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The Economic Superpower: The Race between India and China

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Abstract

Ever since the progress of globalisation and liberalisation were set in motion worldwide at the beginning of the 1990s, the world countries focus shifted to India and China. Both were among the world's fastest growing economies, China with a growth rate of 6-7% and India with a growth rate of 7-8%.

China is the fastest growing economy in the world and India is the second fastest growing economy in the world. Together they account for a disproportionate share of global GDP growth today. Both the countries are experiencing double digit growth, resulting in millions of people moving from poverty to middle class affluence in both the countries. Yet that is where the similarities end. Both these giants have followed entirely different paths to success, thus resulting in different footprints in the global economy. The world's leading retailers have beaten a path to both India and China, although in India the process started later and with more formidable obstacles. Moreover, India's cash rich conglomerates are attempting to pre-empt the global giants by starting their own massive modern chains, to take advantage of the high growth and minimal competition.

Keywords : Globalisation, China, India, Global economic powers, Indian economy, Chinese economy, Chinese economic history, Economic reforms, Indian economic reforms, Comparative picture between India and China, Economic superpower etc.

Population Growth:

India and China is the two most populated countries of the world. China is the most populated country with approximately 1.37 billion people in 2017. India is second most populated country with approximately 1.32 billion people in 2016.

In terms of Growth in Population, both the countries have witnessed a significant rise in the population. India's population is growing much rapidly than China's. In fact, this alarming rate is almost double and will help India in becoming the most populous country by 2025. According to projected figures, India's total population will equal China's in 2025. In the same year, India will become world's most populous country and its population will keep growing till 2050 whereas China's population will start declining from 2026.

Population Growth in Billion			
Sr. No.	**Year**	**India**	**China**
1	2007	1.179	1.317
2	2008	1.197	1.324
3	2009	1.214	1.331
4	2010	1.230	1.337
5	2011	1.247	1.344
6	2012	1.263	1.350
7	2013	1.278	1.357
8	2014	1.293	1.364
9	2015	1.309	1.371
10	2016	1.324	1.378
Source: data.worldbank.org			

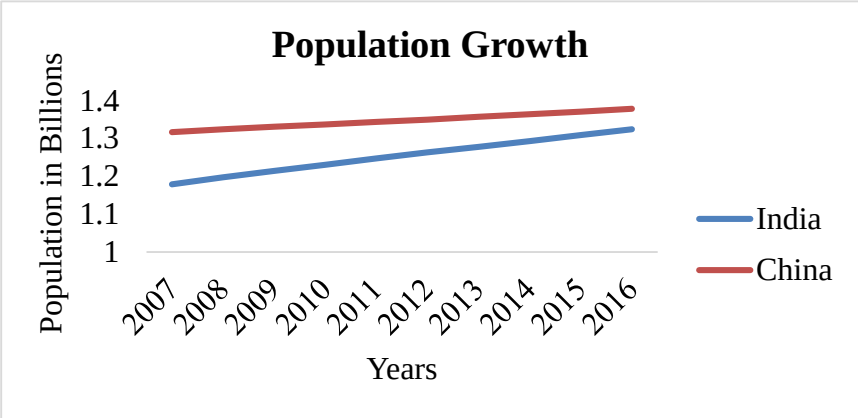

Figure 1: Population Growth in Billions

GDP Growth:

The economic reforms of the 1990's jump-started the Indian economy with GDP growth rates accelerating to high single digits. India's real GDP has grown over 7% annualized during the past decade, slumping down to 3.89% during the global economic downturn in 2008, gaining pace again at around 11% in 2010, as shown in the figure below.

Since 2000 China has consistently posted GDP growth figures exceeding the figures of developed economies and thus, shown exponential economic growth. However, China now faces a slowdown and raises significant macro-economic problems. As can be seen in Figure below, GDP growth rate increased 14.2% in 2007. But, the country reported a slump in 2008 with a growth rate of 9.6%. The figure further reduced to 7.8% in 2012.

