"Atmanirbhar Bharat, " "Dual Circulation" : Shared Internal Woes Post COVID-19 Open not Dissimilar Economic Paths for India and China

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Abstract

China and India have announced, in quick succession, new economic measures to steer their countries out of the economic morass the global COVID-19 pandemic has pushed them into. China calls it the "Dual Circulation" Strategy. India calls it the "Atmanirbhar Bharat" Mission. Both turn to their domestic markets as the primary focus to boost consumption without significantly reducing their international trade commitments. This article picked up on the unique similarity of the two new economic models of the two countries with otherwise dissimilar approaches to economics and politics rounded off by a precipitous stand-off over a border dispute. The distinguishing features of both missions were explained in the contexts of both economies. The challenges the countries have to overcome while steering the economies in the new direction were examined. The research provided a contrast that merits further, critical studies : China, with a mighty middle class but with uncharacteristically low consumption, proposes to create conditions for augmenting the domestic spending power, using it as the booster dose for its economy, which would serve as the stepping stone for augmenting exports. India, already riding a wave of increased domestic consumption by the middle class, is intent on making it possible to indegenize manufacturing processes through technological upgradation in order to lower costs to boost internal consumption and increase exports.

Keywords : **economic measures, economic growth, "Atmanirbhar Bharat," economic policy, trade war**

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The world's two most populous countries, China and India, according to estimates of the United Nations population division (2019) will have a share of 18.47% and 17.7%, respectively of the world's population by the end of 2020 (Worldometers, n.d.). Any small event by such giants always makes big news. However, when they announce something really big, like shifting their basic approaches to economic growth, it creates a mighty splash.

That is exactly what two announcements in May 2020 achieved. India's Prime Minister Narendra Modi announced that his country was embarking on a new economic path called "Atmanirbhar Bharat." The politburo of the Chinese Communist Party, with President Xi Jinping at the helm as General Secretary, told the world that China had adopted a new economic model called "Dual Circulation."

Since then, the world over, a single question has been doing the rounds. Why ? For there was the fear of the new approaches : Were they simply targeting their domestic markets or were they beginning to look inward ? The two governments have repeatedly clarified that there was no need for any such worry.

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Modi (2020) said on the very day he announced the new policy measure, "When India speaks of becoming self-reliant, it doesn't advocate a self-centred system. In India's self-reliance, there is concern for the whole world's happiness, cooperation and peace" (Narendra Modi, para 1).

President Xi Jinping said at a conference in Shanghai that China's new development structure is, "definitely not a closed domestic circulation, but a more open dual circulation between overseas and domestic markets" ("China's Xi to lay out," 2020).

Similar Features

The May announcements landed both countries in a unique, even paradoxical, situation. To begin with, the two Asian giants are currently locked in a stand-off at the Line of Actual Control they share as their international border in the Himalayan region. Ironically, the new economic approaches were probably being finalized in Beijing and New Delhi even as their two armies were in a tug-of-war situation in the Ladakh region. The political eye-to-eye is oblivious of the similarities in the two new methods.

"Atmanirbhar Bharat" talks of five pillars of a self-reliant India:

- *Economy :* Quantum jumps, not incremental changes.
- *Infrastructure :* One that represents modern India.
- *System :* Technology-driven.
- *Demography :* Vibrant demography of the largest democracy.
- *Demand :* Full utilization of power of demand and supply.

"Dual Circulation" talks of six economic guarantees :

- Guarantee employment.
- Basic livelihood of the people.
- Market order.
- Food and energy security.
- Stability of supply chains.
- Operation of local government functions.

The Consumption Measure

China and India have the biggest shares of the world population. China has a middle class 400 million - strong. India's middle class, *The Economist* once said, could be near about 350 million people. Between them, they have the world's biggest concentration of labour. Both countries, therefore, can afford labour-intensive manufacturing drives, though to begin with, they form the biggest domestic markets no other country can boast of. That should be a compelling reason enough for both governments to start focusing on the domestic market to boost consumption in order to step up the pace of economic growth.

