

Let me just say when Bob and I talk about this....

It's absolutely true if you look from a distance. The both societies have huge middle classes. I am not even cheered how you measured the overall size, everybody has a number. 400 million in the Indian middle class. 3,400 million in the Chinese middle class, but if you mention the people who think they are middle class or will be middle class in the next generation. We are talking about the 70 to 80% of the population. Being middle class is important. They are very different middle class. I would leave it to you should there be pressures. Take economic pressure in either society. There more middle class there will be, the more you will see the up and down in economy. Now in China, being the first or second generation of middle class, all of which is in a growth period, we are entirely not sure what people will respond. I taught in Virginia University, one day one student came up to me, we were talking about China's growth rate. And he said very interesting thing, he said, 'you know, we are addicted to GDP, in America, nobody knows the term GDP, but in China many middle class families know 9% and 10% GDP a lot. But if that goes a different direction, how will the people respond I think that needs a lot to do within the middleclass.

Let me tell you a short story. When Bob came it was 74, almost twenty years ago, the first thing that struck me in a small city like Xi an, is that I didn't see any appliance stores. In India, in late 80s or early 90s would have in many corner the domestic made products. They have fans, refrigerators, etc. you don't see that here. That struck me as very significant. You question also reminds me to talk about the education. Clearly both countries were enormous on education, but China is so far ahead in getting basic education to its people, India's basic education is pathetic, especially when it comes to the young children, young girls. On the other hand, you will see, emphasizing modernization and the IIMs of the world infrastructure management in the world you have to do the very best. India's primary education is truly pathetic, there are some Indians here who might disagree with me, both system have focused too much on testing. As we know, as Tom Friedman, when we are talking about 21<sup>st</sup> century, innovation, creative thinking are gonna be crucial. For society to succeed, these are the things that you would absolutely pay attention in either of the country, I think we need to create a long-term system that creative enough that support the idea of innovation, integration, symphysis, synthetic way of thinking and connecting them together. I think, to some extent, America has advantage in those areas yet with no china behind policy, we are trying to almost take away because it's the very best of American system, so we have to pay attention to the fact that clearly education is a good value, no wonder why Chinese and Indian came to the United States, they typically do exceedingly well, the talent is just there, we will figure out how we add the other level of training.

So we should comparatively strengthen the India, US and China in education.

Now the air distance between India and China are becoming much shorter, Shanghai,

Hongkong, and New Delhi more hours than I would fly to Washington. Now much better. I think we still need to stop at Kunming. I hope someday there will be direct flight. There are, but not everyday. But there are 20 flights between China and US everyday. My question is how do you compare the identities of the two countries as well as the global strategy.

I just had a talk in Beijing, many young people asked me very intelligent questions about Indian art. I have to say if I would do the same talk in India, I would not have so many people actually understanding Chinese art. That's something to really focus on. We need to do more direct connections by India and China, because, going back to a question of national identity, both of these countries are very interesting. The two countries they are young nations, Indian sense, it's the physical idea from Himalayas to the Indian Ocean and the conceptual philosophical idea actually is taken over by pragmatic Indian tradition which is included in Indian Buddha.

The question of national identity comparing two countries, it is about where you have been before and where you are going in the future. Both countries have captured a sense of it. The interesting thing is, the term 'globalization' is both useful and proper. It seems to me the globalization takes a form, takes a shape the closer it has impact on the people. Globalization in Indian concept, it's harder for people to look outside Indian than look inside India. in the Chinese case, there has been a culture identity that goes back 1000 years. In the past 20 years it takes along the economic identity. 3 forces come together, they emerge so that China's economic policies. It seems to me the national identity it's either easier or harder to from your home to globalization.

You remember the wonderful book on tribes. The anthropologists talk about India and China being two groups to have travel worldwide. Where ever they go, they preserve a notion of Chinese. Even if its not political, but something about this group seems to claim a certain kinds of identity more than any other cultures.

Now there are more interaction between India and china. Some people are talking about Chindia and Chindiasm. But long way to go I think. If we are committed, we can do it more quickly. Let it happen, it may never happen. People can make a difference. Let's look at the two countries in Asian percept. How do you think the two countries deal with their geopolitics? And how their geopolitics affect their ability?

I'm really glad you asked the question. Too often we focus on bilateral relations. I believe within years we will stop talking about unilateralism. That's a strong political comment. My sense is that the importance of china and India is much greater if we can see one on the other country. It's potential global impact that I will be talking about. China has been very quick in the global mind. China has moved in an enormous speed. In terms of the global institutions, china has been in a great point when it comes to moving to free trade areas in southeast asia or in the

geopolitics in the six party talks. What we should think is how it is moving in a 20 years different definition of Asian Pacific region. In this way, what happens in this society and what happens in India, you will be back to the question before we close here. China has played more in terms of international approach.

