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## India and China: The great divide

Even with the tag of the fastest growing major economy, India will take decades to catch-up with China, even if the latter were to stop growing completely.

By **DEBABRATA DAS** AND **ASHISH GUPTA**, Mar 3, 2018

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Image: Alamy



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Over the past few years, the narrative around India's economic growth has shifted. From aiming for a double-digit growth in the early part of the decade, the country's leadership, both political and corporate, are now happy if it surpasses that of China.

In the third quarter of FY 2018, India posted GDP growth of 7.2%, making it the fastest growing major economy, upstaging China. While there is certainly some reason for celebration as it is the highest quarterly GDP growth rate in India since the second quarter

of 2016-17, the reality is that the pace of India's growth is simply not enough to topple China in absolute terms, anytime soon.

India is projected to become a \$2.6 trillion economy by the end of March 2018, going by the Central Statistical Office's revised GDP growth estimates for the full year of 2017-18, with a growth rate of 6.6%. While, the size of China's economy is \$12.4 trillion. That means even with a 6.9% growth that China recorded in 2017, in absolute terms, China's economy is still adding much more every year than India.

Sample this - If India were to grow at 7.5% in 2018-19, the more optimistic of the estimates in the Economic Survey 2017, the size of the economy will grow by \$0.195 trillion. If China, were to grow at 6.9%, the same rate it clocked in 2017, the size of its economy will grow by \$0.86 trillion. That's nearly eight times more than India.

Further, even if China was to stagnate and economic growth completely stops while India's economy grows at 10% every year (which is unlikely) it will still take up to 2034 to catch up. While this is a fanciful scenario, the reality is that even the most optimistic economic models for India predict that by 2050, India will remain only the second largest economy in the world.

The numbers are not just for boasting. Economic growth of a country helps pull its citizens out of poverty. In this regard, the statistics from the World Economic Forum are unflattering for India. According to the WEF's Inclusive Development Index 2018, in India, 6 out of 10 Indians still live on less than \$3.20 per day. In China, that proportion of the population is 12%. The WEF also ranked India, 62nd out of 74 emerging economies on its Inclusive Development Index 2018, while China was placed 26th.

The gulf between India and China becomes more apparent when one looks at other indicators. For example, China exported \$2.16 trillion worth of goods to the world in 2017, compared with India's \$299.3 billion, according to the Central Intelligence Agency's (CIA) World Factbook.

Looking at electricity generation, India's level is far behind China. According to CIA's World Factbook, China generated 6.14 trillion units of electricity in 2016. In comparison, India generated 1.15 trillion units of electricity in same period, as per data from the Indian government.

It is the same with manufacturing. Looking just at automobile manufacturing, China produced 24.4 million passenger cars and 3.6 million commercial vehicles in 2016,

compared with India's 3.6 million passenger cars and 0.81 million commercial vehicles, according to statistics from the Organisation Internationale des Constructeurs d'Automobiles (OICA).

On the BRIC top 100 list, Chinese companies make up 87% of the revenues, and 85% of the profits, while India's share is 4% and 3% respectively.

The gap starts narrowing in the next set of indicators. Internet penetration in China stood at 772 million at the end of 2017, while in India it was 462 million.

India is close to China in terms of its land transportation network. At the end of 2017, India's railway network was just 3,000 kms short of China's 124,000 kms. However, China's railway network includes 22,000 kms of tracks for high-speed trains, while India has none. In fact, when it comes to the road network, according to the CIA's World Factbook, India is higher at 4.7 million kms versus China's 4.6 million kms at the end of 2015.

China is also far ahead in terms of research and development. In 2017, China spend about 2.1 percent of its GDP on R&D, while India spends less than 1%. According to the World Intellectual Property Organisation, China applied for about 1.34 million patents in 2016, which was 42% of the total patent applications made worldwide, while India (both resident and non-resident Indians) filed for 45,057 patents.



“While it is true that you can buy the latest technology off the shelf, but the real question is whether we have the necessary wherewithal to use these new technologies like artificial intelligence, big data etc. Given the current status of Indian education it seems highly unlikely,” says Nilanjan Banik, professor of economics at Benett University and a long-time China watcher.

While the economy and markets have started to reward knowledge-based companies in an age of disruption - like Facebook, Alphabet, Apple and Amazon - India's stock exchanges are still ruled by traditional companies like Indian Oil, Reliance Industries, and Oil and Natural Gas Corp (ONGC).

In other words, India's top five information technology companies, from the *Fortune India* 500 list (2017), are yet to make the kind of impact Chinese fast-growing Internet / technology firms, for the *Fortune* Global 500 (2017) have. India's top software services companies, Tata Consultancy Services, Infosys and Wipro chalked up revenue of \$18.55 billion, \$10.91 billion and \$8.81 billion in 2017, respectively. In contrast, China's Huawei

Investment and Holding, JD.com, Alibaba Group, and Tencent Holdings recorded comparatively higher revenues of \$78.51 billion, \$39.16 billion, \$23.52 billion and \$22.87



...the game changer for tomorrow, India will need a lot more to catch up with China. In fact, it is already ahead of India in terms of artificial intelligence, self-driving cars, and robotics. Perhaps it is time then to put the bubbly back on ice for just exceeding China's pace of growth, means very little for India.

Fortune 500	Indian Oil	Reliance Industries	Artificial Intelligence		
Google	Manufacturing	ONGC	Infosys	China	TCS
Fortune India 500	Amazon	Apple	Transportation	Diplomacy	
GDP	R&D	Tencent	Alibaba	Robotics	Alphabet



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