is thought to be the elixir of human happiness and well-being.

To sum it up, in spite of our long-surviving democracy, India has not been doing well even though one can see financial growth in terms of GDP and a growing number of billionaires. Recently, a news item spoke of India scoring high on the happiness index; below the story was a picture of a smiling old beggar! The failure lies in the fact that 80 per cent of Indians share just 20 per cent of the GDP, and the rest 20 per cent enjoy the balance 80 per cent! Even though momentarily doing great, China too has an almost identical situation. In fact, India has had the rich and poor divide since centuries, and society has accepted this divide so far without conflict. In China, however, society has moved from an 'all poor and deprived' society during over three Mao decades of PRC, to the Deng Xiaoping era where there is unbridled capitalism in a communist bottle. A select few getting extremely wealthy in a short span of three decades, is indeed a little difficult to swallow for many Chinese. The sharp contrast within the population in China is, therefore, alarming.

To some of us, it is clear that the kind of development model that China and India chose in 1980 and 1991, respectively, is not a sustainable one. Such a development model based on the post-1970 distorted US model would not deliver what the people of both countries aspire to. It is amply clear that the development model based on promoting intensive consumption, as is prevalent in the United States and Europe since 70s, is not sustainable ecologically for the world and is culturally alien to India and China. The current Western model is dependent on a business-provoked, self-centred lifestyle, funded largely by offering careless financial credit to the common people, akin to the norms in the Western world. The current lifestyle is not healthy, both to the mind and the body. If we really want inclusive development and wish to carry our rural folk along, then we both have taken the wrong road. It is completely unimaginable that 2.5 billion people of India and China can ever hope to have a lifestyle similar to the Americans. Nature has not endowed the world with resources to match. Not only does the world not possess resources

such as fossil fuels to support such dreams, but we do not even have enough water!

To understand the gravity of the situation, compare the per capita consumption of the fuel and water consumed by the Americans and Europeans. Indeed, both of us have a sizable population that lives like the Americans, and they too consume and pollute as much. Therefore, even if the leaders of both nations dream of bridging the widening gap between their haves and have-nots and focus on inclusive (India) or harmonious (China) development, they can never realise that dream. Both countries have a traditionally superior cultural model to lead a happy life that assures good health, happiness, social peace and comfortable living without excessive use of resources. Two centuries of technological progress and outstanding innovations in the use of science and technology will very well supplement our basic tenets and our traditional wisdom in conducting a harmonious life that can include many more. It is the combination of traditional lifestyle and modern knowledge that can help India and China to evolve a fresh alternative development model. In fact, today, one can feel that both the Dr. Manmohan Singh-led India and the Hu Jintao-led China are indigenously seeking it.

The issue indeed, is more fundamental than the materialistic aspects of lifestyle which form an integral part of the Western model. The Western concept of being a developed society as has evolved in the last four decades, and their current model of economic development itself has several serious shortcomings, besides not being sustainable. It is also increasingly being realised that materialistic lifestyle resulting from such a model has many undesirable consequences, most important of them being the menacing fallout of global warming.

At a social level too, many are of the opinion that such a life is unnatural and emotionally unhealthy. Instead of narrowing the gap between the rich and the poor, pursuing the Western model is, in reality, widening it. Various studies show that a growing number of people in the developed world are emotionally unsettled, less happy and have psychological problems. Interestingly, both, the Indians and the Chinese, on the other hand, have been practicing an alternate lifestyle model which can be broadly described as 'simple living and

high thinking'. This alternative way of life is nature friendly, healthy and emotionally fulfilling. This helped their huge population of poor to live tolerantly and peacefully. Some think this is a utopian and romantic belief since one sees helplessness in their peacefully tolerated abject life in the shanties. The economically weak in both these countries can bear their deprivation of material comforts without the mental misery that the poor in the West are seen to go through. Psychiatry practice is definitely not a rewarding profession in India or China! Spiritual teachings by saints in India and Confucian thoughts and Buddhism in China have prevented them from getting hurt.