Household consumption has been the backbone of India's growth, making up about 57% of the GDP in the financial year, 2018–19. But things are not as rosy in the post-Covid period ("India's weak household consumption," 2019).

According to Statista Research Department (2020) :

> Consumer spending across India amounted to over 17 trillion rupees as of October 2020. Research cited decline in demand due to the onset of the coronavirus (COVID-19) pandemic, reflected in July spending, recovering, however in the following months. This could be attributed, in part, to easing lockdown restrictions and the annual Dusshera and Deepavali festivities that result in a spending spike. (para 1)

In contrast, China has never had a high consumption internally. This fact was highlighted by Pettis (2020), when he gave perspective to his thoughts :

> The consumption share of Chinese GDP remains extraordinarily low, just two percentage points higher in 2019 than it was in 2007. Meanwhile, and not coincidentally, during this period, China's debt-to-GDP ratio doubled. It will get worse this year. With the sharp decline of consumption relative to GDP – partly because of Covid-19 and partly because of Beijing's production focused response to the pandemic – the consumption share of GDP will decline in 2020 to erase most of the gains it made since its low point a decade ago. (para 4 & para 5)

Both countries have, during the pandemic period, suffered severe job losses, curtailed exports, shrinking manufacturing figures. Unlike India, China was caught in a trade and tariff war with the United States leading to economic sanctions that did hamper its economic activities. Shepard (2020), as early as March 2020, predicted that China will have to be wary of other countries questioning why they should not shift their manufacturing plants from inside China. China was aware that one day, its role as the world's manufacturing hub will erode and it has to have alternate plans ready.

Also, as Fickling (2020) pointed out, while writing on post-Covid relationships, to the role of "the sugar rush of nationalism" influencing military priorities and economic priorities as well, a communist government in China and a right-wing government in India could have made one assume these countries would turn inward in face of a crisis. The clarifications of both Modi and Xi are significant in this connection.

There is also the matter of production and internal demand equations, which have different tales to tell in China and India. India steams thanks to heavy internal consumption rather than production. The reverse is true of China. In comparison, Steinbock (2020), with reference to the United States, pointed out that while the U.S. is on a consumption-based recovery path with strong retail sales but weak production, recovery in the U.S. relies too much on very costly fiscal stimuli necessitated by the poor response to the pandemic, and rapidly rising debt, which both distort the role of consumption. Boosting consumption does figure prominently in, perhaps even drive, the new economic approaches.

President Xi Jinping of China appeared to endorse this line of thought when he said that, "China can no longer rely on its previous economic development model of depending on global exports and must build self-controlled, safe and reliable domestic production and supply system" ("Xi Jinping says China," 2020, para 1) to ensure industrial and national security.

Methodology and Research Constraints

The research topic is both simple and complicated. Simple, because there is a lot of research material available. Complicated because most of the material is not credible. The Indian government has been more forthcoming than the Chinese in sharing the details of the new approaches. The Prime Minister of India led the discourse himself, while no formal announcement was forthcoming from the Chinese leadership. As a result, there was a question of credibility to deal with while handling the words from the web. Also, not many scholastic works are out, considering that the topic is quite new, barely months old. Thirdly, there is little evidence of any research work highlighting the similarities that glaringly bind the two countries with their new approaches; the known exception being Ninan (2020).

There could be a specialist, that is, purely economic approach to the topic. There could be a generalized approach as well. I, in the instance of facing constraints relative to availability of primary and credible material, preferred to adopt a simple case study method (Allen, 2017), but with three riders. One, desist from analysis and leave the readers to come to their own conclusions. Two, to achieve the first objective, resist self-paraphrasing to avoid any kind of misinterpretation and instead resort to direct quotations from source materials. Thus, I remove myself from between the primary source and the reader. Thirdly, the case study method has been used in an open-ended manner, in the sense that the subjects – "Dual Circulation" and "Atmanirbhar Bharat" – are studied but not analyzed. This is simply because there is as yet no evidence of their impact. I have avoided even informative speculation (see Kyle, 1989) because of the sensitive nature of the subjects and their proponent countries.

