

### **Asian Highway – Window of Opportunity**

One of the great topics of public discussion in recent decades among all economists, journalists, public policy enthusiasts and enlightened citizens is the rapid growth of China. India – China comparison is now the favourite pastime of economists. Both are emerging as major economic powers. China has been growing at 9 percent or more per annum, compared with India's more modest 6 percent over the past two decades. This difference in growth means that Chinese economy doubles itself every 8 years, whereas it takes about 12 years for India! However, China and India are now the third and fourth largest economies in the world respectively in PPP terms.

Both countries started at roughly the same level of per capita income in late 1970s, but now China's income is close to \$1000 per capita, as opposed to about half of that in India. In 1980, both countries had about the same level of exports, but now China's share in world trade is almost four times that of India. That is the tyranny of differentials in compounded growth rates! Given China's stable population and India's population growth rate of 1.9%, the disparities in per capita incomes only keeps mounting.

Clearly, we need to get our act together in order to fulfill our potential, and successfully compete with China in economic arena. But when we examine the patterns of growth within both countries, things look more interesting. The West and the South are the engines of growth in India. The great North Indian states and the Eastern region are falling behind. In China too, the South and East – the provinces in and around the Pacific rim – are the hubs of growth. The vast Western region is still underdeveloped. Like in India, the problem of migration of millions of peasants to cities in search of work is a great challenge to the Chinese state. Given the totalitarian system and firm control of the government, the slums and abject poverty are not visible in urban China. But regulation of migration could actually conceal and complicate a long-term problem. Of course, the much talked about Towns and Village Enterprises (TVEs) in China are easing the

pressures and generating new jobs in rural areas and small towns. India needs to do a lot more to spur growth and promote gainful employment in rural areas.

But the one big difference regarding the regional disparities in both countries is striking. About 93% of Chinese people live in the Eastern and Central China. Both regions are growing rapidly, though sub-regional growth rates vary. Economic stagnation is limited to less than a tenth of the population. As opposed to that, Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Orissa, Chattisgarh, Rajasthan and the Northeast roughly account for half the population of India, with exceptions like Western UP and the National Capital Region of Rajasthan, are not able to join the growth bandwagon. For instance, the per capita income of our richest state, Maharashtra, is four times that of the poorest state, Bihar, and this disparity is growing. What is worse, the population share of these states is growing, even as their share of GDP is declining. If only these states grow as fast as the West and the South, we will have another Asian economic miracle right here in India!

Take UP and Bihar, where governance is in shambles. All parties which had a share in power over the past 35 years have been guilty of gross incompetence, misgovernance, breakdown in public order, and creaking infrastructure. Clearly, a comprehensive national strategy and growth-oriented policies are needed to help UP and Bihar overcome the obstacles to rapid growth. But such political wisdom is hard to come by. However, such an effort must be made, or else the whole of India will lag behind in the race for development. If Bihar and UP die, India dies too.

But clearing the political mess in a fractious democracy takes time, great will and courageous leadership. After decades of short-sighted approach, Indian policy makers have made two important departures in the past decade. First, there is a conscious effort to harness diplomatic and geopolitical strengths for economic purposes. Second, the look-East policy, and the urgency exhibited in integrating with the Southeast Asian and Chinese economies are both welcome and long overdue. But we must go beyond words, and aggressively pursue our economic objectives to mutual advantage.

The 1360 km trilateral highway, stretching from Moreh in Manipur to Mae Sot in Thailand through Bagan in Myanmar, is one project which offers enormous opportunities. This highway will strengthen trade links with all of Southeast Asia. Once we have a road link to Burma and Thailand, there will be direct access to Yunnan province of China. North and Northeastern India will be linked to Southwest China. With trade links established, and population moving much more freely across this whole region, all countries will gain.

The Northeastern states, Eastern UP, Bihar, Orissa and Chattisgarh can then be hubs of economic activity, instead of being neglected backwaters. West Bengal and Calcutta will gain enormously once Eastern region is integrated with the booming Asian economies. The Northeast could become a vibrant hub of economic activity and tourism, instead of being the victim of corrupt regimes.

However, Bangladesh is slow to recognise the benefits of such an Asian Highway, and is reluctant to allow passage rights across its territory. But that need not deter us. Once the highway is operational, Bangladesh will comply and take advantage of the road links.

China is growing with astonishing rapidity precisely because the Chinese act with alacrity once they make up their mind. Strategic aims, economic policies and infrastructure links must be synchronized to fulfill our potential. The UPA government and NDA opposition have a lot to gain if they act swiftly to establish road links with Thailand and Yunnan province of China. Prosperity and job creation would replace insurgency in Northeast. Marxists benefit much if West Bengal becomes an economic powerhouse under their stewardship. Laloo Yadav and Mulayam can at last show prosperity to Bihar and Eastern U.P. Economic growth will force political reform and promote better governance in Bihar and UP. India can shake off its slumber and be counted among the Asian tigers and combat mass poverty.

For this dream to be a reality, we need to overcome old prejudices and obsession with national " security" in traditional terms. Our policy makers and strategic thinkers must give us leadership and act quickly and decisively before the window of opportunity closes.

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