Chapter V
Global Economic opportunities and challenges for India-china.
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Global Economic opportunities and challenges for India-china.

Introduction: -

The present chapter is focused on global economic opportunities and challenges before India and China. Both countries had similar development strategies prior to their breaking out of deliberate insulation from the world Economy. India has been a very high priority to its relations with China. China on the other hand has been perceived according to higher priorities to its relations with many other countries. China would seem to be paying its more attention to India. This is not favourable to India but is a part of China’s pragmatism and primary attention to her own strategic interests. In a way, it is based on the recognition that India has really grown out of her exploited under-dog status of nearly two centuries and of the potential of her current status as a significant power economically as a matter of fact, militarily as a matter of relative strengths, and politically if we can learn to leverage them to our national advantage\(^1\). At the present position, both the countries could have many challenges and opportunities in the coming years.

A joint statement has been signed by the premiers of the two countries in New Delhi on 11 April 2005, “strategic and cooperative partnership for peace and prosperity” between India and China. As per the statement signed by visiting Chinese premier Wen Jiabao and Indian Prime Minister Manmohan Singh, the two premiers agreed that china- India relations have now acquired a “global and strategic character”. Wen Jiabao paid an official visit to India from April 9 to 12, 2005 at Singh’s invitation the last leg of four south Asian nation tours.
The leaders of two countries agreed to establish a china- India strategic and Cooperative partnership for peace and prosperity. “Such partnership is based on the principles of pansheel, mutual respect and sensitivity for each other’s concerns and aspirations, and equality provides a sound framework for an all around and comprehensive development of bilateral relations based on mutual and equal security, development and prosperity of the two countries and contributes to jointly addressing global challenges and threats,”\(^2\). India-China relations have entered a new stage of comprehensive development. India-China has agreed that an all-round expansion of economic cooperation between the two countries will help for their stronger relationship.

5.1 Comparison of Globalisation between India and china:-

During the past two decades, India and china, although having their different economic size, different levels of per capita income and contrasting international specialisations, have been successfully integrated into the world economy, changing the composition of their imports of primary products, manufactured goods and services. At though both the countries have emerged from the same background from underdevelopment status to development one, they have their own pace of growth and progress. There is a wide dispersion in the areas of development\(^3\). Following are the some notable key indicators where both the economies have developed differently.

1. According to World Bank estimates youth male illiteracy in India is 20 percent whereas in China it is less than 1 percent.
2. There is remarkable achievement of food security, Education and Gender Empowerment in China.
3. China opened up its economy under no foreign pressure but whereas India opened up its economic as a result of foreign exchange crises and under the state of IMF/World Bank.

4. On the basis of statistics of birth, diseases, caste, culture etc. India and china have large domestic markets.

5. In china the migration of rural people to urban areas is on small scale whereas in India rural artisans, small peasants and landless labour migrate on large scale from rural areas to urban areas.

6. Agricultural production of China is 25 percent higher than India in spite of the fact that china has 10 percent less suitable land for production.

7. The parameter of purchasing power parity of china is further ahead of India.

8. Nearly 30 percent of the India’s population lives below poverty line (BPL) whereas in china only 10 percent population is considered as poor.

India and china have achieved a lot in the economic field since the policies of liberalisation and globalisation were implemented. The aphorism that less government leads good governance is proved in the economic field. The two economies are generally thriving in international competition. People-to-people and business-to-business relation have taken their right places in economic relations between the two countries. In the field of economics the world is rapidly becoming multi-polar, which is rapidly becoming multi-polar with multiple foci of economic power. The economies of India and china are somewhat parallel and competitive. However, there are many opportunities to make them cooperative.
5.2 India- china competitiveness:-

According to the world economic report released on 3 September 2013, India ranks 60th amongst 148 countries in the global competitiveness index (GCI) for 2013-14. Since last year India has declined from 59th position out of 144 countries in 2012-13. According to the global competitiveness report 2012-13, excellent innovation and strong institutional environment are increasingly influencing economies competitiveness. Among the BRICS, the People’s Republic of China (29th) continues to lead the group, followed by South Africa (53rd), Brazil (50th), India (60th) and Russia (64th). Down one position, India now ranks 60th, continuing its downward trend that began in 2009. With a GCI score essentially unchanged since then, India has been overtaken by a number of countries. Once ahead of Brazil and South Africa, it now trails them by several places and is behind China by a margin 31 positions, while Russia (64th) has almost closed gap. The following table shows ranking of Global Competitiveness Index
Table 5.1

