
Recession reports - China and India can help but not save world economy

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AFP reported that fast growing China and India may be important players but the emerging economic giants alone do not have the clout to drag the global economy out of its worst slump since the 1930s.

China ranked the world's third largest economy after the United States and Japan grew 7.9% in the Q2 this year while India expanded 5.8% in the three months to March. Such rates are relatively modest by their standards but stand out sharply as the United States, Japan and Europe are all mired in deep recession as their economies struggle through the fallout from the global financial crisis.

China and India may drive demand for raw materials and the other inputs they use in their own exports from Brazil, Australia and the smaller Asian countries but that are not enough for recovery in the developed world.

Mr Michel Fouquin international affairs analyst in Paris said Chinese and Indian demand has largely kept raw material prices afloat this year a key plus for exporting countries such as Australia and Brazil while also offering hope against the prevailing gloom.

He said that "The two countries send out a positive message at a time when the trend is dark and this can help reassure the markets. But beyond this psychological comfort, China and India have only a marginal impact on the wider global economy because they are exporters with limited domestic demand ultimately, they are relying on the developed world to recover first before they too can move ahead once more."

Mr Eric Chaney chief economist with Axa said "There is no way that the world economy can get back on its feet again just through the emerging giants."

Mr Eswar Prasad of Cornell University said "I am much less convinced that either China or India can a significant boost to other economies. He said that India and China can provide an indirect boost by maintaining domestic demand and providing a sense of confidence to the world economy that the recovery is in progress but their contribution to the world economy is going to remain modest."

Mr Richard Herd at the OECD in Paris noted "In China, the share of imports in total demand is relatively small, essentially because it's a very large economy and there's a very large degree of self-sufficiency in many areas. It has been a longstanding complaint in Washington that China's economy is dangerously reliant on exports for growth, leading to huge global imbalances that can no longer be sustained."

The United States, Europe and Japan are the key markets for goods and services sold there by the great exporters such as China which has a much smaller domestic market despite efforts to boost home consumption.

(Source from AFP)

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