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| A history of violations - India must limit Chinese imports and bolster manufacturing |
| **Commentarao-** S.L. Rao |
| a  An Indian customer looks at lamps made in China  Shashi Tharoor's An Era of Darkness tells you that India was in the forefront of globalization before the British conquered and looted the country. Angus Maddison in his classic, The World Economy, estimated the primary economic parameters of many countries over the millennium. When the British came, India was one of the two richest countries on almost every parameter. (The other country was China.) A variety of finely woven textiles in many fabrics, metallurgical products, including the finest of swords, and well-designed, sturdy, long-lasting ships were among India's principal products. Globalization was about genuine competitive advantage in many products and in fair exchange.  In his scholarly book, Tharoor emphasizes that during their occupation of India the British looted and destroyed the former's flourishing industries. Looms were smashed, weavers' thumbs broken, ship-building and metallurgy forbidden, and, soon, preferential tariffs for products imported from Britain were introduced with bans on the export of such locally made goods. As the British administration expanded, Indian food grains were exported to feed British troops overseas at the cost of millions of Indians dying of famine. During the Bengal famine of 1943, Australian grain ships were denied permission to unload in Calcutta and directed to Britain to store food for British soldiers. British Indian administrators were paid from Indian coffers. Britain and individual Britons accumulated vast wealth from looting India and Indians.  This was also globalization, with one country supplying to another. The compensatory myths were that the British knit India together by building a railway network and introducing the English language in education. Tharoor describes how the railways were financed with Indian revenues. British shareholders earned enormous guaranteed returns. The British built the railways to enable faster movement of India's valuable raw material from the hinterland to the ports in order to send them to Britain. The railways also helped to move British troops faster around India.The introduction of English was with the stated purpose of producing clerks, who would help the British to rule India. This also applied to the many other 'good deeds' such as a new penal code and a judicial system, which would replace the local laws and judges that had done the job efficiently.   |  | | --- | |  |   In his estimation of millennial economic data for many countries, Maddison shows how India and China were the two most prosperous nations in the world when the British conquered India. He gives figures to show how after 200 years of British rule, India had declined from being among the richest to a land of abject poverty. This was a consequence of globalization.  Under imperialism, countries were free to invade, conquer and loot other nations. Here are some other examples - in Latin America, Portugal and Spain used religion as an excuse to propagate Christianity. The looting was merely an accompanying effect! The British and the French in Africa, the Dutch in Indonesia and the Japanese during their occupation of China in the course of the War are other examples of the plunder that globalization wrought. Similar but smaller in scale is the example of the British exploiting the aboriginal people in Australia. Contrastingly, despite the spread of Hinduism and Buddhism from India to Asia over the centuries, there are no reports of Indians being looters.  After the Second World War, globalization took the form of trade, investments and movement of people. Slavery and indentured labour, which were exported to America, the Caribbean and Africa, were also part of the then globalization. After the Second World War, countries began signing trade and investment agreements. These went on to develop into regional trade agreements, free trade areas and common markets with tariff concessions to trade among member countries. Some also agreed on the free movement of people to work in the country that they had migrated to. The European Union took this to the extent that every EU citizen had the freedom of working anywhere in Europe. The United States of America had legal and illegal immigrant workers. When migrants added to skills, they were valued. Otherwise, they only competed for low-skilled jobs and depressed wages.  For many years, the outlier was the Republic of China. China was a closed economy. Little was known about its economic parameters, structure, taxes, tariffs, prices of inputs like electricity, and so on. Foreign - especially American - firms sought to take advantage of the low wages paid legally to Chinese labour and the welcome accorded to foreign investment by the Chinese government. Over the years, this led to increasingly sophisticated manufacturing by foreign investors in China. The Chinese learnt to copy foreign technologies. In due course, the Chinese developed on them since protection to intellectual property was practically non-existent in China. Fears of losing access to cheap manufacturing and the growing market reduced protests. They even tolerated frequent difficulties in repatriating their earnings. Western manufacturers, happy with contract manufacturing in Southeast Asia, looked for the same in China. Low-cost suppliers and a vast, growing market were the new globalization.  Many economists lauded this division of labour between rich and poor countries. The former benefited from the lower prices and the latter from increased employment and prosperity. Grumbling foreign investors tolerated the theft of intellectual property and the violations of brand copyrights by the Chinese. As Chinese labour learnt increasingly sophisticated manufacturing skills and China invested heavily in education and research, the country was able to compete at low prices with Western counterparts.  Plagiarism is a key facet of the Chinese industry. Thus imports of Banarasi and Kanjeevaram silk enabled the learning of techniques and the export of inferior, but cheaper, versions to India. Krishna and Ganesh idols were sold in millions at throwaway prices, as were fireworks for Diwali. India imports three-fourths of its telecom and half of its solar equipment from China at prices that are much lower than anywhere else.  China has an opaque costing, pricing and incentives system for industries and inputs. Electricity tariffs can be negotiated down by exporters as can other inputs, including tax liabilities. There is no way of proving such subsidies, something that is necessary to prove dumping to the World Trade Organization for action.  Peter Navarro has documented this in Death by China. China uses cheap labour and such incentives to penetrate overseas markets. They are the secrets of China's international competitive advantage in every manufactured product. China's version of globalization is using secret government subsidies. It is now a member of the WTO, even though the WTO is meant to punish violations like subsidies. But few accusations could be proved with hard evidence because of opaque Chinese governance.  President-elect Donald Trump campaigned against cheap Chinese imports that have destroyed a good part of American manufacturing and led to the loss of millions of jobs. His secretary for this job will be Navarro, who authored Death by China. Now that there will be this powerful counter to China, India can also join the US to control China's wrongdoing in trade. India must vigorously support this new American position. India has a huge and growing trade deficit with China. Imports are almost five times the exports, and India exports few manufactured goods to China. The minor investment flows to India from China that have begun are no compensation. We must act to limit imports from China while developing policies to promote manufacturing in India.  Trump has given India the opportunity to follow his lead and promote India's interests.  **The author is former director-general, National Council of Applied Economic Research** |