GDP Growth in Percentage			
Sr. No.	**Year**	**India**	**China**
1	2007	9.80	14.23
2	2008	3.89	9.65
3	2009	8.47	9.39
4	2010	10.25	10.63
5	2011	6.63	9.53
6	2012	5.45	7.85
7	2013	6.38	7.57
8	2014	7.50	7.29
9	2015	8.01	6.90
10	2016	7.10	6.69
Source: data.worldbank.org			

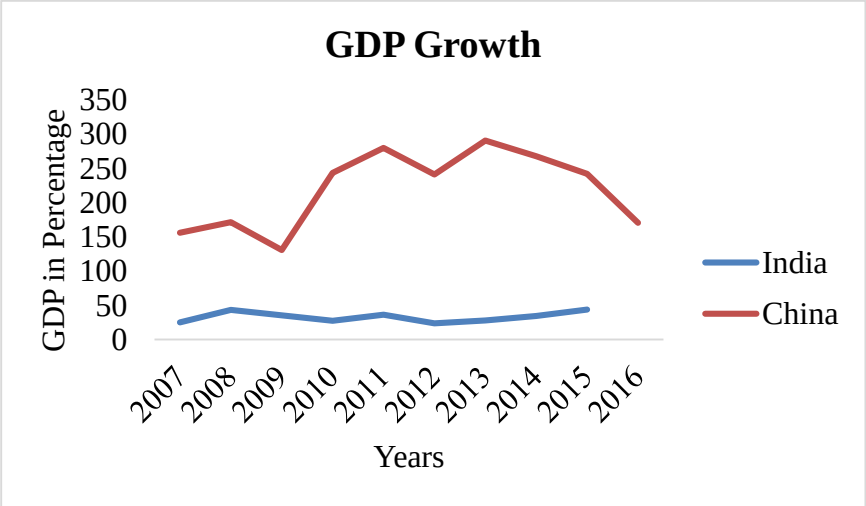

Figure 2: GDP Growth in Percentage

GDP Growth in Trillion USD			
Sr. No.	**Year**	**India**	**China**
1	2007	1.201	3.552
2	2008	1.186	4.598
3	2009	1.323	5.109
4	2010	1.656	6.100
5	2011	1.823	7.572
6	2012	1.827	8.560
7	2013	1.856	9.607
8	2014	1.035	1.048
9	2015	1.111	1.106
10	2016	2.263	1.119
Source: data.worldbank.org			

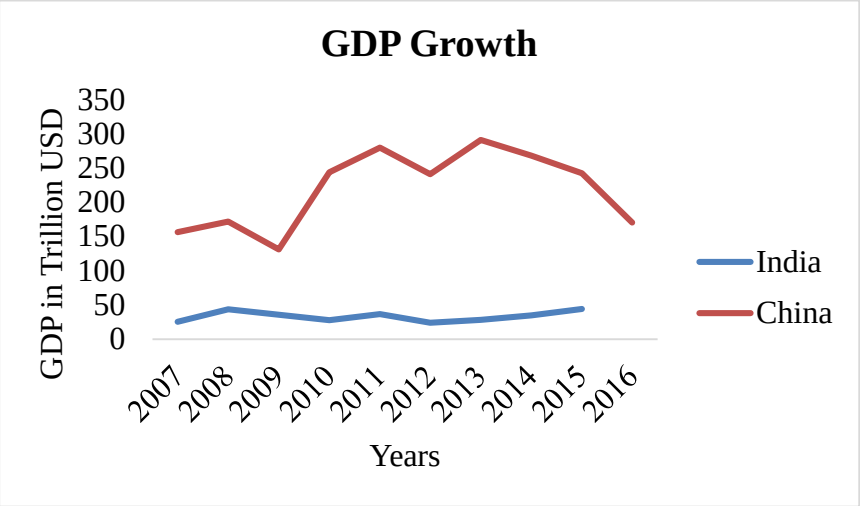

Figure 3: GDP Growth in USD

A Comparison between Indian and Chinese Exports:

While China is seen as the place to produce or procure goods, India is the place to procure business and IT services. China's export growth in terms of GDP doesn't shows consistency. As can be seen in Figure below, exports in terms of GDP accounted to 35.94% in 2007 and afterwards slowly and steadily started declining.

India shows a remarkable rise in their exports in terms of GDP. The top export markets for India are UAE, USA, Singapore and China accounting for almost one-third of the total exports. The major export items include petroleum produce, gems and jewelry, transport equipment and machinery.