However, the Western lifestyle is exciting due to the higher levels of physical comfort, safer living and personal productivity. It is a fact that all these are the result of technological advances and man's quest for new knowledge that happened in the Western world during the last two and half centuries. The Western world has the social order and the wisdom to encourage innovations. However, both the Chinese and the Indians gave the world foundational technologies till they got bogged down by the rule of the invaders from the second millennium onwards. Western society, for the last two centuries, used its innovative exploitation of technology and natural resources for comfortable living. Later, a progressively evolved industrial revolution was seamlessly followed by the communication and information revolutions to enable this remarkable transformation. It allowed common citizens to become productive participants and get rewarded in return.

The problems started when inventions and discoveries became intellectual 'private properties' and the tools came in the hands of money sharks in business. In the late 1950s, intellectual property of an individual became a corporate property with financial limits on its exploitation. Even till the early 70s, the Western developmental model looked ideal since per capita consumption was limited and earning differentials between the rich and the poor were justifiable. But, it is now realised that the money-centric modern business culture that essentially evolved from the early 1970s out of US business schools has been leading the world up the garden path. One can even say that the root cause of the current global economic crisis

emanates from the greed of the multinational businesses that lured their democratic governments to go rather recklessly on a privatisation spree. It was essentially an escape route for politicians as they allowed public service to become bureaucratic, largely due to their poor governance and the consequent laxity in imposition of discipline in the delivery of public service by bureaucrats.

Today, big businesses use the magic of modern communication media to brainwash young men and women to practice mercenary, profit-centric style of management, focusing only on stock price and earnings. There has hardly been any organic growth of companies. The sizes grew primarily through mergers and acquisitions from all over the world. The media is being used shrewdly to teach people to live beyond their means and metamorphose into thoughtless consumers. Companies now build on the guilt factor and lure the young to buy non-essentials by making them out to be essentials. Business schools sponsor a win-at-all-costs trading approach with charismatic role modelling, teaching and coaching with an orientation to be reckless and with a motive to profit by every means. I wish that those in power in the United States used management thinker Tom Peter's advice given in the early 1980s to close down all US business schools, preferably with its faculty locked inside!

In fact, I strongly believe that US multinationals in the early 70s took charge of the US economy. I have always felt that the United States that I was familiar with before 1970, has changed in terms of cherished social values. Due to the mismanagement of their economy on the advice of such business management experts, it is fast declining from its global supremacy. The current plight of the Europeans too can be easily traced to the American influence on their governments and institutions. The Western world has largely become the world of consumers and, consequently, produces little and does not create real wealth. Only those who trade in money and commodities earn well through market manipulation. People in the West also seem to increasingly realise the bitter truth that marketing is driving them into miseries. The boundless credit and lure of multimedia is hurting them like none other. Many independent studies have shown that excessive consumption of food and fun is harming them, both in body and in mind.

Till the early 70s, business culture in the United States too was different. Bright brains, those days, were in research labs and on shop floors using innovations to create some real wealth. There evolved a business culture that caused the United States to get rich as a society. Significantly, this was an inclusive growth. The real income of the average American had been soaring since the end of World War II. Wage ratios between the wealth-creating talents and shop floor workers were acceptable to all. The country's trade balance was positive and consistently growing. Employment was ever-rising. The standard of living was improving democratically year after year. The number of college-going students doubled every five years, and unlike today, getting in was no longer the privilege of the rich and elite. During those decades, there were major breakthroughs in technology. James Watson and Francis Crick won the Nobel Prize for decoding the molecular structure of DNA. Tuberculosis had all but disappeared, and Jonas Salk's vaccine was wiping out polio in the United States. Many may not know, but Dr. Salk had refused to take a patent for his discovery and had said that he invented it to prevent human suffering. This reflects the culture that prevailed then. Then during the Nixon presidency came multi-national provoked economic theories and practices. Today, we cannot catch a glimpse of that industrious US. The companies grew organically, then. Today, the only corporate growth route is through mergers and acquisitions.

