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**INDIA & CHINA: THE RISING POWER IN GLOBAL ECONOMY**

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**ABSTRACT**

*The purpose of this paper is to study about the rising power of 21st century. As we know India & China widely recognized as rising power, with its track record of fast economic growth in the last two decades, China is already a global economic power. Based on India's more recent growth performance; India is steadily catching up with china as an economic power. As both these emerging nations have celebrated 60th anniversary of Independence, both have acquired oriented reforms, despite the fundamental differences in their political set up. This paper highlights the facts that represent their economies, scope, strategies, progress, weaknesses, competition & their mutual cooperation. It depicts how & to which extent India & China are becoming rising power in global economy. After analyzing the existing & projected strength & weakness to both countries lead us to conclusion that both the countries have the potential to become global powers: China most probably by 2020 & India by 2050. To sum up this paper we can say that they must work together to fulfill their responsibilities as major drivers of global prosperity in the 21st century. Despite the existing deficit of political trust between India & China they can become strategic partners and this partnership can be initiated by strengthening co-operation at the international level for enhancing national energy security & co-operation in negotiations at the W.T.O..*

**KEYWORDS**

Global economy, Indian economic growth, Chinese economic growth.

**INTRODUCTION**

lobalization is the catchword often used to describe the current era, and one of those evocative terms that everybody tends to grasp in quite different ways: some as a threat, others as an opportunity. This also applies to one important ingredient of globalization, which everyone would probably recognize as its most distinctive feature today the impressive rise of countries such as china and India in the world economy. These are only the most prominent Economies in a much broader group which are labeled as emerging nations?

There was a time when economist thought that America will always be a Global power in world's Economy, but in the last few years due to depression American economy suffered a lot, meanwhile India and China's economies flourished and showed larger participation in world's economy. Due to their faster growth of economy economist think differently and they believe that soon India and China will become Global Power because they have potential to chase and surpass the American Economy.

India and China are not only just two countries sharing a long border but have a lot more in common. Now India and China are widely recognized as rising powers in 21<sup>st</sup> Century. Both of these countries have made track record of faster economic growth in last two decades. The emergence of India and China, their Impact on the global economy has both been well documented. As you all know this topic has in recent years attracted the attention of public opinion and researcher especially with regard to impact on world economy of these emerging rising powers. In this paper we have focused on both economies strategic co-operation, competitiveness and extended the views of different researchers which prove the inevitable emergence as world power in future years, of these two giant economies.

**HISTORIC PREVIEW: INDIA AND CHINA**

India and China are two most populous developing countries with nearly 40% of world's population living here. They represent two of the most Ancient Civilizations. India as the "Golden Sparrow" and China as the "Middle Kingdom" had historically attracted the attention of the traders both in the east and the west. The "Silk trade route" connecting China to Europe via India is legendary. In Middle Ages both, China and India had accounted for significant shares in the world trade around (34% and 24%) respectively. The spread of Buddhism from India to China and to other countries of South East Asia had added a cultural dimension to their historic interaction. Unfortunately, in the contemporary world history both these countries were classified among low income developing countries based on the per capita criteria in 1950.

China and India took different political paths to their planned economic development. China planned its Socialist Economy and India its "Socialist Pattern of Society". In practice, in India, this involved a mixed economy working through private Sector with the socialist element typically represented by establishing public enterprises fully owned by the Govt. in selected core Industrial and infrastructural activities. Both countries initially relied on the Russian style import substitution as the key strategy for there planned Eco-development. These economic systems resulted in a relative stagnation in Eco-growth and wide spread poverty, especially in rural and backward areas of both countries. Despite fundamental differences in their political systems both countries are acquiring economic power due to open market economy oriented reforms. China has the advantage of an earlier start than India in this respect. China started its economic reforms in 1978 and India in 1991.

**CHINA AS AN EMERGING GLOBAL POWER**

There is no doubt China's economy is flourishing these days in spite of world depression China has maintained its economic growth on 10%. Due to depression, American and Japanese economics are losing their economic power and struggling for their existence, meanwhile China is appearing as an emerging global power. China has taken 60 years to reach on this economic level. In this paper we discuss how China started its economic journey and how it reached on this present level. Now China has surpassed Japanese economy become the second largest economy in the world. However, to understand how China achieved this position, we will through light on different aspects:-

**CHINA'S SECRET OF SUCCESS**

In the past China's economy was not so much strong. It was struggling for its existence in Global scenario. It was very difficult for China how to attain higher economic growth with its largest population. That is why China initiated the path of revolutionary economic reforms in 1978 under the leadership of 'Deng-Xiaoping'. These reforms in the socialist market economy of China were based on opening up of the economy of china initially in the coastal areas through special economic Zones (SEZ). In the Southern and South East China, these were followed by further moves at integration of Chinese economy with the global economy. This change in strategy proved successfully by attracting continuously increasing inflows of export oriented foreign direct investment (F.D.I.). in all

priority industries. The ethnic Chinese based in Hong-Kong and the neighboring countries and territories played a significant role in increasing inflow of FDI into main land China. China started its economic reforms in the agricultural sector (including the establishment of town and village enterprises) partially financed by FDI. This was followed by the dramatic pursuit of economic reforms for raising its economic power in the global economy.