Global Competitiveness Index 2013-14

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Country</th>
<th>Rank</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Switzerland</td>
<td>1</td>
<td>5.67</td>
</tr>
<tr>
<td>2</td>
<td>Singapore</td>
<td>2</td>
<td>5.61</td>
</tr>
<tr>
<td>3</td>
<td>Finland</td>
<td>3</td>
<td>5.54</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>4</td>
<td>5.51</td>
</tr>
<tr>
<td>5</td>
<td>United States</td>
<td>5</td>
<td>5.48</td>
</tr>
<tr>
<td>6</td>
<td>Sweden</td>
<td>6</td>
<td>5.48</td>
</tr>
<tr>
<td>7</td>
<td>Hong Kong SAR</td>
<td>7</td>
<td>5.47</td>
</tr>
<tr>
<td>8</td>
<td>Netherlands</td>
<td>8</td>
<td>5.42</td>
</tr>
<tr>
<td>9</td>
<td>China</td>
<td>29</td>
<td>4.84</td>
</tr>
<tr>
<td>10</td>
<td>India</td>
<td>60</td>
<td>4.28</td>
</tr>
</tbody>
</table>

Source: Global Competitiveness Report 2013-14

Table 5.1 data reveals of Global Competitiveness Index 2013-14. The first ranking was occupied by Switzerland, followed by Singapore at the second place and Finland at the third place. In this index shown fourth rank was Germany, Fifth rank was United States, six ranks was Sweden, Hong Kong SAR seventh rank and Netherlands was eight ranks. The ranking of India was 60th while that of China was much better. It was at 29th rank out of 148 countries. India and China moved up by one
place in the annual ranking of the world’s 144 most competitiveness countries.

The Global Competitiveness Index (GCI) is made up of over 100 indicators, of which approximately one/two thirds come from the Executive opinion survey, and third comes from publicly available sources. The GCI, albeit simple in structure, provides a holistic overview of factors that are critical to driving productivity and competitiveness and groups them into twelve pillars:

1. Institutions
2. Infrastructure
3. Macroeconomic environment
4. Health and primary education
5. Higher education and training
6. Goods market efficiency
7. Labour market efficiency
8. Financial market development
9. Technological readiness
10. Market size
11. Business sophistication and
12. Innovation

The impact of each pillar on competitiveness varies across countries, in functioning of their stages of economic development. In order
to take this reality into account in the calculation of the GCI pillars are given different weights.

Table 5.2

Parameters of Global competitiveness performance of India and China

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>Pillars of Global competitiveness</th>
<th>India’s ranking</th>
<th>China’s ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Institutions</td>
<td>72</td>
<td>47</td>
</tr>
<tr>
<td>2</td>
<td>Infrastructure</td>
<td>85</td>
<td>48</td>
</tr>
<tr>
<td>3</td>
<td>Macroeconomic environment</td>
<td>110</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Health and primary education</td>
<td>102</td>
<td>40</td>
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<tr>
<td>5</td>
<td>Higher education and training</td>
<td>91</td>
<td>70</td>
</tr>
<tr>
<td>6</td>
<td>Goods market efficiency</td>
<td>85</td>
<td>61</td>
</tr>
<tr>
<td>7</td>
<td>Labour market efficiency</td>
<td>99</td>
<td>34</td>
</tr>
<tr>
<td>8</td>
<td>Financial market development</td>
<td>19</td>
<td>54</td>
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<tr>
<td>9</td>
<td>Technological readiness</td>
<td>98</td>
<td>85</td>
</tr>
<tr>
<td>10</td>
<td>Market size</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>11</td>
<td>Business sophistication</td>
<td>42</td>
<td>45</td>
</tr>
<tr>
<td>12</td>
<td>Innovation</td>
<td>41</td>
<td>32</td>
</tr>
</tbody>
</table>

**Source:** Global Competitiveness Report 2013-14

Table 5.2 data shows parameters of Global Competitiveness performance of India and China. The institutions could be broadly
classified as institutions and private institutions. The ranking of India was 72 out of 148 countries as per Global competitiveness Index during the year 2013-14 while that of China was 47. India is on negative side when it comes to the infrastructure sector. As far as transportation is considered, India lacks the pace of development. The infrastructure ranking of India is 85th while that of China is 48th. Infrastructure is expected to be one of the fastest growing sectors in India.