"Atmanirbhar Bharat" – A Case Study

Narendra Modi, the Prime Minister of India, addressed the nation in the midst of the COVID-19 lockdown to remind the people that they have the duty to, "protect ourselves but also have to keep moving forward" even as the pandemic rages, destroying the economy (Narendra Modi, 2020).

The word "self-reliance" means *"atmanirbhar"* in Hindi, the Indian national language. Modi called it "Atmanirbhar Bharat" (self-reliant India). What did he mean by that?

It is best to read Modi (Press Information Bureau, 2020) in his own words :

> The Prime Minister remarked that the definition of self-reliance has undergone a change in the globalized world and clarified that when the country talks about self-reliance, it is different from being self-centered…a self-reliant India will stand on five pillars viz. Economy, which brings in quantum jump and not incremental change; Infrastructure, which should become the identity of India ; System, based on 21st century technology driven arrangements ; Vibrant Demography, which is our source of energy for a self-reliant India; and Demand, whereby the strength of our demand and supply chain should be utilized to full capacity. (para 5)

He underlined the importance of strengthening all stakeholders in the supply chain to increase, as well as fulfill, the demand.

Here is what the Prime Minister's "atmanirbharabhiyan" (campaign for self-reliance) is all about, sourced from the Press Information Bureau (2020) :

> PM…announced a special economic package and gave a clarion call for *Atmanirbhar Bharat*…. (the package) is to the tune of Rs. 20 lakh crore, which is equivalent to almost 10% of India's GDP…the package will also focus on land, labour, liquidity and laws. It will cater to various sections including cottage industry, MSMEs, labourers, middle class, industries, among others. (para 6 & para 7)

Campaign Philosophy

The Press Information Bureau (2020) described the core of the Prime Minister's new campaign as :

> …Several bold reforms are needed to make the country self-reliant, so that the impact of crisis

> such as COVID can be negated in future. The reforms would include supply chain reforms for agriculture, rational tax system, simple and clear laws, capable human resource and a strong financial system….will promote business, attract investment, and further strengthen Make in India. (para 8)

Highlighting the duality of the campaign that focuses on both the domestic market and the international market, the Prime Minister explained that self-reliance will strengthen India's natural role in the global supply chain and the new package is designed to achieve this objective. He observed that the crisis has underlined the importance of, "local manufacturing, local market and local supply chains….Now, it is time to be vocal about the local products and help these local products become global" (Press Information Bureau, 2020, para 11).

Before going into the merits, or otherwise, of the new policy, here is what it looks like in its barest form as formally introduced by the Government of India.

To quote the Ministry of Commerce and Industry (2020) :

> The Government has announced Aatma Nirbhar Package of Rs. 20.97 Lakh Crore to address the problems faced by the industry, along with reforms in a number of sectors. The Emergency Credit Line Guarantee Scheme (ECLGS), with a provision of Rs. 3 Lakh Crore, is a 100% credit guarantee and envisages collateral free loans for MSMEs. Financial support has been envisaged for stressed MSMEs, with infusion of Rs. 20,000 Crore equity support through subordinate debt. A Fund of Funds has been created to infuse equity worth Rs. 50,000 Crore in the MSME Sector through setting up of a Rs. 10,000 Crore Corpus Fund. The Government has also issued the Public Procurement (Preference to Make in India) Order 2017, to promote participation of local suppliers / manufacturers in public procurement. To encourage government procurement from domestic companies, global tendering has been disallowed for values up to Rs. 200 Crore. (para 3)

The campaign was met with criticism from both the Indian opposition parties as well as a section of economists. *Business Standard* opened a page on its website called, "What is Atmanirbhar Bharat Mission ?" where it summed up the criticism :