China has developed policy as much as many scholars continue to think about how china is gonna focus on its internal issues, internal demands, internal challenges, the truth is that, what china has done in a region, the most important is power status, it seems to me, for a longer term, India has done something to the Ludia's policy. Government hasn't done good enough. The private sector has moved in. As India is not included in APEC, so there is a question about the East Asian summit. But India's role, in the rest of asia,

As we are approaching to this interview, I would like to ask my final question: with the rise of India, suddenly, as we know their weakness, how Americans would like to handle this, to accommodate or to fix it? Could you please your wisdom.

It seems to me dealing with a cohesive policy in different region. There have been some examples including towards Korea recently. In my opinion, there is no one in the current foreign administration will take it into heart as a fundamental policy. We are not talking about China and India, we are talking about the rise of the whole region. We are talking about an economic rise also a geopolitical opportunity. I am hopeful, over the next few years we are going to see the emergence of the US policy focused more on the inside region, not only looking at the bilateral relations but the multinational relations. We have been in a period when there are conflicts to be handled on the bilateral issues. Only if you have vision, you can see the potential that our societies have over others. If we look upon the Asia-pacific relations, region for greatest stability over the next 2 or 3 generations, if only there are readings looking from the outside that we can see our potential. It is not a question of choice between India and china, it's a question of whether you choose to be in a public sector or private sector. If you miss seeing what is happening in the region, you miss the chance to be part of the most dynamic region of the world. When we focus on china and India today, let's think of Japan. 20 years ago, everybody was obsessed with Japan, nonsense Japan's economic role has been changed rapidly. If we think about the quarlateral relations including Japan, India, China, and US it's a remarkable sense.

If I could add one thing, you just talked about the airports, airplanes. There are so many direct flights to US from here. Many flights go from India, why? Because it showed the historical roles America has over the past 50 years. US has been the central in all the geopolitical matters. I believe in the next 20 -30 years, what US has to accommodate to is not only being the geopolitical central player, the A player but not the D player. Will the leaders recognize that? I think it gonna be the central question of the day. In a panel discussion, we said , we could

imagine what China will be like in the year 2020. we can even imagine that of India, but we can't imagine what US will deal with this. Because of the technological shift we'll have the shift from US access to Asia-Pacific access. We have to think about what it means to America.

In 1970s, Japan is the best of slogans, how can you make it the region's number one? How can you think of you are a player in that region.

We have enjoyed two eloquent leaders, now let's welcome Dr. Huangyasheng to deliver a few words.

Thank you I was asked for some comments forward. Let me say, I am interested in China, I was interested in India long before. I am interested in their economy for the last 20-30 years. One of the things I found in looking at these two countries is the fact of more opinions and data. There are more opinions than facts. I want to hide a bit of bias. The views are actually backed up by fact. Let me start with infrastructure.

This is the only region that doesn't have electricity. The region is surrounded by deep mountains, it takes freight to ship goods from there region to Hangzhou , the near by areas around. In fact, if you travel in china. In zhejiang, the most dynamic, economic area. these are precisely the regions that don't have FDI, in fact if you look at India in 1980's, now we can debate on which country has done better in terms of economic performance. 8%, 9% or 10%? But if India is 8%, it's not an indicator that India doesn't perform better than China. In 1980, china put out a larger economic policy than India in the 1980s . there is no doubt in my mind that China performs well in the 1980s, in fact India is growing a Hindu way of growth. When we talked about Hindu ways of development in a civilized society, everybody knows what it means. In 1980s, you will be surprised to hear this, India has an advantage over China in terms of infrastructure of the length of the pave of the roads, in terms of the length of the ways the length of the electric ways, partly because of the British ways of investment in the infrastructures. China put out a better performance. There are two stories of the simple data. If you have an environment of supportive entrepreneurship initiatives even if you have bad infrastructures. Entrepreneurs will figure out how to handle those problems. It is not the entrepreneurs sitting there drinking tea without doing anything, the infrastructure will come up. That's simply the economic growth happen. You should think of a way to overcome that problem. In 50s in Japan, infrastructure will still be the only issue. Once the company of Toyota was asked how they could get supply from their suppliers on a tiny basis. The infrastructure is not as advanced as that of US. The Japanese executive answered that you are exactly right. We don't have the infrastructure, the traffic is slow. But it is predictably slow. The keyword is predictability. So if it is slow but predictable, you can perform with little difficulty. Speaking of China, Wenzhou zhejiang lack of FDI, but now they are the hot bed for the entrepreneurs. They provide the largest part of private sectors for entrepreneurs. Now they are moving to