The ranking of India regarding macroeconomic environment is 110th while that of China is 10th. Although India spends considerable portion of GDP on health and primary education, it lacks the implementation successfully. India has an absolute disadvantage on both parameters. In health and primary education the ranking of India is very low, falling to 102th position while that of China is 40th. China’s ranking is 62 points higher than India. The objectives of higher education have gradually more and more precise. A system of government is developing in the direction of increasing autonomy and accountability. The ranking of India is 91st while that of China is 70th. The customs procedures and the tariff rates are not very favourable to the business friendly in India. That leads to the low level of exports and high level of imports. India has advantages in the degree of customer orientation and buyer sophistication. The ranking of India is 85th and that of China is 61th.

The labour-employer relations in India are quite good and thus leads to better productivity and efficiency. The ranking of India is 99th and that of China is 34th. India has the fastest growing financial market in the world. The ranking of India is 19th and that of China is 54th. The increase in the number of national and international players in the telecom sector and recently the launch of 3G spectrum shows the pace with which the sector is growing in India. The ranking of India is 98th and that of China is 85th.
India’s domestic market is big in size which is an advantage to the country. More and more number of foreign companies and players are arriving in India to establish their firms. India’s ranking 3rd and that of China is 2nd. India is high on business sophistication of firms operations and strategy, with good value chain breadth. India’s ranking is 42nd while china ranking is 45th. India is ahead of most of other countries in the world when it comes to innovation and excellent Research & Development programs. Ranking of India of is 41st while that of China is 32nd.

On India’s improvement in the ranking, India’s competitive performance continues to exhibit a rather reversed development pattern.

5.3 Advantages of China over India:

1. Continuous growth of GDP per year easily depicts the growth and development of China.
2. China is a larger country than India in terms of area. So there is no shortage of land though its population size is greater than India.
3. An increased growth is noticed in the secondary industry of China. Hence, it provides more employment opportunities to its population.
4. China has a better saving rate than India.
5. China has little political freedom as compared to India but China has a greater economic freedom while India has less economic freedom.
6. China’s national per capita income has reached to US$ 6076 as compared to US$ 1492 of India.
7. India ranks low at 85th position, on the infrastructure sub index in comparison to China, which stands at the 48th position.
5.4 Advantages of India over China:

1. India has higher investment rate than China. India stands on 19th position while China holds the 54th position.
2. India has higher maturity of its financial institutions including banking, stock exchange and monetary system.
3. The richest people in India are worth more than the top 40 richest Chinese.
4. India has strength in the service sector specially banking and passenger and cargo transportation.

5.5 Challenges before India and China the uses of anti-dumping measures of world trade:

To realize the full-fleched potentials of India-China trade, remaining barriers and constraints have to be relaxed. Trade policy regimes in most countries have transformed in word oriented protectionist regimes to more outward and liberal trade regimes. Antidumping means a product is said to have been dumped if it is introduced into the commerce of another country at less than the normal value of the product and it causes / threatens material injury to an established industry of the country. China’s important for India as a trading partner has increased tremendously over the recent years. At the same time, China has become the mach target of Indian antidumping measures with a number of measures that is unprecedented worldwide.
### Table 5.3

India-China use of anti-dumping measures of world trade

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year</th>
<th>India</th>
<th>China</th>
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<tbody>
<tr>
<td>1</td>
<td>1995</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>2000</td>
<td>41</td>
<td>11</td>
</tr>
<tr>
<td>3</td>
<td>2001</td>
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<tr>
<td>13</td>
<td>2011</td>
<td>19</td>
<td>5</td>
</tr>
</tbody>
</table>

**Source:** Economic survey of India, 2012.
Table 5.3 data reveals India-china use of anti-dumping measures of world trade. In 1995 India 6 antidumping measures used but China was not used antidumping measures of world trade. India used of antidumping more than China after 2000. India was highest used of antidumping in 2002, 81 antidumping measures. China used of antidumping measures highest 20 in 2002. Then after some years improvement India-China used of antidumping measures of world trade.