Exports of Goods and Services as a % of GDP			
Sr. No.	**Year**	**India**	**China**
1	2007	21	35.94
2	2008	24.26	32.02
3	2009	20.61	24.35
4	2010	22.59	26.26
5	2011	24.54	26.49
6	2012	24.53	25.40
7	2013	25.43	24.50
8	2014	23	24.08
9	2015	19.94	21.97
10	2016	19.17	19.64
Source: data.worldbank.org			

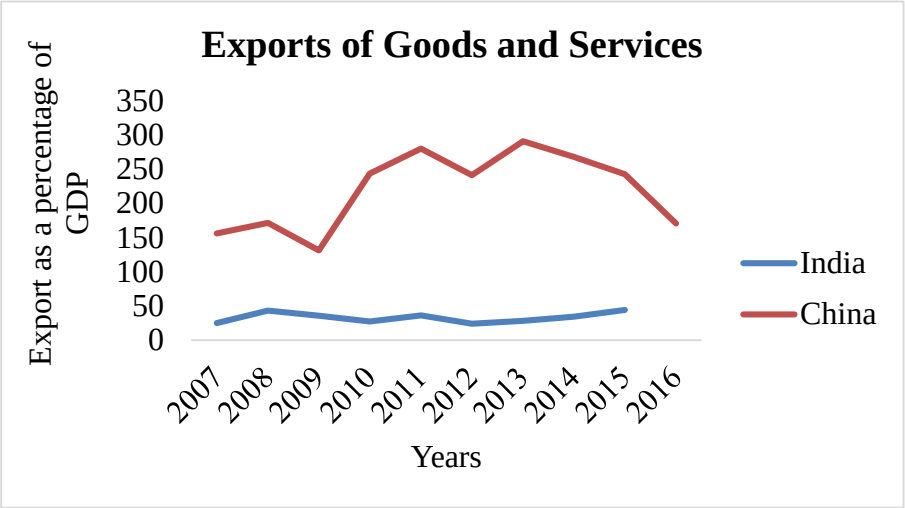

Figure 4: Exports of Goods and Services

A Comparison of Chinese and Indian Imports:

Like exports, China is also one of the biggest importers and is one of the major emerging markets. The contribution of imports to the Chinese economy is found to be consistent over the years. As can be seen in Figure, China's imports in terms of GDP were 26.71% in 2007. China is the largest net importer of crude oil and other liquids in the world, with its net imports of petroleum and other liquids exceeding those of the United States.

India's imports as in terms of GDP have been increasing over the years. Crude petroleum, gold and electronic goods constitute the major imports of India. The top import sources for India are China, UAE, Saudi Arabia, Switzerland and USA, again accounting for one-third of total imports.

Imports of Goods and Services as a % of GDP			
Sr. No.	**Year**	**India**	**China**
1	2007	25.15	26.71
2	2008	29.49	24.93
3	2009	26.16	20.14
4	2010	27.09	22.62
5	2011	31.08	24.10
6	2012	21.25	22.69
7	2013	28.41	22.06
8	2014	26	21.57
9	2015	22.25	18.48
10	2016	20.63	17.41
Source: data.worldbank.org			

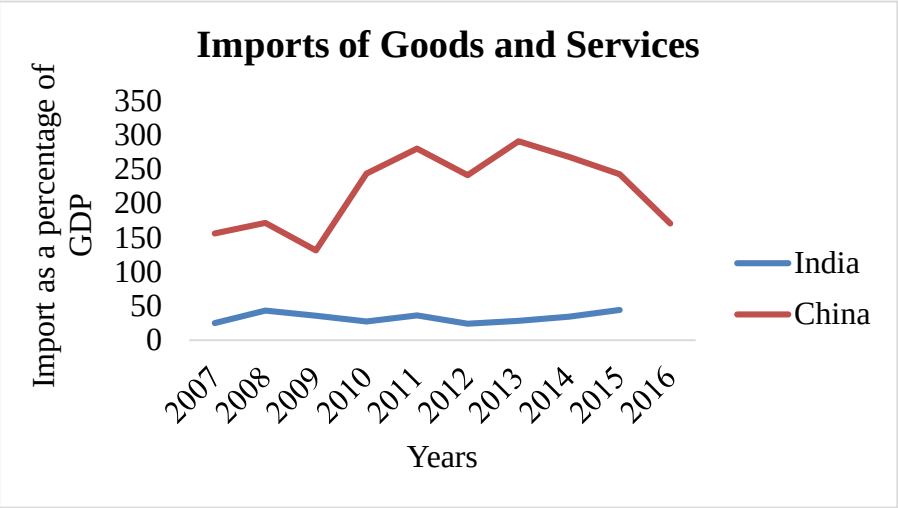

Figure 5: Imports of Goods and Services

Attracting Foreign Investors:

While India encourages entrepreneurial investment, China, much more than India, encourages foreign investment. The result is that, in 2011, China received $280.7 billion in foreign investment, while India received a mere $36.49 billion. Foreign investment in China's retail sector is relatively free. The Chinese law today allows foreign retailers to operate without a partner in China. Open stores anywhere and to source merchandise from foreign owned local factories that, in the past, were obligated to export most of their output. While China has grown rapidly through a high level of investment relative to GDP, India's investment has been rather modest. Although the rules governing foreign direct investment in India have been substantially liberalized in recent years, the retail sector remains closed to foreign direct investment. Foreigners may enter the Indian retailing only through franchising or wholesaling.

