

ECONOMIC GROWTH OF INDIA AND CHINA**Dr.Devendra vishwakarma****MA (Eco,Rural development) , MSW,MBA****320 sanjeevni nagar veer sawarkar ward garha jabalpur mp -482003****Abstract :**

As research and development India's HRD minister has recently told in the parliament (Winter Session 2011) that number of core researchers in India is 1.5 Lakhs as compared to China's 8-10 Lakhs. He also informed that R & D expenditure in India is 0.8% of GDP as compared to China's 1.4 % of GDP. As per the Encyclopedia of Quantitative Trading Strategies, India has 156 researchers per million populations as against China's 1071. Technological achievement of China is 50% more than that of India, A patent application (Residents) in China is 9 more than in India.

Key words : stock markets , investment , manufacturing , GDP .

Introduction :

The Chinese financial system leaves much to be desired. Where India has been running sophisticated stock markets since the early 19th century- and Indians are so skilled at doing so that they got the Bombay stock market up and running within twenty hours of the 1992 Bombay blasts. China is just new to the game and not particularly adept to it. The financial information provide by china's companies, especially those in the large governmental sector. Is notoriously unreliable and standards of corporate governance are low. China's capital markets are weak and its banks inefficient the Chinese banking system carries billions of unrecoverable loans mainly to government firms. State owned enterprises still for half of China's economic assets. China has yet to master the art of channelizing domestic savings into productive investments. Which is why it has been so extensively dependent on foreign direct investment. The world has yet to develop any confidence on china's legal system. In other words, it still lags behind India on the software of development.

The economic facts of India and china economy for a basic comparison are as under

Facts	India	China
GDP	Around \$ 1.3123 trillion	Around 4909.28 billion
GDP growth	8.90%	9.60%
Per capital GDP	\$1124	\$ 7,518
Inflation	7.48%	5.1%
Labor Force	467 million	813.5 million
Unemployment	9.4%	4.20%
Fiscal Deficit	5.5%	21.5%
Foreign Direct Investment	\$ 12.40%	\$ 9.7 billion
Gold Reserves	15%	11%
Foreign Exchange Reserves	\$2.41 billion	\$2.65 trillion
World prosperity Index	88 th Position	58 th Position
Mobile Users	842 Million	687.71 million
Internet Users	123.16 million	81 million.

Financial Year 2012-2014

In 2014 China and India accounted for 20% and 17% of the World's Population respectively and 10.9% (5.9%) and 4.7% (2%) of the world's Gross National income in purchasing power parity (PPP) exchange rates (market exchange rates.) the hey days of first wave of globalisation India's income grew while China's stagnated. During 1913-50 China's income declined absolutely and relative to India's in 1950 per capita income was higher than China's by 38%. In the entire Mao era (1949-76) China's income grew marginally more rapidly than India's eventually catching up by the time Deng took over in 1978.

The expected global economic dominance of the two by 2050 inevitably would lead to a restructuring of global political and economic order

China has emerged as a major world player. In the last decade it has emerged as the largest exporter of manufactured goods to the USA with a surplus of about US \$ 180 billion. This has helped it to become the biggest holder of US currency as reserves.

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The exports initially consisted of unskilled- labour intensive manufactures such as furniture, toys, garments and so on, which it used to announce its presence to the rest of the world. But soon it was also exporting processed high-tech items such as electronic products. Its exports of electronic goods are of billions of dollars. One out of every three shoes exported in this world is made in China. It makes 75% of the world's toys'. Foreign direct investment is massive and far greater than India Shanghai alone has 4000 skyscrapers more than all of India. China has built its expressways and is about to outstrip the total length of the US highway network. Per capita income has risen, from \$92 in 1980 to \$ 3,267 in 2008 i.e. 36 times. Its per capita income is much higher than India. The number of people living in absolute poverty has dropped. Its population is almost totally literate. Life expectancy is reaching developed-country level. It has surpassed Japan and holds second position in the world after the US. In January/February 2010 issue of the US journal. Foreign policy, Nobel prize- winning economist Robert Fogel predicts that by 2040 China will have a GDP of \$ 123 trillion and 40% of world output- the US will be next with 14%

Against this there are number of factors suggesting that not everything is rosy in China. Economic growth has occurred at break-neck speed, but that means some necks have broken. The human cost of development has not been negligible: population displacement, farmers thrown off their lands, villages flooded by dams, mounting population, low wage labour, widening disparities between the rich and the poor, an absence of human rights and a few checks on government abuses. The Chinese have seen great and rapid improvements in their internet users- 505 million; Chinese internet user base and this amounts to 37.7% internet penetration. But, Beijing employs some 50,000 Cyber Police to monitor politically undesirable activity on the web.

