RESEARCH ARTICLE OPEN ACCESS

Can Indian Tiger trample the Chinese Dragon? "The India v/s ChinaStory"

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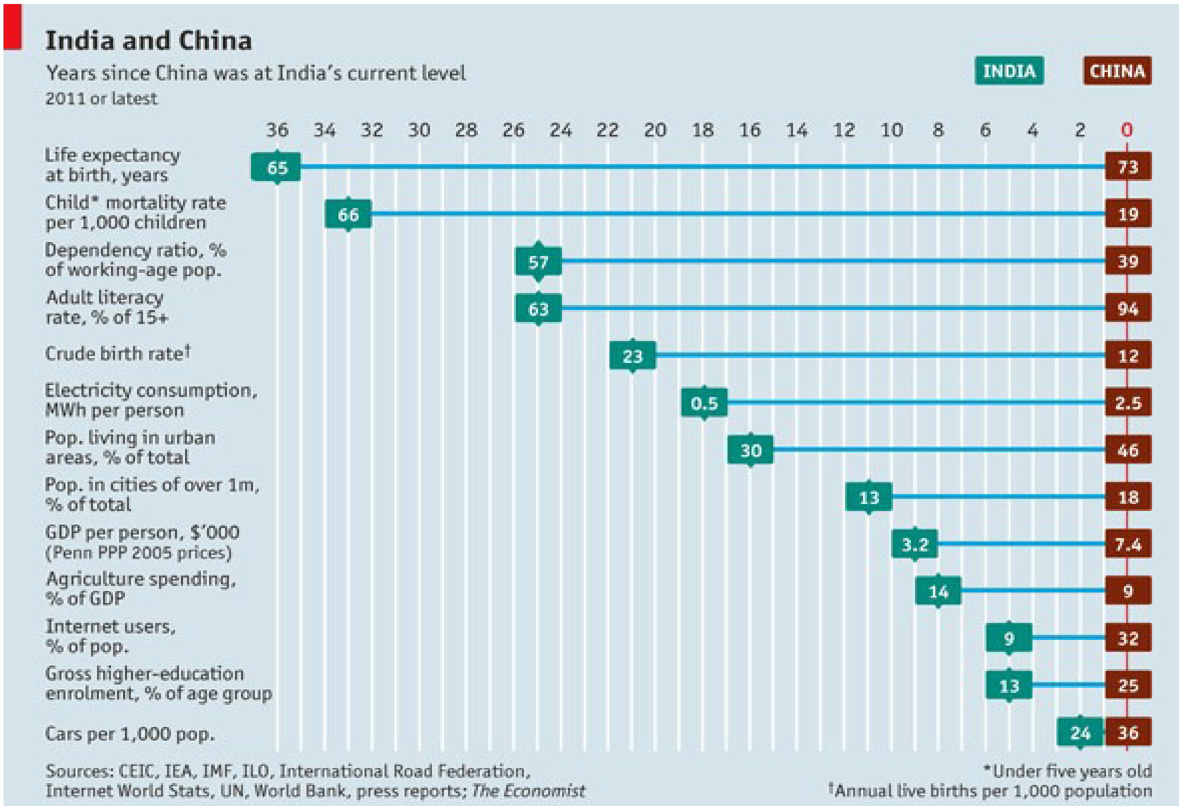
ABSTRACT

Made in China - A Threat for India? we were trying to analyze how we can compete with China. . Ever wonder who will win the economic competition between India & China? End of the day who will survive the recession? There is no dispute that India & China are growing fast. The conventional wisdom suggests that China will soon rule the world, because of its world leading population and massive economic growth over the last two decades. But let me bring a new twist to the **' India-China, who's better '** story. I was reading a report published by **Capgemini Consulting Service**, which says **' Made in India'** could be the next big economic story in the world. The report says that in the next 3-5 years, India, while retaining its IT hold, could challenge China as the world's manufacturing hub. In recent news which was published by Economic Times some economists believe that India will overcome china in the fastest growing economy. It's true that Economic slowdown has hit both India and China, but the situation in China is worse than us. Exports are drastically coming down in china.

