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## China and India—Learning from Each Other

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Section III discusses the relationship between domestic financial development and international financial integration. Suman Bery and Kanhaiya Singh argue that although international financial integration has some risks, further integration could stimulate financial sector development and improve macroeconomic policy discipline in India. Eswar Prasad, Thomas Rumbaugh, and Qing Wang contend that although capital account liberalization could play an important role in China’s development, undertaking further liberalization *before* allowing for greater exchange rate flexibility could pose some risks.

Section IV examines a broader range of macroeconomic policies relevant for sustainable growth. Steven Dunaway and Annalisa Fedelino note that Chinese fiscal policy has been prudent in recent years, with low levels of fiscal deficits and debt (relative to GDP), and has been appropriately guided by a medium-term focus on fiscal consolidation to make room for financing contingent liabilities, including in the state-owned banking system, and rising spending pressures as the population ages. Arvinder Singh examines the factors behind, and the implications of, labor mobility in China and India.

The final section of the book evaluates the scope for further economic cooperation between China and India. Arvind Virmani argues that the bilateral trade potential is very high and discusses the main barriers to realizing this potential. Nalin Surie compares and contrasts the development models of China and India, picking out some important lessons from each country’s experience. He notes that both countries face similar socioeconomic challenges and that effective cooperation between them could have broader benefits for the Asia-Pacific region and the global economy.