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THE NEXT ECONOMIC SUPERPOWER: INDIA OR CHINA

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ABSTRACT

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.

The Republic of India is considered one of the emerging superpowers of the world. This potential is attributed to several indicators, the primary ones being its demographic trends and a rapidly expanding economy and by GDP India became world's fastest growing economy in 2018 with 8.4% GDP rate. The country must overcome many economic, social, and political problems before it can be considered a superpower. It is also not yet as influential on the international stage when compared to many nations.

India is poised to emerge as an economic superpower, driven in part by its young population, while China and the Asian Tigers age rapidly, according to Deloitte LLP.

Keywords: India, China, Superpower, Economy, Trade, Population, GDP Growth, Population Growth, Infrastructure Development, Geographical Overview, Unemployment, FDI Inflows, Inflation, Employment etc.

Introduction

The people of India have often dreamt that their country will become superpower. Their belief is based on the fact that for the past few years, there are great changes in social, economic, scientific and military aspects of the country. Political experts have also considered India as one of the

possible emerging superpower of the world along with China, Brazil, Russia and European Union. Currently only the US fulfills the criteria to be considered a superpower. Let us know further sector wise analysis and understand how far we are from becoming a superpower.

A potential superpower is a state or a political and economic entity that is speculated to be, or to be in the process of becoming, a superpower at some point in the 21st century. Presently, it is widely considered that only the United States currently fulfills the criteria to be considered a superpower. States most commonly mentioned as being potential superpowers are Brazil, China, the European Union, India and Russia, based on a variety of factors.

Today India is recognized as an emerging powerhouse by the world community. From a nation known to the world as a county of snake charmers to a front line developing nation, image of our country has undergone a dramatic change. The pace leading to full transformation may be slow but consistency will lead to the desired goal. The key to the extraordinary resilience lies in India's stable and successful democratic institution. India, a home of several religions and several hundred spoken languages is a garland of multitude of diverse communities woven together in a common thread of democracy. Unlike other European nations whose unity is based on a common languages and largely a common faith. India presents a picture of unity in diversity. With multiple of democracy in India was always in doubt. Despite abstruse dislike and mistrust between the two major communities of the nation, India has emerged as multicultural democracy.

Withhold economic reforms India's GDP is on a sustained growth path. India has become 3rd largest economy in Asia to keep its high rate of growth. Despite the growth story, India has yet to cross over many plateaus before it becomes a superpower in league with big nations.

What is a superpower?

A superpower is a country which has the capacity to project dominating power and influence anywhere in the world. Currently, the United States is the only country which fulfills the criteria to be considered a superpower. Superpower status is achieved by combining means of technological, cultural, military, economic strength, diplomatic and soft power influence.

Overview

China-India relations, also called Sino-Indian relations or Indo-Chinese relations, refer to the bilateral relationship between the People's Republic of China and the Republic of India. Although the relationship has been cordial, there are border disputes and an economic competition between the two countries that have at times led to strained relations. China and India are the two most populous and fastest growing major economies in the world. Growth in diplomatic and economic influence has increased the significance of their bilateral relationship.

Cultural and economic relations between China and India date back to ancient times. The Silk Road not only served as a major trade route between India and China, but is also credited for facilitating the spread of Buddhism from India to East Asia. During World War II, India and China both played a crucial role in halting the progress of Imperial Japan.

However, since the late 1980s, both countries have successfully rebuilt diplomatic and economic ties. In 2008, China became India's largest trading partner and the two countries have also extended their strategic and military relations. Apart from trade and commerce, there are some other areas of mutual interest on which China and India have been cooperating of late. In the words of Rejaul Karim Laskar, a scholar of Indian foreign policy, 'Currently, the two countries are cooperating on a range of international like trade, climate change and reform of the global financial order, among others, to promote common interest'.