Talking of happiness, both India and China have masses of contented poor who smile more frequently on an empty stomach than their well-fed Westernised rich compatriots living in their city towers. Here, one can see that in the matter of poverty reduction, the Chinese leadership did far better than its Indian counterpart, which is handicapped by the 'system' as claimed by it.

A careful study of China's spectacular success since it began its transition to a market economy reveals that they managed it with adaptable strategies and policies: as each set of problems were solved, new problems arose, for which new policies and strategies were devised, and this has been going on year to year. To appreciate this policy, one has to read the annual reviews of the country's progress by successive presidents since 1978. To that extent, single party

rule has benefitted China, ever since their leadership got its new vision from Deng Xiaoping. China recognised that it simply could not transfer economic institutions that had worked in other countries without adapting it to the unique problems confronting China. Today, senior Chinese leaders talk about the need for a new economic model. They seem to be aware that their economic growth is mainly enabled by materialistic multinationals, which moved their manufacturing setups to China in order to use its cheap labour and very favourable tax regime. This Western model helped China to achieve over 10 per cent annual GDP growth for three long decades. But this will not work long term even if it has enabled China to lift hundreds of millions of Chinese out of poverty by wealth-creating activities like manufacturing and agriculture – the two vocations that use labour of every type in a large measure. Growth in manufacturing cannot be sustained too long without serious consequences. There is no doubt, however, that the Chinese workers have been important beneficiaries, as it created over 200 million new blue collared jobs for their rural poor by their efficiently controlled migration to cities.

India, unfortunately, has failed to gainfully support both these areas. But this growth model has its limits. Global slowdown and lack of economic growth in the Western world is already hurting exports with consequential joblessness in China. China's GNP export-led growth indeed looks impressive to everyone. One can see its real reflection on the faces of its people, not just on the streets of Shanghai, Dalian or Wuhan, but also in its villages. Some of the areas that we went to during our SME study were a hundred miles away from industrial areas in China, but the rural folk there had stable electricity, paved roads, televisions and even Internet connectivity.

So far, with an increasingly large share in the export market, half of China has benefitted greatly. But China has another half that is still very poor. Will there be a sustained demand with the ongoing poor state of economies of the developed world? Today, a lot of these rural communities live on the remittances from family members who have migrated to coastal cities. It is similar to the money orders sent by migrant Indians in Mumbai to their families in Bihar, UP, the Konkan area or any other state. We found that even the farmers

were better off with new crops and better seeds. The local government sells high-grade seeds with a guaranteed rate of germination on credit. In spite of this, China still has a sharp rich–poor divide. The sad part is that this divide is growing even though income levels are higher. For the Chinese people who have seen total equality in poverty, this economic divide becomes far more painful. In India, a sharp rich and poor divide has existed since eternity, but the Chinese have seen the perils of equitable distribution of poverty that Mao brought about from the early 1950s to the end of the 1970s.

Leaders in China as well as India realise that the current divide must be narrowed if they have to have inclusive and ecologically sustainable growth. Luckily, healthy life for all seems to be China's current agenda. I have seen playgrounds and well-maintained stadiums even in small places in China, where the young are seen in large numbers practicing sports and games. Everywhere, one can see carefully planned and well-maintained streets, green areas, parks as well as extensive public transportation systems. While some Indian leaders in Delhi have well-intended schemes, their corruption-infested delivery channels frustrate realisation of any of their noble objectives.

Realisation to move away from the Western model and seek another has now become more urgent after the global economic clash and its backlash on India and China. China felt it far more strongly than India due to its over dependence on export trade. They realised that even countries seemingly committed to competitive markets were getting protective and complaining of unfair competition. The export-led growth model was in danger and maintaining high growth was untenable. This strategic model worked well for China earlier in many ways. It supported technology transfer, helped to close the knowledge gap and rapidly improved the quality of manufactured goods. Export-led growth meant that China could produce without worrying about developing the domestic market. But the global economic catastrophe changed that quickly. China realised that it had to change. The country has a large portion of its reserves blocked due to its earlier strategy of 'vendor finance' by depositing its earnings in the United States. It financed the huge

US fiscal and trade deficits, allowing Americans to buy more goods than they could sell. In fact, to meet the challenge of restructuring its economy, removed away from exports and resource-intensive goods, China is stimulating domestic consumption. While the rest of the world struggles to raise savings, China, with a savings rate in excess of 40 per cent, struggles to get its people to consume more.

