China and India: Two Models?

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China, a capitalist country of the modern style

China is presented from the angle of its economic success, in terms of GDP growth and increased exports. GDP growth may well be impressive, but in fact, China has chosen a capitalist model of development, implying increased exploitation of Chinese workers, mass redundancies, privatisation of many public companies, radical reductions in State spending on education, health, social security, and unbridled productivism with total disregard for nature and public health. Over the last ten years, the percentage of wages in the GDP has fallen sharply, going from 53% in 1998 to 41% in 2005.1 It is true that China is a net creditor with regard to the United States but it has accumulated a colossal internal debt. Worse still, social inequalities are growing at a horrendous speed. Various studies show that while the living conditions of the poorest 10% of the population have seriously declined, the richest 10% have seen their income and wealth booming. The number of Chinese billionaires in dollars has shot up from 3 in 2004 to 106 in 2007.2

A severe economic slowdown in the United States may not make too much impact on the economic health of China, as it exports more to Europe than to North America. Nevertheless, it is not impossible that the contradictions of China's domestic economy combined with an external shock such as a significant slowdown in the USA could lead to major problems. The rise of internal debt both at government level and in companies, the accumulation of unsafe debts in banking, the creation of speculative bubbles on the property market and the stock exchange are some of the factors that could lead to an economic crisis, sooner or later. Not to mention the powder-keg of glaring social inequalities. Quite apart from the risk of a crisis, it is the model adopted that deserves utmost criticism.3

India's economic miracle – a myth

Another country presented as a success story is India. Economic growth exceeds 9%, the Mumbai (Bombay) stock exchange is booming, and Indian companies are investing in industrialized countries and developing countries alike. With few exceptions, the media fail to report on the changes in living conditions for the majority of Indian citizens. However, the Indian daily *Hindustan Times* on 14 October 2007 revealed that according to a study by a government institute, 77% of the population – in other words 836 million Indians – live on less than 20 rupees a day (less than 0.5 US dollars). These figures are very different from those of the World Bank, which only attest to about 300 million Indians living on less than one US dollar a day.4 India has a high number of working poor. India's National Commission for Enterprises in the Unorganized Sector reveals that 320 million workers live on less than

20 rupees a day.5 The same *Hindustan Times* article published the findings of a study on world famine carried out by the International Food Policy Research Institute (IFPRI) according to which 40% of underweight children under the age of five live in India.

In the fight against famine, India lags behind other Asian countries such as Pakistan and China. In a ranking of 118 countries, Cuba and Libya figure among the first while China comes 47th, Pakistan 88th and India 94th. The report states that the situation has seriously deteriorated among India's peasants. According to other sources, between 1996 and 2003 more than 100,000 small farmers committed suicide, most of them for reasons of over-indebtedness. This translates as one suicide every 45 minutes. According to the Indian newspaper *DNA* in its 17 September 2007 issue reporting on a government study, 46% of Indian children are underweight. In Mumbai, a city of 14 million inhabitants, where trading on the stock exchange reached unprecedented heights in 2007, 40% of children are underweight. According to *DNA*, in spite of 9 years of sustained economic growth, famine has declined by only 1% in India. Here we have a perfect example of the fallacy of the trickle-down effect, whereby the enrichment of the richest people is supposed to be automatically beneficial to the poor. According to Forbes, which publishes an annual report on the world's richest people, in 2006 India became the Asian country with the highest number of billionaires (36 billionaires with a cumulative fortune of 191 billion US dollars, thus displacing Japan with its 24 billionaires together worth some 64 billion US dollars). Of the world's richest people, Lakshmi Mittal ranks 5th..

According to data provided in October 2007 by the financial press, the Indian billionaire Mukesh Ambani has now overtaken Lakshmi Mittal and may well be in a position to vie for first place (currently held by the Mexican Carlos Slim) or second place (currently held by Bill Gates) in the world's wealthiest line-up. These figures are challenged by other sources: for example, *Newsweek*'s 12 November 2007 issue predicts that there will be 106 Chinese billionaires in 2007. In this case Chinese billionaires will outnumber Indian billionaires, ousting India from first place. But this is of little matter here. What is certain is that rapid growth in India and China is producing more and more rich people, and at the same time more and more poor people.

NOTES

1. Newsweek, 12 November 2007.

2. Ibid.

3. See Martin Hart-Landsberg – Paul Burkett, *China : Entre el Socialismo real y el Capitalismo*, Editorial CIM, Caracas, 2007.

4 It should be noted that to arrive at this figure the World Bank calculates in purchasing-power parity, which enables it to present the situation more positively.

5 Newsweek, 12 November 2007.

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