> The government has said 'self-reliant India does not mean cutting off from rest of the world.' However, some have called Atmanirbhar Bharat as a re-packaged version of the Make in India drive using new taglines such as 'Vocal for Local'. Some Opposition members have spoken about how India had enacted policies and built companies since its creation to make India self-reliant – SAIL for steel production, IITs for domestic engineers, AIIMS for medical sciences, DRDO for defence research, HAL for aviation, ISRO for space, CCL NTPC and GAIL in the area of energy, for example. These politicians have criticised the so-called advertising tactics in the re-packaged scheme. Some have also panned the scheme re-phrased as "Fend For Yourself" Campaign. (para 5)

The campaign is not even a year-old. It was undertaken in the most unusual circumstances – in the midst of a global pandemic that was challenging economic fundamentals of nations. It was undertaken even as the economy plummeted, exports came down, demand nose-dived, people lost jobs, health care was in the midst of a crisis, and the pressure of COVID-19 was stretching global relationships. As far as India is concerned, there is as yet no formal research available about the "Atmanirbhar Bharat Abhiyan." I have gleaned information primarily from the media and web contributions from economists and analysts. To that extent, what is stated here becomes a primary collation of information.

Six days after the Prime Minister's announcement of the campaign, *The Indian Express* newspaper came out with an explanatory note, perhaps the first of its kind, explaining what exactly the campaign is all about, what is its scope, and what challenges it entails.

Sabharwal (2020) defined the parameters of the stimulus package that became the basis of the campaign. He said that the impact of the package on the primary sector is two-fold, cohesing the agriculture and sectors to act as one in reforming the rural economy that can sustain itself, turn it into a mass food producer, for internal consumption as well as exports to anywhere in the world, and, secondly, provide gainful employment to returning migrant labourers.

In the secondary sector, the aid package will give fresh impetus to the MSMEs which, being the largest employment generating sector in India next only to agriculture, bring back a competitive edge to the industries dependent on labour. The package will also carry its impact to the tertiary sector, like, for instance, the rural health institutions, which will automatically be strengthened with higher fund allocations coming in.

Sabharwal (2020), at the same time, cautioned that the campaign will not be a smooth ride considering the tough tasks associated with its implementation. Of primary importance is the distribution of money ; it has to reach the common man from the Reserve Bank of India through the banks. The "inefficient transmission of monetary policy" is a problem that can hamper the transmission of funds. The campaign has to address the issue of insufficient demand – the government may pump in money into the economy, but ultimately, it will turn robust only when the people have enough funds to spend. That is the only way investments will rise. A lone spurt of economic activity in the MSME sector alone cannot boost manufacturing and shoulder the rate of growth; it is but part of the internal economy which needs to revive as a whole. The Union government is hoping to go in for a round of disinvestment to finance the fiscal package, even as it is concerned about simultaneously ensuring the fiscal deficit does not go out of hand.

First Reactions

Seven months after Modi launched the campaign, preliminary reports began to appear in the world media, assessing its impact on the Indian economy. One of the exhaustive analyses appeared in the November 2020 report of the Economist Intelligence Unit (EIU), the research and analysis division of The Economist Group, the sister company to *The Economist* newspaper.

Accessing the report, Sharma (2020) brought out the finer points in his story that appeared in *The Financial Express* newspaper. The EIU essentially brought out a paradox. On the one hand, the new policy "aims to reduce domestic market access to imports," but at the same time, it wants to "open the economy and export to the rest of the world." This could mean that, "there will be a more sustained and overt push towards protecting domestic industries under the self-reliance initiative, echoing India's pre-liberalisation stance before 1991" (para 1).

On the kind of impact it would leave on the Indian economy, specially its foreign trade, the report pointed out to the possibility of, "more protectionist trade stance and any increase in tariff rates for imports may lead to punitive tariffs or the revocation of trade benefits from its partners" (Sharma, 2020, para 2).

