CONTENTS

List of Tables

List of Figures

List of Contributors

Abbreviations	xxi
Introduction	xxv
China and India in the global economy	xxvi
Comparisons and contrasts	xxviii
Challenges for sustaining growth	xxix
Part I. China and India in the Global Economy	
1. What Can Be Learned about the Economies of China and	d India
from Purchasing Power Comparisons? Alan Heston	3
1.1 Introduction	3
1.2 The growth record in a comparative framework	4
1.3 Levels of GDP in China and India	8
1.4 PPPs and sources of past and future growth	22
1.5 PPPs and exchange rates	28
1.6 Conclusion	30
2. Trading with Asia's Giants	32
Barry Bosworth, Susan M. Collins, and Aaron Flaaen	
2.1 Introduction	32
2.2 Context	34
2.3 Services trade	39
2.4 Composition of goods exports	42
2.5 The role of multinational corporations	44
2.6 The role of distance	47
2.7 Effects of the US trade deficit	55
2.8 Conclusion	59

хí

χv

xix

Contents

3.	The Chinese Export Bundles: Patterns, Puzzles, and Possible Explanations	62
	Zhi Wang and Shang-Jin Wei	
	3.1 Introduction	62
	3.2 Evolving sophistication in export structures: China vs. India	63
	3.3 What might explain China's precocious export	
	sophistication?	69
	3.4 Conclusion	79
	Appendix 3A. Data	81
Pai	t II. Contrasts in Development Experience	
4.	The Cost Competitiveness of Manufacturing in China and	
	India: An Industry and Regional Perspective	87
	Bart van Ark, Abdul Azeez Erumban, Vivian Chen, and	
	Utsav Kumar .	
	4.1 Introduction	87
	4.2 Unit labor cost as competitiveness measure	89
	4.3 International comparisons of productivity and unit	
	labor costs	92
	4.4 Regional comparison of productivity and unit labor cost	96
	4.5 Convergence trends in compensation, productivity, and unit labor cost	107
	4.6 Conclusion	116
	Appendix 4A. Basic data for China and India regional	
	comparisons	118
5	. Law, Institutions, and Finance in China and India	125
	Franklin Allen, Rajesh Chakrabarti, Sankar De, Jun 'QJ' Qian,	120
	and Meijun Qian	
	5.1 Introduction	125
	5.2 Evidence on China's legal and financial systems and	
	growth in the three sectors	129
	5.3 Law, finance, and growth in India: Aggregate evidence	144
	5.4 Firms' financing sources in China: Aggregate evidence and	
	cross-country comparisons	151
	5.5 Law, finance, and growth in the Indian corporate sectors:	
	Firm level evidence	161

	<u> </u>	ontents
	5.6 Survey evidence on the Chinese private sector5.7 Conclusions	167 181
6.	China and India: A Tale of Two Trade Integration Approaches Przemyslaw Kowalski	184
	6.1 Introduction	184
	6.2 Main trade developments	189
	6.3 Trade policy developments	206
	6.4 Conclusion	223
Par	t III. Challenges to Sustaining Growth	
7.	China's Growth Model: Choices and Consequences Eswar S. Prasad	227
	7.1 Introduction	227
	7.2 The composition of growth in China and India	229
	7.3 Policy choices	232
	7.4 The reform agenda	237
	7.5 Monetary policy	239
	7.6 Concluding remarks	241
8.	Deconstructing China's and India's Growth: The Role of	
	Financial Policies Jahangir Aziz	243
	8.1 Introduction	243
	8.2 China and India's recent growth experience	248
	8.3 China and India's economy as a neoclassical	
	growth model	249
	8.4 Calibrating the growth model	252
	8.5 Simulating the Solow growth model	255
	8.6 Investment wedge	257
	8.7 Interpreting investment wedges as financial frictions	260
	8.8 Financial sector reforms in India	272
	8.9 Conclusion	276
9.	Pollution across Chinese Provinces Catherine Yap Co, Fanying Kong, and Shuanglin Lin	281
	9.1 Introduction	281
	9.2 Pollution and environmental policy in China	284

Contents

9.3 Data and empirical methodology	286
9.4 Analysis of results	291
9.5 Conclusion	304
Appendix 9A	306
10. What Constrains Indian Manufacturing?	307
Poonam Gupta, Rana Hasan, and Utsav Kumar	
10.1 Introduction	307
10.2 Stylized facts and preliminary evidence	312
10.3 Evidence from enterprise surveys	319
10.4 Econometric analysis	323
10.5 Conclusion	337
Appendix 10A. Data sources and construction of variables	339
References	343
Index	