technology, without FDI, in fact, if you look at 1980s in China, if you compare the 1980s growth and 1990s growth in china, the growth in 1980 was phenomenal, in 1990 the country began to attract many FDI, the growth rate is a little bit lower than 1980s, but we are not talking about the difference between night and day. The FDI inflows between 1980 and 1990 is a difference between night and day. China now attracts \$6 billion FDI, in 1980 we were talking about 2 billion, 1.2 billion. On that dimension, the difference is between night and day. If you do the statistic analysis across China, FDI is not at all qualified. Another reason why people are or were pessimistic about India is this is how China is wrong, no this is not China who is wrong . let me talk about why I am concerned about Indian growth's respect. English is of tiny difference of the economic development of India. interestingly enough, now India has been doing well, people say, 'well, it's because they speak English.' I have met many Japanese and Korean who don't speak English very well. English is not the essential to become rich. In china, there are many entrepreneurs don't speak English, but they are fabulously rich. English is neither necessary nor sufficient in economic growth. It's of trivia importance. In China, the Indian companies also do products for Japanese companies. Many of them don't speak Japanese I think. Language is not a binding constraint. Let me talk about what the real binding constraint is, it's the lack of basic education in English. The true miracle of China's growth is not FDI, is not the infrastructure. The true miracle in the 1980s is that the Chinese company invested very heavily in the social sector. We can talk about the quality of the investment, the motivations, the fact is the poor country, china invested massively into basic education and health care especially in the rural part of the country. If you go back to 1965, the life expectancy of Chinese and the life expectancy of India, the difference between two is about ten years, this is in 1965. in that year, the two countries had about the same level of capital income. The had about the same economic involvement, but there is difference between the social involvements. What's also interesting is that, in 1965 or in 1985, china always had a better life expectancy than Indians, in 1965, if I had to choose being an Indian or a Chinese, I would choose Chinese, because I could live ten years more which is nice for some people. In 65, if you can live 10 years more you can see the end of the Cultural Revolution. The difference is only 8 years or 5 years. But if you couldn't choose to be Chinese or Indian. For a life expectancy point of view, you want to be an Indian man, you don't want to be an Indian woman, for very strange reasons. Indian men all lived Indian women, this is true in about 3 out of 88 countries in the world. It's extremely abnormal. I'm not happy to report this coz I'm a man, I don't want to have a shorter life expectancy. The fact that Indian women have a shorter life expectancy is an indicator that how the treatment was about Indian women, especially the rural area Indian women. Lack of education, lack of provision, if you check the statistics of 2005 and 2006, now Indian women have a normal life expectancy now, they live about 2 years or 3 years longer as compared with Indian men. It is a result of the progress that the country has invested in the health sector. The reason that I emphasize this is that most miracle happen in a foreign manner. Foreign countries invested very heavily in education, health. And then in 1980s, the country began to have reasonable economic policies. When you have the proper

policy of recent economic support and very solid foundations, this is what I am worried about India. first, India is far behind china on the basic situations. In terms of basic situation, there is no comparison. Indian government to give them credit to create things. The problem in India is actually the opposite of the problem in china. It's not the education that unaffordable, that it about to be free. But teachers don't show up, so the problems come up there. I come to the school for lunch not for education. The second problem is, unlike China, Indian government has a relatively large fiscal deficit. The third reason why the country is lagging behind or lack of the capacity to catch up is because in India, you have infrastructure obsession now. people look at airports, people look at highways, their way of thinking is this is how china has grown. The problem for any other poor country is if you build one more airport, your resources for other things will be reduced. This is a simple economic essential of making trade off. You do more of this it necessary means you do see that. In US, there use to be a saying, ' how the rich country sent men into the moon but can't feel homeless on the street. Actually the reason why you can't feel homeless on the street is because you sent the man to the moon, that's where I worried about India. they are so obsessed with infrastructures. When the true binging constraint is because combination. More high ways than schools, but I didn't say more high ways are better than schools. They need to be very concrete and then conclude.

This is a county that has advanced very rapidly, high tech, service sectors of economy, growing extremely fast. Here is the problem when you don't have enough skilled workers. Suppose you are a well-experienced textile worker in India. you can speak a little bit English. Many people don't know very few people speak English in India. that's why English is of trivia importance in terms of growth. Speaking of English, everybody wants to, as a textile worker, you may want to work as a security guard. You may want to go a social firm. The worry that I have about India is that it got such an impressive growth in high paying, high service industry, that it going to drive away or diroute of labor-intensive. I don't know how many of you have read the recent article about china, which says that the number of illiterate people in china increase by 30 million to 2035. I checked the official data, I went to the statistic official year book and the official data are even worse in terms of the number of the illiteracy. This is why I believe overinvestment in infrastructures in hotels is going to cause china very dearly. You spent so much money on those things. Let me end there.