On how the campaign would affect Modi's reforms agenda, the report cautioned that the government can get into a vicious circle of sorts if it does not simultaneously open up protected sectors to private enterprises. If public sector undertakings continue to make losses, if there is oppressive regulation also to boot, "India's manufacturing sector will become further uncompetitive" and this would discourage "future governments averse to opening up the economy again" (Sharma, 2020, para 3).

Three, it finds questionable the assumption of the campaign taking off smoothly, when the economy was in contraction. It refers to, for instance, on top of the routine difficulty in finding employment for the lakhs of workers joining the labour force each year, the COVID-19 pandemic has worsened the situation, thanks to low capacity of the country to employ. "Poor healthcare infrastructure, and highly populated urban centres" have "weighed further on the economy," Sharma (2020, para 5) quoted the EIU as saying.

The "Atmanirbhar Bharat Campaign" got an approval rating from the dominant section of the Indian media. Doval (2020) came out with an impact report, giving the specific example of television sets. In late July, the Indian government decided to put the import of fully-built television sets on the "restricted" list. The media said it was "a move aimed at promoting domestic manufacturing."

Doval (2020) reported :

> TV sets, along with CCTV cameras and set-top boxes, are among eight new product categories taken up by the commerce and industry ministry under the Atmanirbhar Bharat umbrella, where imports will be discouraged to boost domestic production. A road map for a dozen products has already been prepared. (para 5)

The move will help stop "unfettered imports" (Doval, 2020) at the expense of local manufacturers, like exports worth crores of rupees from China and other countries to enter the country. While the restrictions may not affect local prices, "it is expected to result in backward integration with investment in better assembly lines and component production" (Doval, 2000, para 2).

"Dual Circulation" – A Case Study

The politburo of the Chinese Communist Party articulated the phrase, "dual circulation" for the first time in May 2020. The Chinese media reported the fact, but there was nothing else to illuminate its significance. President Xi Jinping did not come out with any quotes to signify that it had his stamp of approval. The policy was even included in China's five-year plan for the period, 2021–2025.

Yao (2020) reported that the Chinese President Xi Jinping first raised the idea in May 2020 and later elaborated that China will rely mainly on "internal circulation" – the domestic cycle of production, distribution, and consumption – for its development, supported by innovation and upgrades in the economy.

At that time, the only additional information the world knew was that President Xi was heard saying that "internal circulation" and "external circulation" will go hand in hand. The two circulations came to be known as "dual circulation." No concrete details were yet available.

In the absence of a clarification from the highest in the land, theories sprung up all over. President Xi was then quoted by the Chinese media as dropping a significant hint that "dual circulation" is a model where domestic circulation has a big role to play. Was China looking inward to its domestic market ? Will China give up its export-focused economic strategy ?

The Chinese President opened up only in November 2020 on the new model. *Bloomberg News* (2020) reported :

> China's new development structure is "definitely not a closed domestic circulation, but a more open dual circulation between overseas and domestic markets," Xi said at the opening of the China International Import Expo…in Shanghai. The strategy won't only address China's own demand for growth, "but will also bring benefits to all countries around the world." (para 2)

But for such sporadic statements from the Chinese President, China never issued a comprehensive statement explaining the new policy, as I ascertained after extensive research. I eventually put together a list of quotes of President Xi that Xinhua (2020) put out on the subject. Stitching them together, one gets an idea of what the Chinese leader's thinking is on re-orienting the country's economy.

The Chinese news agency described this new development as a "strategic choice" to both revive the domestic economy as well as increase China's international role through stronger trade promotion from lessons learnt in the pandemic period. The new process starts with the inherent advantage China has : The largest consumer market in the world thanks to a big economy, a big population, and growing per capita GDP. Satiating the domestic market itself will be an economic marvel for China, but that does not mean it will stop looking outward. The President is of the view that China has to forge stronger bonds between the internal and external markets by leveraging the potential of domestic demand.

