

**A White Paper Discussing
India and China in the Global Market**

By

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Introduction

This white paper will discuss India and China in the global marketplace. The first portion of the paper will be concerned with factual information about both India and China. The second part of the paper will address conclusions based upon the information presented earlier in the paper.

Facts

China and India, the two most populous nations on Earth, combined, have 40% of the world's total population and 25% of the world GNP. As displayed in Figure 1, below, these two giant countries not only encompass an enormous bulk of the Asian continent, but also have enormous stretches of coastline. Nearly this entire coastline is south of 40° latitude, meaning it is available to shipping year round. India is the world's most populous democracy. China, since the break-up of the Soviet Union, is the world's largest Communist country. (CIA World Factbook, and Kalish) In India, English is the primary language for national, political, and commercial communication, while in China Mandarin is the primary language. (CIA World Factbook) Although long time adversaries, in 2005 China and India entered into dialogue to address security and foreign policy issues as well as to resolve boundary and territorial disputes. (CIA World Factbook)

China is seen as a manufacturing center, India is seen as an IT services center. In China it requires \$4.40 of investment to return \$1 of growth while in India only \$3.70 is required for the same growth, with this difference in investment return attributed to each

country's respective financial system. China has much more of a developed infrastructure than India, as well as being in close proximity to Hong Kong which has had long term trade ties to the West. China's legacy of communism has limited its entry into the service arena. India's tradition of regulations has discouraged large scale manufacturing. In 2002, then Premier Zhu Ronji stated that with India being number one in software and China being number three in hardware, together they could be number one in the world. India has laws which discourage the economies of scale needed to make large scale manufacturing economically viable. (Kalish)

According to the Business China article *Minding their backyard*, Chinese companies are not focused on global expansion. Rather, they are focused on expansion within their own borders. Interestingly, the article also comments on the education system, where the focus is on rote learning. Rote learning can instill a lot of facts into the students but does not necessarily foster creative thinking.

Dutta discusses how India and China could, and possibly should, cooperate in one specific market. Clearly, some of the areas for cooperation discussed in this article could also be transferred to other industries and markets.



Source: https://www.cia.gov/cia/publications/factbook/reference_maps/asia.html

Figure 1: Map of Asia

Discussion/Conclusions

While India and China are most certainly competitors in some industries, my research did not lead me to conclude there is any major competition between the two countries. Rather, I feel that there is a great potential for cooperation between the two.

These two countries are on the brink of serious competition with industries from outside their own borders.

It would appear that China's approach is to be a low cost producer of goods. India, on the other hand, looks to be leaning more towards being an IT and service supplier. While there is nothing inherently faulty with either approach, mitigating the weaknesses and building on the strengths would seem to be a better means of becoming a major player in the world market place.

For China to be a serious player on the world stage there are some political changes that need to take place along with technological changes. China must break from its past communist roots. The communist philosophies are the cause of the lower yield on investments than that seen in India. China must also encourage teaching methods other than rote learning. The change in teaching is one area where technology could come into play. With much of the country still rural and with teachers a scarce commodity, networked, interactive computer learning systems would be a big step towards educating the population in technology and innovation.

India also needs some political as well as technology changes. India must institute changes in its laws which encourage investment in large manufacturing facilities. This will not work, though, without a simultaneous build up of the infrastructure. Although infrastructure is often considered "low tech", technology will make the completed

infrastructure very efficient. Roads must be built for the transportation of both raw materials and finished goods. Deep water harbors, capable of handling large ocean going cargo vessels must be constructed. These harbors must also be capable of handling the large cargo containers in use today. Along with this new construction could be elements of “smart roads” whereby sensors could be embedded in the roadways to monitor traffic flow and locations of freight, making for more effective use of the infrastructure.

Should India and China be able to put their past differences aside, they could partner, as implied by former Premier Zhu Ronji. Were this to happen, there would be an immediate synergy as each countries strengths mitigate the others weaknesses. When that happens, the rest of the world will have some serious competition.

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