Between 1991, when India imitated its first quarter of 2012, India initiated 650 anti-dumping cases against its trading partners. In 1994, India initiated its first anti-dumping case against China on Isobutyl Benzene, importing a specific duty for five years from 1995 to 2000. On the whole, 147 anti-dumping cases were initiated against China, which is roughly 23 percent of all cases. Over the 2000, India has not only become the main user of anti-dumping worldwide, but also the country with the largest number partner worldwide.

The visit of Prime Minister Manmohan Singh to China on 24 Oct.2013. The Prime Minister Manmohan Singh to speak at the central party school of the communist party of China. They are said India’s critical challenges in the days ahead are precisely in area where I see opportunities for cooperation between India and China and I would like to highest specific areas in this regard.  

1. We need to increase our agriculture productivity in order to reduce rural-urban disparities in income and manage efficiently the process of mass urbanisation, which is a phenomenon common to both our countries. This will mean paying particular attention to the issues of water and waste management. China has significant experience of urbanisation and our national planners, city administrators and
entrepreneurs should share experiences and seek solutions in dealing with the physical, social, environmental and human challenges of mobility and urbanisation.

2. We need to pay much greater attention to the expansion and modernisation of our infrastructure. India plans to invest one trillion US$ in infrastructure in the next five years and we would welcome China’s expertise and investment in this sector.

3. We want to draw upon China’s strength in the manufacturing sector, which is vital for providing mass employment. India, for its part, has strength in services, innovation and certain manufacturing sectors, which can benefit China. A linked challenge for India is in skill development, where we can learn from each other’s experience.

4. As large and growing consumers of energy, we should intensify cooperation on the shared challenges of energy security, including joint development of renewable energy resources, as well as working jointly with third countries.

5. Growing population, shrinking land, improving consumption levels and volatility make food security a key policy priority for us. India has launched a major legislation-based food security programme. Our two countries should pool our resources and expertise in this area.

6. An uncertain global environment, India and China can work together to impart stability to the global economy and sustain growth in our two economies by leveraging our resources, large unsaturated demand, economies of scale and our growing income levels.

7. In recent decades, India and China have been among the greatest beneficiaries of an open global economy. A rule-based and open international trade regime; and free flow of finance, information and technology.
8. India and China have a vital stake in preserving an open, integrated and stable global trade regime even as we work together to faster regional economic integration. We should also intensify our efforts to support trade and investment and reduce risks in emerging markets.

9. The challenges of climate change and focus greater attention on the safeguarding of our fragile environment.

10. India and China have also benefited from a largely stable global order and peaceful periphery. Many of the challenges are common terrorism, extremism and radicalism emanating from our neighbourhood affects both of us directly and could creat instability across Asia.

11. India and China need a stable, secure and prosperous Asia pacific region.

12. The need for creating inter-state relations among major powers, is based on mutual trust, sensitivity to each other’s core concerns and a commitment to resolve all outstanding issues through peaceful dialogue.

13. Maintaining peace and tranquillity in the India-China border areas has been the cornerstone of our relations. It is essential for mutual confidence and for the expansion of our relations.

14. India-China increase consultations and cooperation on complex issues such as trans- Border Rivers. Trade imbalance so as to strengthen our strategic and cooperative partnership.

15. India-China harnesses the full potential of cooperation in all aspects of our relationship, including in the economic area.

16. India-China convergence on a broad range of global issues should lead to enhanced policy coordination on regional and global affairs.
17. India-China achieves much greater success in each relation by increasing contacts and familiarity between our people in every walk of life.

The economies of India and China are somewhat parallel and competitive. However, there are many opportunities to make them equally cooperative.
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