Foreign Direct Investment, Net Inflows (BOP, Current US$, in Billions)			
Sr. No.	**Year**	**India**	**China**
1	2007	25.22	156.24
2	2008	43.40	171.53
3	2009	35.58	131.05
4	2010	27.39	243.70
5	2011	36.49	280.07
6	2012	23.99	241.21
7	2013	28.15	290.92
8	2014	34.57	268.09
9	2015	44.09	242.48
10	2016		170.55
Source: data.worldbank.org			

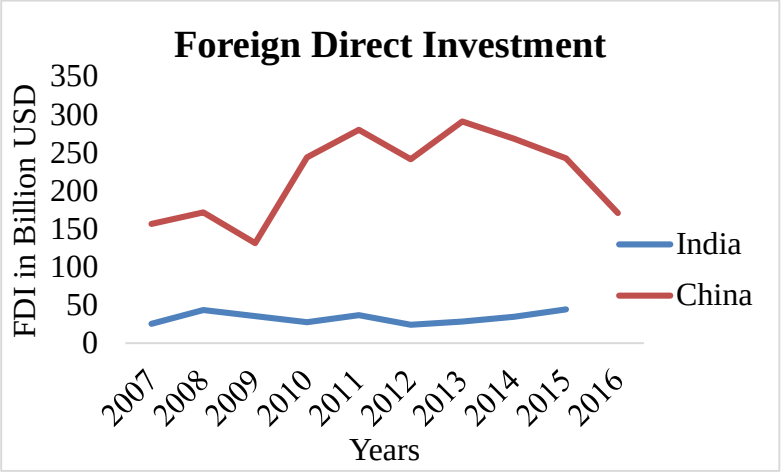

Figure 6: Foreign Direct Investment

Indian and Chinese Economy Head to Head in the Near Future:

The likelihood exists that both India and China will continue to grow rapidly and will continue to experience rapid retail modernization. Both markets are and will be attractive to the world's major retailers and suppliers. Undoubtedly, India and China are bucking global trends.

China will probably see foreign retailers as the dominant players in their modern retailing. While in India there will be more of a mixture of foreign and local giants. Local conglomerates will create large chains, sometimes in partnership with foreigners, often without. The greatest risk to foreign investors in China will come from nationalistic government decisions. The greatest threat in India will come from a failure to accelerate the process of economic reform.

An issue concerning China's economy today is the exchange rate of its currency, resulted from its efforts to keep its exports competitive. China has to boost its own money supply, thereby creating a risk of consumer price inflation or asset price bubbles, resulting in an unsustainable situation. Thus, China will probably revalue its currency further, thereby increasing the purchasing power of its consumers. In India, growth of consumer spending will be dominated by goods. Though both the countries are likely to grow richer, India may still have to deal with the challenge of considerable poverty. This implies that China will become a market for discretionary and luxury goods and India's focus will be on food and household products.

Consequently, India's future success may depend on its ability to shift toward strength in manufacturing. The good news is that India already possesses a big manufacturing strength. Yet sizable obstacles remain like poor infrastructure, insufficient investment to build new infrastructure, and regulations that create rigid ties in the labor market.

China has consistently grown much faster than India for the past 30 years and it will probably continue to grow faster than India for a few more years. But, in all probability, eventually, India would continue to grow fast for a lot longer time than China because of India's huge population which is far younger than that of China. China will run out of steam, with its millions of aging population and without enough younger people to replenish the depleted workforce. China's

misguided one-child policy would come back to haunt as its nemesis. India has no such problem. Barring any unexpected natural or man-made calamities, India will eventually overtake China and become the world's economic super power even though it may take a long time.

India is poised to be the world's next superpower with sound and transparent financial system, flourishing IT industry and a well-regulated stock market. It has been active politically and economically in the past decade as well Indians. Its core institutions from independent judiciary and free press to military are secured by its more than half century old roots. India is on the verge of becoming a permanent member of the United Nations Security Council. Its scientists are planning to launch a moon probe. By putting all these aspects together, one may be amazed that India is already in the race for becoming the next super power.

"Long back all of us heard a story of Hare and Tortoise, the same story will get revealed soon, as China's Hare and India's Tortoise, and we are going to witness who will be the superpower".

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