Despite growing economic and strategic ties, there are several hurdles for India and the PRC to overcome. India faces trade imbalance heavily in some favor of China. The two countries failed to resolve their border dispute and Indian media outlets have repeatedly reported Chinese military incursions into Indian Territory. Both countries have steadily established military infrastructure along border areas. Additionally, India remains wary about China's strong strategic bilateral relations with Pakistan, while China has expressed concerns about Indian military and economic activities in the disputed South China Sea.

The President of China, Xi Jinping, was one of the top world leaders to visit New Delhi after Narendra Modi took over as Prime Minister of India in 2014. India's insistence to raise South China Sea in various multilateral forums subsequently did not help that beginning once again, the relationship facing suspicion from Indian administration and media alike.

Parameters	India	China
Location	Southern Asia, bordering the Arabian Sea and the Bay of Bengal, between Burma and Pakistan	Eastern Asia, bordering the East China Sea, Korea Bay, Yellow Sea, and South China Sea, between North Korea and Vietnam
Area	Total: 3,287,263 sq km Land: 2,973,193 sq km Water: 314,070 sq km	Total: 9,596,960 sq km Land: 9,326,410 sq km Water: 270,550 sq km
Land boundaries	Total: 13,888 km	Total: 22,457 km
Coastline	7,000 km	14,500 km
Climate	Varies from tropical monsoon in south to temperate in north	Extremely diverse; tropical in south to subarctic in north
Land use	Agricultural land: 60.5% Arable land 52.8%; Permanent crops 4.2%; Permanent pasture 3.5% Forest: 23.1% Other: 16.4% (2011 est.)	Agricultural land: 54.7% Arable land 11.3%; Permanent crops 1.6%; Permanent pasture 41.8% Forest: 22.3% Other: 23% (2011 est.)
Irrigated land	667,000 sq km (2012)	690,070 sq km (2012)
Natural hazards	Droughts; floods, as well as widespread and destructive flooding from monsoonal rains; severe thunderstorms; earthquakes	Frequent typhoons; damaging floods; tsunamis; earthquakes; droughts; land subsidence
Environment	Deforestation; soil erosion; overgrazing;	Air pollution, acid rain; water shortages,

issues	desertification; air pollution from industrial effluents and vehicle emissions; water pollution from raw sewage and runoff of agricultural pesticides; tap water is not potable throughout the country; huge and growing population is overstraining natural resources	water pollution; coastal destruction, industrial development, and aquaculture; deforestation and habitat destruction; poor land management leads to soil erosion, landslides, floods, droughts, dust storms and desertification; trade in endangered species
Natural resources	Coal, iron ore, manganese, mica, bauxite, rare earth elements, titanium ore, chromite, natural gas, diamonds, petroleum, limestone, arable land	Coal, iron ore, petroleum, natural gas, mercury, tin, tungsten, antimony, manganese, vanadium, magnetite, aluminum, lead, zinc, rare earth elements, uranium, hydropower potential, arable land

Population Growth

China and India are the two most populous countries of the world. China is the most populous country with approximately 1.42 billion people in 2018. India is 2nd largest country by population with approximately 1.35 billion inhabitants in 2018. China and India together account for 36.28% of total world population 7,632,819,325.

In 2018, population of China is 41 million more than India. Due to higher population growth of India, margin between these two country is coming down quickly. And in 2024, India will have more people than China with approximately 1.44 billion people. Currently, China's population growth rate is only 0.39%, while India is growing at 1.11%. Population of China and India will decline after 2030 and 2062, respectively.

With median age of 26.7 India is younger than China of 37.0.

Population density of India is 440.29 person per square km compare to 148.81 of China. So, India is 2.96 times more than China. China is 4th and India is 7th largest country in terms of area.