The real issue isn't where China and India are today but where they will be tomorrow. In spite of China's miraculous growth there are evidences to support that there is a great window opportunity for India and it can catch up with China or rather surpass it.

China's demographics are becoming less favorable. Indeed, Beijing has started to reverse its controversial one child policy since the 1970s; the authorities are encouraging couples to have two children. This signals mounting concern about an ageing population and potential shortage in workplace in the future. Population growth is already very low and is expected to fall towards zero 2030, the US based 'centre for Strategic and International Studies' has estimated that China will have more than 438

million people aged over 60 by 2050, by which time the ratio of working- age adults to very aged over 60 will be down to just 1.6 compared with 7.7 in 1975. An expected trebling of people aged over 65 by 2040 will impose an increasing strain on country's pension and health systems, implying a potentially major constraint on China's long term economic growth potential and another source of socio-political tension. Joseph S Nye also observes: 'Almost alone among developing countries, China is ageing extraordinarily fast. By 2030, China will have more elderly dependants than children. Some Chinese demographers worry that the country will get old before getting rich. Geneshan Wignaraja holds that India's working age population is expected to grow by an astonishing 136 million over the next 10 years, whereas China will experience a relatively modest addition of 23 million new workers.

Thus the proportion of working age persons in total population is rising in India. A recent World Bank study projects that this demographic transition will continue will keep rising for the next 30 years yielding a huge demographic dividend of higher savings and growth rates, rapidly rising per capita income, and rising consumption.

This trend will be reinforced by two other processes that are at work. India's workforce, still concentrated in low-productivity agriculture, is finally beginning to shift to higher productivity sectors concentrated in low-productivity agriculture, is finally beginning to shift to higher productivity sectors like industry and services. Between 1983 and 2007-08 agriculture's share in total employment came down from 63% to 53% and it has since declined further. While the workforce outside agriculture is mostly employed in the unorganized sector- where productivity is only half or third in the organized sector the 2009-2010 NSS survey shows that for the first time. Employment has grown much faster in the high productivity organized sector than in the unorganized sector.

Mao's rule (1974-76) was characterized by the disasters of the Great Leap Forward, an avoidable famine with an excess mortality of 30 million or more, and the Cultural Revolution. No remotely comparable disasters occurred in India, except that India lost a border conflict with China in 1962 and engaged in three limited wars with Pakistan.

Only with Deng's opening of China's economy in 1978 and initiation of reforms China grew rapidly and relative to India.

With reforms and global integration since and mid eighties, India is catching up on growth

The global crisis has tempered the optimism about sustaining the rapid growth to the two in the long.

We may discuss strategic differences in economic growth of India and China during the past the fact remains that both the countries have a glorious past similar to each other. Indian civilization and Chinese civilization are the oldest and the only civilizations in the world still alive. During the period from 500 BC to 500 AD India was richest and largest economy, producing 33 per cent of the world GDP (Gross Domestic Product), followed by China contributing 25 per cent of WGDP. All the countries of the western Europe (including UK) together were producing hardly 10 per cent of WGDP, India and China were rich not only in agriculture and milk products, but also in manufacturing and trade. China was known for printing and gun-powder; India was known for iron, alloy metal, gold, and diamonds. China-silk and India- Silk were on the international market. Both the

economies dwindled and reached the low level by 1950 and were bracketed with the poorest countries like Chad and Ethiopia with regard to per capita income.

China is the world's most populous country with 134 crores, closely followed by India, the second, with a population of 121 crores. Population of China and India together is more than one third of the world population. China and India are today's fastest growing economies. China is now world's second largest economy and India, the fourth largest economy.

Differences

However, there are some basic differences between India and China, Indian ethos differs from Chinese ethos. History tells us that India never invaded any country, whereas China has been aggressive and very sensitive in defending the country. To protect itself from invasion it constructed 5400 km long and 25 ft wide wall, known as the Great Wall, visible from the moon. India was invaded time and again through the Khyber Pass, but it never thought of constructing a 2 km wall.

