



# REVIEWS



**THE ELEPHANT AND THE DRAGON:  
THE RISE OF INDIA AND CHINA AND  
WHAT IT MEANS FOR ALL OF US**

by Robyn Meredith

W.W. Norton & Company,  
272 pages, \$25.95

Reviewed by DAVID PLOTT

**A**SIA IS NO stranger to economic miracles—witness the success of Japan, South Korea, Taiwan and Southeast Asia. But the near simultaneous emergence of China and India onto the world stage represents a “tectonic economic shift” that promises to alter the way global business and geopolitics are conducted for years to come.

This is the focus of Robyn Meredith’s *The Elephant and the Dragon*, one of the best books available about the economic changes underway in both countries. A veteran reporter for *Forbes* magazine, Ms. Meredith brings to the subject deep experience and knowledge of both countries, and a gift for synthesizing a vast array of data in an accessible and lively way, and discerning underlying trends.

This a behemoth of a subject, so the book’s brevity comes as a pleasant surprise for the reader, and is a tribute to the author’s discipline in distilling her arguments. She blends history, vivid anecdotes, personal experience, economic analysis and even occasional bursts of ideological exhortation to produce a work that leaves the reader with a comprehensive understanding of the essence of the transformations in India (the elephant) and China (the dragon).

Ms. Meredith opens by evoking what is almost a cliché in discussions about the

two countries—the contrast between the visible grandeur of China’s ultramodern infrastructure and India’s potholed streets and crumbling airports.

But these stark differences are raised in order to reassess their supposed significance. While India indeed remains woefully behind China in investing in infrastructure, its path to economic reform has tapped other sources of strength. As China pursued a path to becoming a manufacturing giant by harnessing its ability to mobilize capital and labor, India—hobbled by horribly inefficient government—had to rely on its tremendous pool of highly educated knowledge workers. It is a case, she says, of brawn versus brains. To be sure, she underscores the need for India to invest substantially more in its roads, airports, ports and railways in order to build its own manufacturing capabilities. Meanwhile China will need to accelerate its efforts to rise above basic manufacturing as a source of future growth.

But Ms. Meredith is careful not to overplay the differences between these two Asian giants—a tendency that leads some observers to cheerlead for one country over the other—because one of her central arguments is that the rise of China and India complement each other. The way the two are beginning to work together promises to reshape global business.

Modern manufacturing has shifted away from Henry Ford’s assembly-line model to

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one where a product is now manufactured in different stages in dozens of different countries. Ms. Meredith refers to this outgrowth of globalization as “the disassembly line.” As she vividly illustrates in one example, something as simple as an Eileen Fisher linen sweater passes across the globe as it moves from raw flax to finished product.

“Those swank sweaters will have journeyed from France to China to the United States via one boat, five trucks, three factories, and an airplane on an odyssey now common for products found in American shopping malls.” This is a process that Victor Fung, chairman of Hong Kong-based Li & Fung, has called “the atomization of the supply chain.”

Ms. Meredith argues, “India and China form complementary links, rather than competing links, in many companies’ disassembly lines. Using the two developing nations together is a powerful, almost irresistible tool for Western companies trying to ratchet down their costs and speed up production cycles.”

Despite the alarm that China and India often cause in the West—particularly in America—because of lost manufacturing jobs and offshored white-collar jobs, Ms. Meredith argues that it is American and European companies that have most benefited from the rise of both countries. “Made in China” often really means “Made by America in China” or “Made by Europe in China.” Consumers in America and Europe also benefit from lower cost goods produced in China.

India and China are not just changing the face of manufacturing, they are also

redefining consumer markets, because of the large number of low-income earners in both countries. Traditional consumer marketing by multinational companies has always targeted the top 20% of income earners. But Ms. Meredith predicts that India and China are about to change that.

“The vast majority of the money in the Indian market is at the bottom of the income pyramid,” she writes.

“Because each is growing about three times as fast as the United States and Japan and far faster than Europe, India and China represent the unavoidable future for companies around the world.”

Despite the sometimes breathless appreciation Ms. Meredith expresses for the changes taking place in India and China, she is no rosy-eyed evangelist for their economic reforms. She devotes considerable space to describing the social, environmental, political and geopolitical risks associated with the changes. The results is a balanced and engaging appraisal of what has been accomplished, and what remains to be done.

Ms. Meredith is most passionate, though, at the end of her book, where she exhorts Americans (who seem to be the primary audience of her work) to invest more in education and infrastructure, and to save more, in order to reinvent themselves to face the challenge of India and China. “Let the rise of India and China be a catalyst to reestablish America’s competitiveness. Let it be this generation’s space race. If inward-facing India and communist China can transform themselves and face the world, so can the United States of America,” she concludes.