KEY WORDS: India GDP, India exports, Healthy banks, Consumption, china's drawbacks.

INTRODUCTION:



This chart used to compare India's Progress in development against China. China has reached the level of development in nine years ago and this is not meant that India will become richer after nine years comparing to china this is just a fact that how china attain this place.chinas GDP will increase mainly due to FDI and now we all came to know that FDI is drying up.

Both China and India are emerging countries in the current international arena, and they face challenges from the outside world. The population of both countries together makes up 40 per cent of the world's total. Their prosperity will benefit the whole world. The first crucial difference is that China's export success was based on manufacturing, while India's export success is related to services, especially IT-related services. China creates larger employment than India since the wage rates of those employed in the former are relatively lower than of those employed in the latter. The growth rate in GDP India vs. GDP China has increased outstandingly in the recent period due to several factors leading to an economic upsurge in both the countries. China and India jointly account for 2.4 billion people, which is roughly 40 percent of the total population of the world. It has been assumed that China is likely to excel Japan in terms of population by the year 2016. By the end of the year 2045, China is expected to surpass United States in the population strength also. According to a survey report on the growth rate of China and India GDP, it has been stated that the institutional investors have made a notable contribution in the country's economy, which led to the hike in the GDP of both the countries.The growth in GDP of China has resulted from the rapid rise in the manufacturing of high-tech goods in the country under the large-scale high-tech manufacturing firms like Lenovo, Baidu.com and Huawei Technologies. The infrastructural development in China has also been quite higher than that of India, which has added to the growth of China GDP.

Former World Bank Chief James Wolfensohn declared in one of his speeches that soon GDP India and GDP China will witness an overwhelming growth that will transcend the G7 countries, that includes United States of America, Canada, France, Germany, Italy, Japan, and United Kingdom. It is assumed that by the year 2050, both India GDP and China GDP will witness a gargantuan growth. The current GDP of China is USD two trillion which is predicted to reach USD 48.6 trillion by 2050. On the other hand, India's current GDP is USD one trillion, which will become USD 27 trillion by that time.

TOP TEN REASONS WHY CHINA IS AHEAD OF INDIA:

There are ten strong reasons why China is ahead of India:

1. They had made **good policy decisions** and it is implemented quickly and efficiently, there was a policy which was set by china 25 years back and it has not been altered by political parties, ideologists, or leaders.
2. While comparing to India China has the high **savings rate**.
3. Chinas leadership has always focused to make investment in models and showcases and this make the foreign countries to invest in China. A consistent and thoughtful marketing effort.
4. China has created many flexible **investment zones**, export processing zones,free trade zones,high tech zones with good infrastructure.india also created zones with good infrastructures like export zones,software techno parks etc.but the difference lies with good infrastructure and quick approval of investment proposals.
5. **Attitude of the business** .
6. In the case of china there will be a good governmental policy ,where as in india there is a lack of consistency in government policies.
7. **A strong manufacturing base** China has become the world'smanufacturing hub.The shelves ofgiant store chains like Wal-Mart aretestimony to the fact that msot of thelow-cost products today are made in

   China because it offers the cheapest source of manufacturing.In lectronics and hardware, China is the manufacturing hub for companies like Siemens and

Hitachi Global Systems. China's success in manufacturing has attracted companies from other sectors too. Michelin, the world's biggest car tyre manufacturer, plans to make its Chinese operations its biggest global manufacturing base. The strongmanufacturing base means that China is able to offer employment to a larger section of its population, compared to India which has shown growth predominantly in the servicessegment.

8. **Ability to respond quickly** "China is very fast and efficient in the redirection of resources into higher education, economics, management, computer science, electronic and biotech engineering, and law,"
9. **Putting Chinese interests aboveeverything else**.

REASONS FOR TIGER'S SMILE(INDIA):

***FDI*: China comfortably gets more than $ 150 billion in foreign direct investments every year. As a percentage of GDP, it will be between 7% to 10%. On the other side, Indian FDI has crossed $ 20 billion but has never exceeded even 1.5% of GDP. Now, we all know that foreign investments will dry up. But since our GDP growth has been driven by domesticinvestment.