This suggests that the leadership may be favouring a slew of economic reforms aimed at liberalised rules, focus on innovation, and conquering new frontiers through improved technologies.

Under the "dual circulation" strategy, Xi aims to boost tech innovation and push Chinese firms up the global value chain, key to globalizing China's home-grown companies, boosting household incomes, and in turn, stimulating domestic demand (Yao, 2020).

Yao (2020) explained the primary challenges before President Xi, which include increasing incomes of households and thereby their consumption levels, reduce the state's responsibility for the wellness of the millions of migrant workers by settling them in cities with jobs and amenities and thus add a whole new segment to the Chinese middle class.

The bigger challenge arises from the pandemic lessons. China experienced anxiety as several countries thought of shifting their manufacturing bases from China. The "dual circulation" policy does not want a repeat of the situation. And its answer is to invite FDI into high-end manufacturing in order to further strengthen its supply chain security and deter foreign countries from luring firms away from China. According to Tang (2020), it is now expected to see China place less reliance on its export-oriented development strategy, or external circulation, without abandoning it altogether.

The "Why" and "What" Mechanics

Research and journalistic experience have shown that it is not a good thing to depend on secondary and tertiary sources for accurate information about policies of the Chinese government. The Chinese Communist Party prefers secrecy. Ever since Chinese President Xi Jinping articulated the phrase – "Dual Circulation Strategy" (DCS) in May 2020, there was a virtual deluge of information on the worldwide web, which was of little logical or neutral value. A perusal of dozens of position papers, articles, analyses, and briefings led me to the first of a series of papers the Fung Intelligence Group, the intelligence arm of the Hong Kong-based multi-national corporation, Fung Group published in September 2020. Its analysis and evaluation of China's new economic policy is simple, straight, and meaningful.

The *Dual Circulation Series* (2020) is extensively quoted in the following paragraphs to record the DCS policy and its challenges and fallout :

"Dual circulation" is a new model of development, aiming at forming a development layout that focuses on the domestic market as the foothold of economic growth, whilst letting the domestic and international markets boost each other. To sum it up, the new policy has the following drivers : stimulate internal demand, make the economy resilient and self-sufficient, and introduce fresh reforms on the supply side.

The purpose of "dual circulation" is to help China better position itself in the long run to withstand global uncertainty and an increasingly hostile external environment, characterized by a global economic downturn, rising protectionism, heightened geopolitical tensions, and a shrinking international market. In particular, the sharpening of geopolitical competition has caused a general retreat from globalization in the West. China has effectively entered a new paradigm in which it will have to deal with a global economic environment that is progressively less conducive to free trade, capital, and technology flows.

The earlier economic model: Export-oriented manufacturers imported raw materials, components, and other intermediate inputs from international markets, processed them locally, and then exported the final products back to Western markets. This development model achieved great success. Up till the mid–2000s, exports accounted for a large proportion of China's GDP.

The present economic model : The Chinese leadership has come to believe that its exports alone cannot sustain growth in the future. The new policy articulates its latest view that exports have to go together with internal consumption and investment. That way, it will focus on reviving the internal economy without losing out on its external economic potential.

Internal and External Challenges

➯ What Domestic Areas will the New Policy Focus on ?

Fung Business Intelligence's *Dual Circulation Series* (2020) observed that China is looking to boost high-end manufacturing by integrating the entire supply chain and the massive group of industries that sustain it, making these industries competitive through technological breakthroughs, removing imbalances in urban and rural civic, infrastructural, tele-communication, and new energy amenities. For a communist party ruling the country, China proposes to limit the government's role to the bare minimum in the local and hyper-local economy and focus on increasing the wellness of its middle class and give a shoulder to the lower classes through financial welfare measures.

➯ What International Areas will the New Policy Focus on?