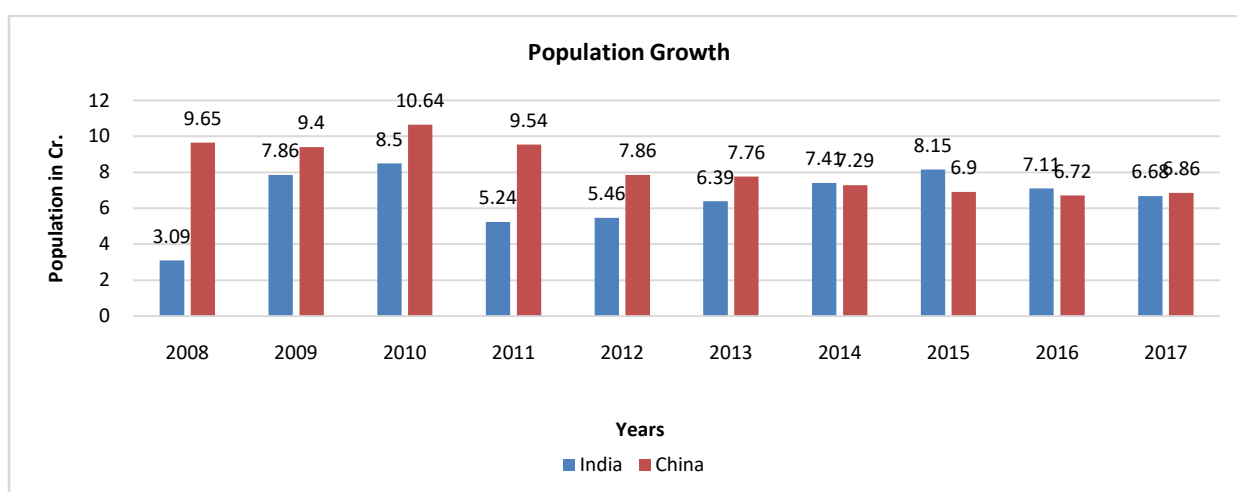


Figure: Population Growth (Census)

GDP Growth:

A graphic published on March 16th edition of The Times of India concisely summarizes the massive economic difference between India and China. According to the statistics highlighted, India's current GDP growth rate has once again overtaken China's while India is said to grow at an estimated 7.5% in 2018, the estimated figure for China is 6.5%. But as the graphic points out, even with this higher growth rate, India adds just a fraction of what China adds to its GDP each year. And that's because China's economy is over four times bigger. In other words, so huge is the Chinese economic base today that in absolute terms Beijing can still add far more to its economy than New Delhi even with a lower growth rate.

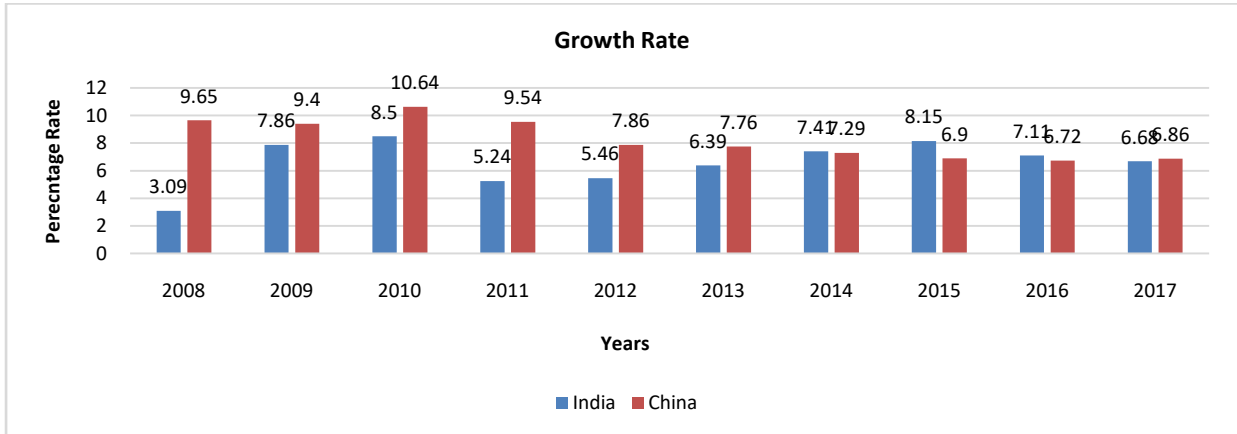


Figure: Growth Rate in Percentage

FDI Inflows

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.