Both Indians and Chinese, especially those who are not economically strong, intuitively do not trust the government and focus on saving for their 'rainy day'. The Chinese government is therefore, now focussing on providing better social services (public health care, education, nationwide retirement programmes etc.) with a hope to move people away from their urge to save.

The Chinese government is also giving cheaper access to finance for small and medium-sized businesses. Both countries therefore, will have to look for new sources of dynamism in their growing entrepreneurial ranks, which requires a commitment to creating an independent innovation system.

China has, for long, invested heavily in higher education and technology, and now it is striving to create world-class institutions. India too needs to somehow speed up. While both countries should stimulate an environment of dynamic innovation, they should resist pressure by Western governments to adopt the kind of unbalanced intellectual property laws that are being demanded of them. Instead, they should pursue a balanced intellectual property regime because knowledge itself is the most important input in the production of knowledge; a badly designed intellectual property regime can stifle innovation as has been the case in several areas in the post-1970s America. IP rights protection needs a financial cap, after which that protection must go, rather than become the current protection over a long period of time.

During the last four decades, Western technological innovation has focused too little on reducing the adverse environmental impact of growth and too much on saving labour – something that India and China have in abundance. So it makes sense for India as well as China to focus their scientific prowess on new technologies that use fewer material resources, but use more hands.

However, it is essential to support innovation and scientific research in ways that ensure that advances in knowledge are widely used. This itself may require innovative approaches quite different from intellectual property regimes based on privatisation and monopolisation of knowledge, which result in high prices and restricted benefits.



About the Author

P. S. Deodhar is the founder of ₹200 crore APLAB Group of companies. The flagship of the group, APLAB Limited, was established in 1962. On October 1, 2009 he stepped down from APLAB as its Chief Managing Director.

In 1985, Deodhar was invited by the late Prime Minister Rajiv Gandhi to take over as the Chairman of the Electronics Commission, Government of India and be with him as the Advisor to the Prime Minister on Electronics. Earlier, in 1983, he suggested to Mrs. Indira Gandhi about the benefits of changing over to a liberalised electronics policy and set in motion, the liberalisation of ICT technologies. He also was the Chairman of the Broadcast Council in 1992–93 that set in motion the privatisation of the electronic media with metro channels.

He has been the Chairman of the Fourth Jagatik Marathi Parishad held in Jerusalem, Israel in 1997. At the state level, he has been the Chairman of Meltron and the President of Maharashtra Economic Development Council, a premier state level promotional body and a research institution. In international circles too, he has an impressive reputation. He is a fellow of the IEEE, USA, and has been honoured with the prestigious US award “Engineering Manager for 1990” by the Engineering Management Society of IEEE, USA. He is the Distinguished Fellow of IETE. He is also the Fellow of Institution of Engineers, Fellow of Indian National Academy of Engineering and the Honourary Fellow of Broadcast Engineering Society. As an engineer, he has designed and developed scores of professional electronics products that are manufactured and exported to Western Europe and North America. For over four decades, APLAB Group is reigning as a prime Indian source of high quality professional

electronics products. In International Conference on Smart Cards which was held in New Delhi, he was honoured as the Father of Smart Card Industry in India in recognition of his pioneering efforts to bring this leading edge technology to India.

Deodhar has been promoting the use of Information Technology for speeding up in national development. Currently he is President of Marathi Vidnyan Parishad, Mumbai and also the President of India China Economic and Cultural Council, New Delhi. His achievements in the field of Electronics Engineering have turned him into a role model of many young engineers.

All three of his books – *The Third Parent*, *Capital Punishment* and *Is Anyone Out There?* – are related to the use of modern technology to bridge the widening socio-economic gap of India-Bharat.