

China versus India: A Race for Supremacy

An Economic Analysis

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China and India are the Asian giants. Both countries are marked by ancient civilizations with religious roots. China was influenced by Confucianism, Buddhism and Taoism. India on the other hand, was mainly influenced by Hinduism, along with Islam and Christianity. Wisdom from several other religions, some of which had their origins in India such as Buddhism, Jainism and Sikhism, has also influenced Indian society, culture and polity.

China was established as an independent nation in 1949 under the leadership of *Mao Tsetung*, as the Chairman of the Communist Party of China. It initiated its economic development with planning in 1953 and the Great Leap Forward campaign of Mao in 1958. China embraced a socialist planned economy after the Communist victory in its Civil War. Private property and private ownership of capital were abolished, and all economic activities were subject to state control or to workers' councils.

India secured its independence from the British rule on 15 August 1947. Under the leadership of Jawaharlal Nehru, it adopted a mixed economic system with the socialistic pattern of organization of society. A development programme was implemented under "Five Year Plan" from 1 April 1951.

Till recently both the countries were cited as the best examples of underdeveloped, poor, backward or developing countries. Now they are the leading emerging (already emerged?) market economies of the world. Both are racing to be the No.1 economic super-power of the 21st century.

The following table explains the current economic position of both the countries.

Table 1: Economic Indicators¹⁸ (2011)

Characteristics	China	India
Size of the country	3 rd largest (China is 2.908 times larger than India)	7 th largest in the world
Arable land	143.3 M.H.	159.7 M.H.
Economy in terms of GDP	2 nd largest in the world	5 th largest in the world*
Population	1347.6 million (First in the world)	1241.5 million (Second in the world)
Dependency Ratio	37.9	54.4
Density	142 per sq. km	383 per sq. km
Projected Population in 2030	1393.1 M	1523.5 M

* *Some estimates place it as the 10th largest economy. Recently, our Finance Minister placed India as the 4th largest economy.*

Though China is almost three times larger than India in terms of geographical area, India has an advantage of having larger area of arable land giving it an advantage of a strong agricultural base to support its large and ever-increasing population

China has overtaken Japan and occupied second position in terms of G.D.P. leaving India behind at 5th place. In spite of its large population, China has a lower density of population than India, thanks to its vast geographical size. However, the projected population for India in 2030, indicates that India will be the most populous country.

In all the above economic parameters (Table 1) China's success surpasses India's achievements. India's growth rate has never touched double digits; China's growth rate has been in double digits for more than two decades.

Table 2 : Current Economic Indicators

Economic Criteria	China	India
Gross National Income (GNI) (constant 2005 PPP)	7476	3468
Poverty (percentage of population below \$1.25 a day)	15.9 (2003)	41.6 (2005)
Population in multi-dimensional poverty (%)	12.5 (2003)	53.7 (2005)
Average annual growth (2001-08)	10.4	7.9

Table 3: Structure of Economy (2008)

Sectoral contribution to GDP (in per cent)	China	India
Agriculture	11	18
Industry	49	29
Service	40	53

Though a dominant sector in both the countries, the contribution of agriculture to GDP has declined over a period of time. This indicates the growing importance of industry and more particularly of the service sector. Many economists are apprehensive about dominance of the service sector in India without an equally strong industrial sector. China is in a better position as its industrial sector contributes 49% of GDP indicating a good industrial base. Though sectoral transformation has taken place in India under the Five Year Plans, labour productivity has remained low in all the Sectors.

Table 4: External Sector**(2007)**

External Sector Indicators	China	India
Manufactured Exports (% of total exports)	93	64
High Technology exports (% of manufactured exports)	30	5
FDI net inflow (% of GDP)	1.6	2.5
Forex Reserve (US\$ billion) (2009)	2348	266.2
External Debt (% of GNI)	13	20
Net migration 2000-05 (in thousands)	-2058	-1540

On the external front, China has recorded a better performance in almost all sectors. Its exports are dominated by manufacturers. Its forex reserves are nearly nine times more than India. Debt liabilities are low and people are more mobile internationally.

Table 5: Socio-Economic Indicators

Socio-economic indicators	China	India
Adult literacy (age 15 years and above) – (2005-2010)	94.0	62.8
Tertiary enrolment rate – (2001-2010)	24.5	13.5
Life expectancy – (2011)	73.5	65.4
Sex ratio (males per 100 females)	121.2	108.5
Maternal mortality (per 100,000 live births) – (2008)	38	230
Overall life satisfaction (2006-2010) (0: least satisfied, 10: most satisfied)	4.7	5

China is about to become a fully literate country whereas India is struggling with its more than 1/3rd illiterate population. Illiteracy has its negative impact both on social and economic spheres. Enrolment to higher education in China is almost twice that of India's achievement. The only area where India is comparatively better off is in the sex ratio. China's one-child policy, perhaps, has contributed to such unfavourable sex ratio. The data, however, indicates

the preference for a male rather than a female child in both the countries. Overall life satisfaction is marginally better in India.

Table 6: Human Development

Human Development Indicators	China	India
HD Index – (2011)	0.687	0.547
HDI Rank – (2011)	101	134
Gender Inequality Index – (2011)	35	129
Labour force participation – (2009)	67.4 (F) 79.7 (M)	32.8 (F) 81.1 (M)

There are some projections which conclude that India will overtake China as an economic power between 2030-2050. Such an optimistic view is based on India's democratic political system, more liberal (market) economic system, demographic dividend, and entrepreneurial spirit to innovate and invest.

The critics, however, are sceptical because:

- (i) Time consuming decision making process at the government level (one of the disadvantages of democracy)
- (ii) Poor infrastructure which is likely to continue for decades
- (iii) Poor quality of labour
- (iv) Poor work culture
- (v) Widespread corruption
- (vi) Low level of social, community or national commitment.

China and India, the Asian giants, are competing to be the world economic super powers. China is aiming to be the No.1 economic power and also to dominate world politics. All the socio-economic indicators are in its favour. However, in the long run, it may have a demographic disadvantage in terms of the dependency ratio. The declining labour force by itself may not be a serious problem as it is possible to tackle it with the help of technology. Besides, China has experienced a double digit growth continuously in more than last two decades. China is working towards establishing the Yuan / Renminbi as

the reserve currency of the world - a more acceptable currency than the US dollar - if possible, in the near future. With economic liberalization and freedom coupled with its political control over the people, China is in a better position, at least currently, to implement its schemes and achieve the targets.

According to IMF, China's economy will overtake U.S.A. in 2016. India, at the best, may hope to reach or attain the third position.

Indian can be a tough competitor in the race for economic supremacy in the world *provided*, as stated by the Economic Survey of India 2010-11 it can foster the culture of honesty and trustworthiness.... Honesty, Integrity and Trustworthiness — the qualities required for economic progress and human development.

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