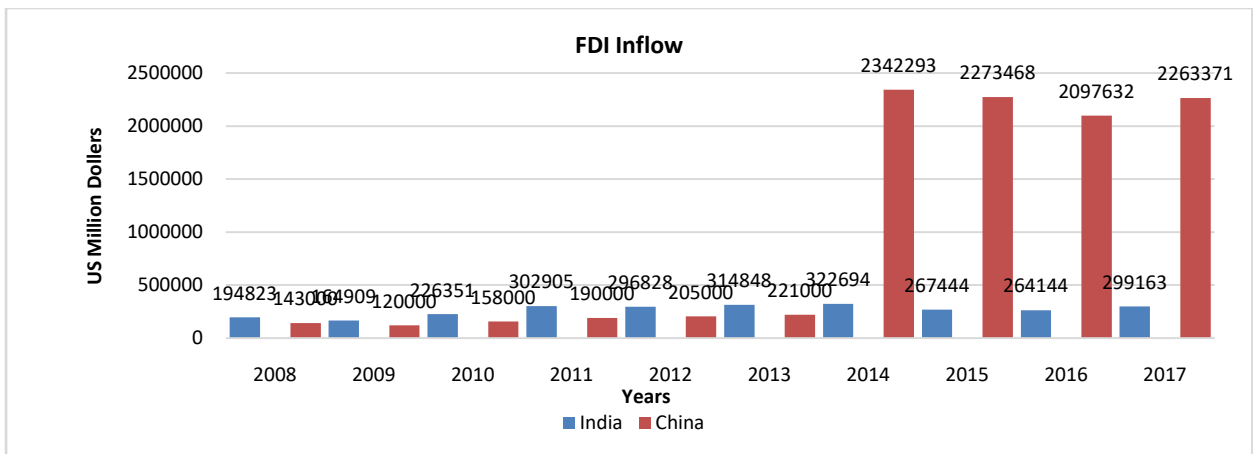


Figure: FDI Inflow

Unemployment Rate:

China: Unemployment Rate in China decreased to 3.80 % in the fourth quarter of 2018 from 3.82 % in the third quarter of 2018. Unemployment Rate in China averaged 4.09 % from 2002 until 2018, reaching an all-time high of 4.30 % in the fourth quarter of 2003 and a record low of 3.80 % in the fourth quarter of 2018.

India: Unemployment Rate in India increased to 6.10 % in 2018 from 3.52 % in 2017. Unemployment Rate in India averaged 4.12 % from 1983 until 2018, reaching an all-time high of 8.30 % in 1983 and a record low of 3.41 % in 2014.