The policy has identified the measures to boost "external circulation." The government will establish special economic zones, free trade zones, and ports with liberalized trade and investment. Being aware of the criticism of its Belt and Road Initiative, it is identifying steps to strengthen economic cooperation with countries that have signed up for the Initiative and those who have not. It wants to boost its image as a friendly international trading partner by reducing tariff levels for countries with which China has bilateral or multilateral trade and economic agreements.

Issues with "Dual Circulation"

Tang (2020) foresaw fundamental problems China might face while implementing the dual circulation strategy. It is quite difficult to balance self-reliance with opening up, and so, there could be concerns that China will take an inward-looking approach for its future development. Secondly, there are doubts whether China can truly shift its growth engine from state-led investment and exports to consumer spending without painful reforms of its growth model and wealth-distribution system.

However, the devastating point Tang (2020) raised is by questioning the very rationale of the dual circulation strategy. In his own words :

> The strategy was promoted earlier in 2020 as relations with the United States continued to deteriorate, making the external environment less predictable for China. This changing environment indicated it would be unsustainable for China to continue relying on overseas demand to keep its vast manufacturing apparatus running. It is essentially a defensive approach by Beijing to prepare for the worst-case scenario as the world undergoes significant geopolitical and economic changes. (Para 9, Para 10, Para 11)

In other words, the China – United States verbal war over the origin of COVID-19 and subsequent attempts by various countries including Japan to get their companies to shift out their manufacturing plants in China came as a warning to the Chinese government. Once the precedent has been set, these foreign companies could exit any day, leaving China to pick up the pieces of lost trade. Such an uncertainty was something China decided to take on at once and dual circulation was said to be the answer. Shifting the focus from export-oriented trade to the domestic market is a gigantic task. It needs a collective effort never seen in China before. Also, it is fraught with problems the communist government may not want to face at the moment.

Pettis (2000), a professor at Peking University and a Senior Fellow at the Carnegie – Tsinghua Center explained his theory in the *Financial Times* :

> China's low domestic consumption rates – among the lowest in history – is mainly the consequence of households retaining one of the lowest shares of GDP of any country in history. To rebalance demand towards consumption means nothing less than a major rebalancing of income towards ordinary households. For Chinese consumption to be broadly in line with that of other developing countries, ordinary households must recover at least 10-15 percentage points of GDP at the expense of businesses, the wealthy, or the government. This means rebalancing involves a massive shift of wealth – and with it, political power – to ordinary people. This will not be easy. (para 7)

Klein and Pettis (2020) wrote about the United States – China trade war from the American perspective, but they make a valid point :

> It makes no difference how many American airplanes or tones of American soybeans China promises to buy or indeed how much the American bilateral deficit with China is reduced. It does not even matter how many U.S. companies that had earlier relocated to China return to the United States. As long as ordinary Chinese retain so little of what they produce, which necessarily depresses their spending on goods and services, China must run a trade surplus and it must export huge amounts of savings. (p. 225)

Their tone is patronising as they advise China, which at the time of the writing of the book, was officially into the dual circulation era, but Klein and Pettis (2020) set the tone for the point they really want to make:

> China's policies do not just hurt Americans – they also harm ordinary Chinese workers and retirees. Chinese workers are underpaid relative to the value of what they produce, and they are taxed too much. They are unable to access the goods and services they ought to be able to afford. They breathe dirty air and drink polluted water because many local government officials place the financial interests of politically connected business owners above the well-being of the public. (p.3)

Where are they going with this ? Now comes the coup de grâce, so to say, which is convincing Chinese elites to allow Chinese workers to consume a greater share of what they produce is one of the great policy challenges of our time.

Conclusion

If "dual circulation" and "Atmanirbhar Bharat" have more similarities than differences, the question that begs an answer is : Is China following India ? Or is it the vice-versa ? The inadequacy in which economic system, China's or India's, is better addressed by focusing on the domestic market ?