Here I have listed out the few figures of how FDIplays an important role in our Past GDP:

Foreign Direct Investments (as % of GDP)

Years	% of GDP
2000-2001	0.60
2001-2002	0.85
2002-2003	0.61
2003-2004	0.44
2004-2005	0.54
2005-2006	0.69
2006-2007	0.84
2007-2008	1.32

Source: Ministry of Commerce

***EXPORTS*:**

Thousands of jobs are being lost in India due to exports are slowing down, and at the same time in China 20million jobs are created in china.it is stated that 15% of GDP are from exports sector.

Indian Exports (as % of GDP)

India years	Export as % of GDP
2000-2001	9.68
2001-2002	9.17
2002-2003	10.39
2003-2004	10.65
2004-2005	11.92
2005-2006	12.75
2006-2007	13.79
2007-2008	13.92

Source: Ministry of Commerce

***INTEREST RATES*:** If every crisis is an opportunity, here is the mother of all opportunities. A few years ago, when major economies of the world had started cutting interest rates because of recession worries, our RBI kept hiking them to fight inflation.After the meltdown, there has been a move to cut interest rates. But the fact of the matter is that no other major economy of theworld has interest rates as high as India's.

***INDIA INC*:** Many economists now acknowledge that India holds the advantage compared to China because of two reasons. Most successful Indian companies are private. More importantly, they have used capital far more productively and efficiently than Chinese counterparts. Chinese companies purely rely on Government incentives for growth.

DRAGON RUNNING OUT OF FIRE!(CHINA)

***DROP IN GDP*:** Chinas GDP is lost due to heavy reliability on exports and due to this GDP is low below 8%.

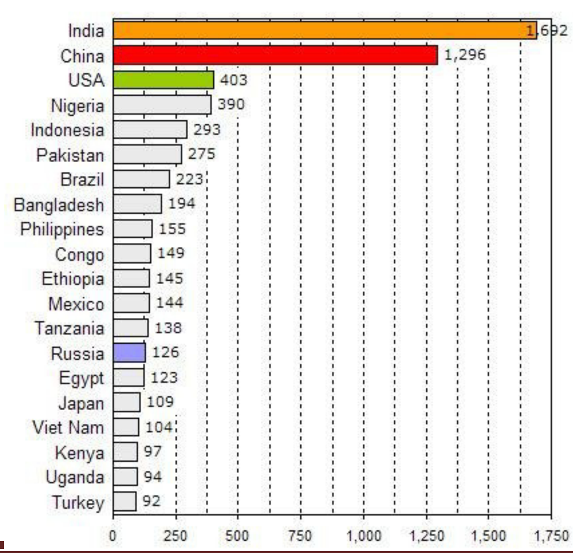
***INDUSTRIAL PRODUCTION SLIPS DOWN*:** Even the much talked Chinese production machines are slowing down. Industrial output, which was dependent on export-oriented industries, is rapidly loosing speed. It has slipped down from 17 % duringto just 5.7% during last December.

EXPORTS BOUND TO SINK FURTHER

The exports backbone of Chinese economy declining a lot and it happens in all the sectors of china. The factories shutting down in china and the manufacturing hub comes to an end in China.

***DOMESTIC MARKET*:** Chinas main reliability is their domestic market and this also witnessed a slow growth.

WORLD'S 20 LARGEST POPULATIONS IN 2050



The table shows the forecast top 20 of mostpopulous countries by 2050, right before Nigeria surpasses the US [even though the US is the only big western country with considerable population growth – an extra 93 million people between 2010 and 2050], Russia down to place 14, and all EU member states long gone – although we see one aspiring country just entering the list.

CONCLUSION:

We have strong reasons why the Indian economy will be the most successful one when it comes to riding out the current economic storm. Right at the top the 2050 picture is in a sense still familiar, with two true giants.. According to the UN's calculations in 2050 India will have 1,692 million inhabitants, almost 400 million more than China, which will have a gradually declining population from 2030 onwards, whereas in 2050 India would still be on the growth track. These demographic differences will of course manifest themselves not just in population *size*, but also in the economically very relevant age distribution.

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