

**Welcome Remarks by Ms. Wanda Tseng
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at the IMF-NCAER Conference**

A Tale of Two Giants: India's and China's Experience with Reform and Growth

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On behalf of the International Monetary Fund, I would like to welcome all of you to this conference. I am especially honored that many of you have taken time out of your busy schedules and traveled great distances to join us here today. I look forward to your valuable contributions to our discussions.

Examining India and China's approaches to economic reforms is something that has captured the interest of a wide range of observers in recent years. Together, these two countries account for 40 percent of the world's population and have been among the fastest growing economies in the world for some time. Their economic successes have yielded tangible benefits for a significant share of mankind. Having said this, I should stress that this conference is not meant to offer a "blueprint" for reforms in either country or anywhere else for that matter. Economic reforms have to be designed to suit country specific circumstances, taking into account cultural, social, and political factors. Nevertheless, it is instructive to identify factors explaining China and India's impressive track records over the past two decades, and to glean from them what China and India can learn from each other, and what lessons their experience offers for other countries.

Indeed, the collective experience of India and China demonstrates how reforms, particularly those which facilitate fuller participation in the global economy, can benefit developing countries. First in China, since the start of the reform process in 1978, China's economy has been transformed. It is now much more open, and makes a significant contribution to the dynamism of the East Asia region and the wider global economy by trading out half of its GDP with the rest of the world. China has emerged as a manufacturing powerhouse, playing a central role in the global supply chain for a wide range of products. China's economic transformation was accompanied by rapid economic growth, which averaged over 9 percent a year over the past two decades, raising real per capita income four-fold, and lifting more than 200 million people out of poverty.

India made a start with reforms in the 1980s, but launched far-reaching reforms in the early 1990s, and they are already bearing fruit. By the mid 1990s, economic growth had accelerated to an average of 6¾ percent, its highest rate since independence. Although a sequence of exogenous shocks have reduced growth from this high rate in the latter of the 1990s, the fact that India was able to weathered these shocks while sustaining growth rates in excess of many developing countries testifies to the benefits of reforms in terms of increased economic resilience. This year, with the help of good monsoons, growth could approach 7 percent, raising optimism that India could be on the cusp of a higher growth

trajectory if the right policies are implemented. The acceleration of growth in the past decade has also brought tangible benefits in India, lifting nearly 63 million people out of poverty and raising real per capita income by over 80 percent. Though less globally integrated than China, India is nevertheless a force to reckon with the important IT services sector of the world economy.

Consequently, India and China's experience with reform offer unique insights as to the type of policies that can best promote sustained economic growth in developing countries. While globalization is under attack in some circles recently, both countries—to varying degrees—have adopted outward-looking policies as part of their reform process and have made globalization work for them. Each has pursued policies that liberalized prices and dismantled regulations, fostered the development of the private sector, strengthened their financial systems, and opened their economies to trade and investment.

Notwithstanding the considerable progress to date, there remains many challenges ahead to promote broad based growth, further reduce poverty and address income inequalities, and reduce financial risks and vulnerabilities. Ultimately the key to extending China and India's achievements will be action to strengthen the structural and institutional underpinnings of a dynamic market economy. This involves building strong institutions, legal and regulatory frameworks, further strengthening of the financial system, and restructuring the corporate sector—all this aimed at creating employment opportunities and improving living standards. The current setting of favorable macroeconomic conditions in both China and India, and the growing optimism regarding the global economic recovery, offers a timely opportunity to deepen reforms.

For this reason, we have brought together senior policymakers and leading academics and private sector analysts from both India and China to this conference to exchange views. We look forward to learning more about the factors underpinning China and India's impressive growth performance. We are also eager to hear your perspectives as to the next steps in the reform process and the possible gains from closer bilateral and regional cooperation.

Again, welcome to this conference, and I look forward to hearing your views.