Leading economics journalist T. N. Ninan is perhaps the first to answer the question. Writing in *The Print*, Ninan (2020) minced no words:

> So China is following India's lead, and going for *atmanirbharta*. Its top decision-making body has decided to turn away from export markets as a growth driver, and to focus more on its domestic market. It also seeks to reduce vulnerability to trade sanctions by hosting critical technologies and strategic production facilities within its territory. India wants the same, at lower levels of sophistication and higher tariffs. (para 1)

The deconstruction of the China and India examples tells the story. Both countries have experienced their trade – GDP ratios turn against them. China is a manufacturing hub. There had to come a point when the law of diminishing returns would kick in for both China and the importing countries. The former would find that over time, as wages increase, manufacturing no longer remains cheap. The importing countries would at some point realize the harm to their economies because of lack of internal manufacturing. In any case, there is a limit beyond which these countries would not be able to digest Chinese exports. The COVID-19 pandemic has only helped hasten the realization for both sides.

In the case of India, one, imports continue to be high, eating into any benefits from slowly but steadily growing production of goods. Secondly, India built up its economy with its ace – services exports which outgun trade any day. However, the problem is that the high returns from services exports make individuals, than a class or segment of people, rich.

In both cases, the domestic market remains untapped. An export status quo is manageable, but ignoring the large domestic consumer base spells bad economics. Is that what led China and India to take that route after COVID-19 gave them the wake-up call ?

Limitations of the Study and the Way Forward

The paper has one clear limitation. It is that in both China and India, the new policies have only been announced. The full scale of what they entail at the implementation level is still a subject of discussion at the level of the governments. The policies cannot be implemented in isolation. For instance, the current period being the time for census-taking, neither country can claim to come up with the implementation programme without the census results being taken into account. In China, the census operation was completed in December 2020. The initial results are expected around April 2021, though it will take two more years for the final results. However, the early indicators are enough for the Chinese government to incorporate changes to its 14th five-year plan for 2021 – 2025 ("China begins 7th national population census," 2020), which will spearhead the "dual circulation" theme. In India, it is already census time, but the government is yet to decide on the dates.

The new policies talk about demographics, reviving and fiscally arming the middle class, re-invigorating the labour force, and institutionalizing social welfare measures. The allocations simply cannot be decided without the latest population figures. The Census, thus plays a part in implementing the policies.

Secondly, the policies were announced during an unusual time : Pandemic time when all time tables, planned operations, and streamlined policies went awry, leaving the economies literally rudderless. The pandemic has left both governments in a quandary on the issue of fresh budgetary allocations. For instance, from where to get the additional money that is required to get the economies back into some shape of normalcy ? It is only after such clarifications are presented to the governments can the new policies be earnestly implemented. That means, a year has then to pass for researchers to access data on how the policies have fared on the ground.

For these reasons, this paper did not attempt to locate the new policies in the context of budgetary planning processes. This automatically becomes the leading research question a year after its publication. Last but not the least, the basic assumption of the Chinese and Indian governments for announcing the policies is yet to pass the practicality test : Will the steps announced to facilitate "dual circulation" and "atmanirbharta" actually help the middle classes to shed their consumption sloth ? For, the middle class is not a monolithic, but a dynamic construct which no blanket economic sheet can uniformly satisfy or stimulate.

Author's Contribution

Dr. Manoj Gupta conceived the idea and extracted information through extensive research of current national and international media sources on the web. The concepts of "dual circulation" and "atmanirbharta" are quite new and not yet subjects of intensely researched and analytical papers. In fact, most details of the Chinese model are only now beginning to trickle down the web from China. The paper was written by Dr. Manoj Gupta as a preliminary research paper outlining the concepts and aims of both models and locating their implementation paths. These nascent policies of both countries merit a much deeper study at least a year after their implementation as the implications such research would throw up will make an informed contribution to understand the changing economic models of the world's top economies in the post-Covid period.

Conflict of Interest

The author certifies the absence of any affiliation with or involvement in any organization or entity with any financial interest, or non-financial interest in the subject matter, or materials discussed in this manuscript.

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