

India, China becoming high-income nations will disrupt global economy: World Bank

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World Bank Chief Economist Indermit Gill on Monday said if the large economies of China and India were to become high-income economies, it would bring a huge disruption to the world.

This is because the US and other Western European nations have got to a certain stage of development and share in the world economy.

“The world is not used to such transitions and there are 30 countries, which have reached high income since 1950, mostly tend to be small economies,”

he said. He was speaking at a webinar on ‘Economic Growth in Middle-Income Countries’ organised by

Centre for Social and Economic Progress.

He also highlighted the problems behind countries getting trapped, such as rising wages in the middle-income countries, results in loss of labour-intensive sectors. These nations have trouble getting into more capital-intensive or more innovative sectors.

“The other thing is that they actually got to the middle-income country just by accumulating a lot of things like a higher labour force participation rate, or higher capital and so on. But that growth model doesn’t actually work, and they don’t have another one, which allows them to switch to productivity, enhancing growth, innovation and others,” he added.