China is a Republic governed by a single party-communist party. With limited freedom to its citizens; whereas India is the largest democracy with multi-party system having utmost freedom of speech to its citizens.

Present Economic Status

A comparison of investment by China and India in their respective physical economic sectors over the past two decades makes it clear why China is surging ahead, and India is not. China is in now low-middle-income group whereas India is still in the low-income group. Figures of GDP reveal how China's per capita GDP, which was less than India's in 1820, and more or less equal in 1950, increased to 107 percent more than India's,

GDP PER CAPITA

YEAR	CHINA	INDIA
1820	\$ 523.00	\$ 531.00 (2% more than China)
1950	\$614.00 (3% more than India)	\$597.00
1973	\$ 1186.00 (39% more than India)	\$853.00
2006	\$7783.121 (107% more than India)	\$ 3751.99

India is lagging behind China in manufacturing sector also. Manufacturing value-added annual growth rate of China is 12.11% which is 33% more than India's 9.09% manufacturing value-added per \$ 1000 GDP is \$ 334.8 in China as against India's 149.5 per \$ 1000 GDP, which is 134% more.

Ores & Metal export as % of merchandise export in China is 1.86% as against India's 6.85%. This shows that India's export of ores & metal is still occupies a larger of total merchandise export, 3 times more than China.

Let us have a brief review of Health Sector in both the countries. Total Health Exp. (PPP) per capita in 2008 (WHO) in China was int\$ 265 is against India's \$ 122 i.e. less than half of China. However, with regard to percentage of respective GDP, it was 4.3 in China and 4.2 in India. Mortality indicators show that India has to go a long way to come at par with China.

INDICATORS	CHINA	INDIA		
Crude Death Rate (per 1000 population)	6.48	7.6	(17%	more)
Adult Female DR (per 1000 Adult Female)	86.78	153.75	(77%	more)
Adult Male DR (per 1000 Adult male)	140.55	234.64	(67%	more)
Infant DR (per 1000 live births)	23.00	56.00	(143%	more)
Under 5 years DR (per 1000)	27.00	74.00%	(174%	more)

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Strategic Differences

With this background of economic status. Let us discuss in brief the strategic difference between these two fast growing economies. In spite of being a communist country China embraced the market friendly economy in 1978. China was already prepared for it as most of the infrastructural development was done in 1960's and 1970's India introduced New Economic Reforms in 1992 without appropriate infrastructure. Even after 20 year we are busy in completing four-lane highway and approach roads to all the villages. China's bullet trains with 350 km per hour are being upgraded to 450 km speed. In India the fastest runs with 140 km speed.

In 1980's the updating of transportation system was given priority in China. Apart from airways, rails, and road transport, China is having waterways also 3,40,000 people and 1,70,000 boats were engaged in transporting 259 million tons of cargo in Chang Jiang river and its tributaries in 1984. One of the advantages China enjoys over India is relatively high standard of infrastructure. It makes massive production possible, facilitates the transportation of raw materials into the country and finished products out of the world. Shanghai is the world's port. "China seems ready to beat America at winning the future by further investing in education and infrastructure. By 2017, 'around 150 major infrastructure projects will mesh the transport, energy, water and telecom networks of the nine cities together, at a cost of £ 190 Billion". (Economist, Feb 2] 2011)

China became a nuclear power quite early and occupied a permanent seat in Security Council with a Veto power. This was a strategy to gain not only military superiority but also economic superiority. China is relatively in a better position to negotiate with other countries for favourable consideration in economic matters. India became a nuclear power in 1998 and still trying hard to get a seat in the Security Council. As regards corruption, it is in almost all the countries, but it differs in degrees. In China, corruption is under control to its minimum possible level, whereas, in India is known for corruption. It is an open secret that India's black money in Swiss Banks is more than the black money deposits of all the countries together,

Conclusion

India has the potential with regard to its natural resources and human resources to come at par with China. If India concentrates on 'productivity growth rate' by investing heavily in human resource development, power, water management, rail road and highways, there is every hope that India will

achieve its position that it enjoyed in the past. But. Before that India must launch a crusade against corruption and ensure that the black money deposits in Swiss Banks is confiscated and utilized for human resource development.

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