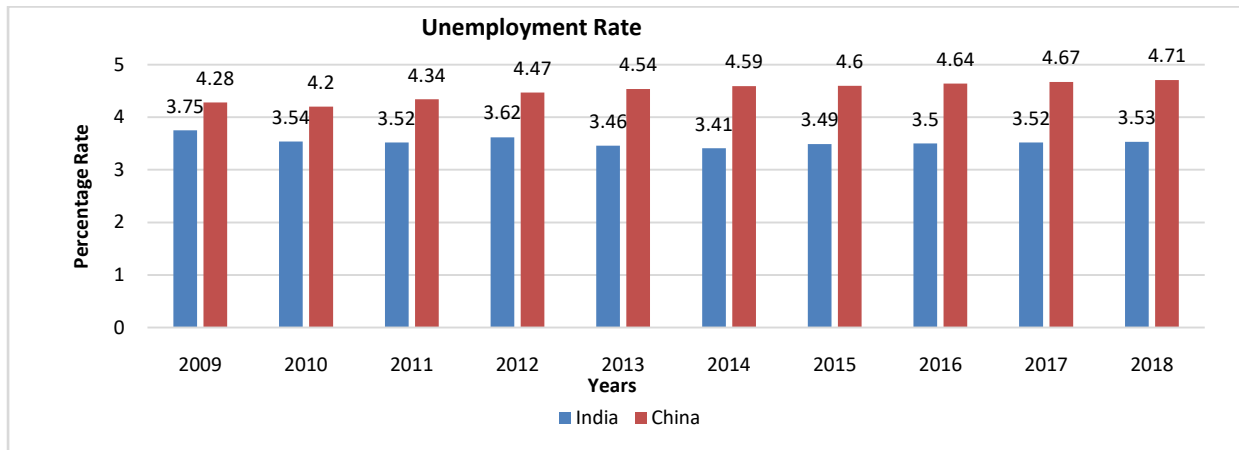


Figure: Unemployment Rate

Inflation Rate:

China: Consumer price inflation fell to 1.5% year-on-year in February 2019 from 1.7% in the previous month and matching market consensus. This was the lowest inflation rate since January last year, mainly due to a marked slowdown in prices of food. On a monthly basis, consumer prices went up 1.0% in February, after a 0.5% rise in January and above market expectations of 0.7% gain.

India: Consumer prices in India rose 2.57% year-on-year in February of 2019, following a downwardly revised 1.97% rise in January and above market expectations of 2.43%. In its February meeting, the Reserve Bank of India lowered its inflation forecasts to 2.8% for January-March 2019, mentioning a deflation in food items and a sharp fall in fuel inflation. Inflation Rate in India averaged 6.22% from 2012 until 2019, reaching an all-time high of 12.17% in November of 2013 and a record low of 1.54% in June of 2017.

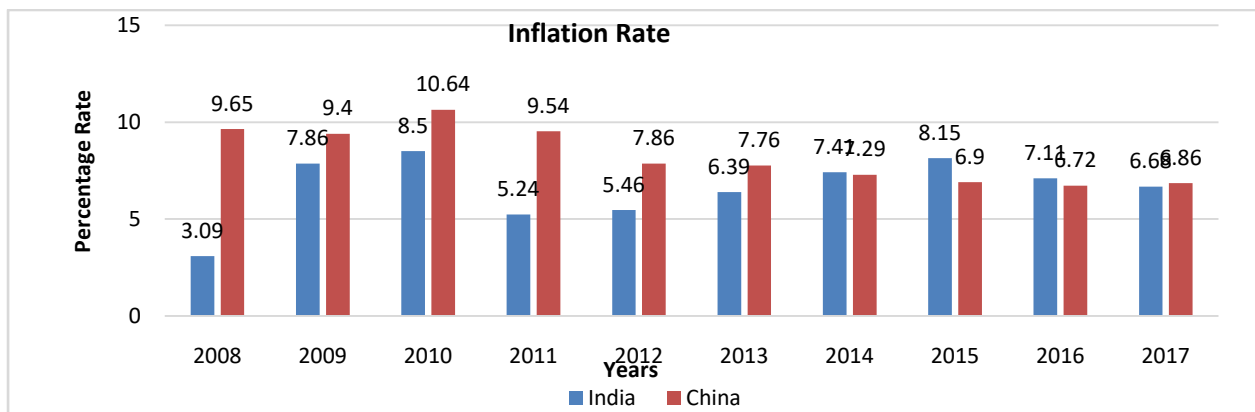


Figure: Inflation Rate

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".

Pedagogical Objectives:

- Can India be a superpower before China?
- Who would you prefer to be the next superpower, India or China?
- Which is Asia's next superpower? China or India?
- India or China: who will be the next superpower considering the previous 10 years scenario?

- Will India ever become a superpower?

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