According to projections of the National Intelligence Council, a US government think tank, by 2025 China and India will have the world’s second- and fourth-largest economies, respectively. The world is changing before our eyes – within the memories of many readers of this journal, these economies were known for little other than abject poverty. Today they are the largest of the ‘emerging market economies’. Yet to apply this term to China and India is to fail to recognize the cycles of history. These countries have been the prime generators of wealth in the world for millennia, dwarfing even the Roman Empire at its height. As recently as 1820, China and India together accounted for almost half of world output (Maddison, 2001). For China and India, their current appearance on the world economic stage is better understood as re-emergence rather than emergence.

While they are currently witnessing accelerating “catch up” processes with advanced market economies in many sectors (Mudambi, 2008), China and India are almost unique in having organized economies and a thriving tradition of entrepreneurship dating back to
antiquity. These historical roots underpin the mainsprings of economic activity in these economies to this day, ranging from the wealthy and widespread Chinese diaspora (Yeung, 2004) to the dynamic Indian business communities (Khanna, 2007).

It is important for managers in advanced economy multinational corporations (MNCs) to recognize these institutional foundations, because as Gupta and Wang point out in this compelling book, they pass up doing business in and with these two countries at their peril. From the growth of their markets to the increasing sophistication of their enormous workforces, ceding these economies to local or MNC competitors is not an option. In his incisive review of this timely book, Ramamurti highlights the book’s critical message for practicing managers in advanced economy MNCs, while also pointing to significant implied research questions for IB scholars.

References