#### STRATEGY OF CHINA FOR ECONOMIC GROWTH

The strategy behind its progress has led it to emerge, as a global economic power is that China enhanced its competitiveness in its entire economic sector and fulfilled liabilities for financial standards. By its economic reforms, China included in the race of globalization and liberalization in the global scenario, which is an urgent requirement for its economic development. China has developed its infrastructure road rail networks, fly over, airways, ports and tele-communication for enhancing its economic powers.

In the series of economic development, China has made strategies for governing the world economy or market based on its low price product. China understands that its export will govern in world market only when their cost will be minimum. On this base China started to take part in Global Economy. There are many objectives behind the strategy of China. First, it wants to save its economy from the fluctuation of commodity prices, especially the prices of petroleum and it is searching for the way out. By searching the resources in different countries, it wants to enhance its eco-relation with other countries.

The present Chinese grand strategy for managing its rising power has initially targeted the Asia Pacific region for achieving dominance. This strategy is based on the primacy of augmenting capabilities simultaneously through sustained high economic growth and visible pace of military modernization. The Chinese Govt. fully knows that it needs time for reaching its grand strategic vision. In the medium term prospective, therefore it would not like to get involved in war with any country. Its calculative strategy is premised on the 'peaceful Rise of China'.

According to 'Swaine and Tellis (2000) China's calculative strategy as reinterpreted by Balakrishnan (2003) is characterized by the following four basic elements:-

- Emphasis on the primacy of internal eco-growth and stability.
- Nurturing of amicable international relation with pragmatic give and take approach without sacrificing core national interests.
- Relative restraint in the use of force with efforts to create a modern military.
- A constant search for Asymmetric gains internationally through more active participation in regional and global politics.

#### CHINA'S CONTRIBUTION TO GLOBAL ECONOMY

In spite of increasingly unsettling factors and slow recovery of the global economy, China's economy has maintained vigorous development which has attracted attention from the international community. China's contribution to global economy can be explained through different heads:-

1. China's fast eco. Development has made great contribution to the progress and prosperity of the Global economy, and particularly to the stabilization and recovery of the world economy in recent years. Poverty, a problem plaguing many countries worldwide, has seriously affected the steady and sustainable development of the Global economy. The sustained and rapid development of China's economy and the continuous improvement in the Chinese people's living standards has made great contribution to the sustainable development and prosperity of mankind. The latest calculation of Morgan Stanley indicated that the rate of China's contribution to Global development rose to 17.5 percent in 2002.
2. China has become the most attractive commodity market in the world. China used to be huge 'potential market'. Today however with the sustained and rapid development of its economy. China has become the most vigorous 'available market' in the world. Numerous Chinese products have gone out of the world while large quantities of foreign products have poured into China. The low cost but good products exported by China have benefited many consumers worldwide, helping the consumers in the United States alone save US \$ 15 billion annually. Moreover, they help overseas purchasers lower their production cost, thereby enhancing the competitiveness of their products. The swift increase in China's imports has created numerous job opportunities for the world. The vigorous development of China's foreign trade has propelled the free circulation and optimized distribution of global resources.
3. China has become the world's most favored investment destination. Due to global recession, development countries now have surplus productive capacity and funds. China's rapid eco-growth, gigantic domestic market and ever-improving investment environment have attracted many transitional companies that are seeking a way out. They have made investment in different parts of China. Thereby sharing the results of country's rapid economic growth. Accordingly, to fortune more than 80 percent of the global top 500 companies had made investment in China by 2001. It is worth noting that a growing number of Chinese companies have made their way into the world by Chinese making investment and setting up factories in various parts of the world. Though Chinese funded business abroad is small in number, they have contributed to the economic development of the countries and regions in which they are located.
4. China has become a main force promoting economic co-operation in Asia and economic recovery in East Asia. Since the 1990s with the bursting of its bubble economy Japan has undergone economic stagnation, which weakened its ability to support the economic growth in East Asia. The Asian financial crisis that broke out in 1997 hit East Asia's economy severely. China as a responsible large country, tightened up its co-operation with the countries and regions in East Asia to help them get rid of their difficulties. China's swift economic growth provided them with a huge export market and promoted the recovery of East Asia's economy. China was not only the main source of surplus trade for East Asian countries and regions of but also a main destination of their overseas investment.
5. In addition, China has adopted a series of correct macro-control policies, including the policy of expanding domestic demand and pro-active fiscal and prudent monetary policies, to facilitate its economic growth, which has provided some developing countries with valuable experiences and promoted in depth study of development economics.

In conclusion, there is no doubt that the global economy has benefited enormously from the emergence of China and that this new giant has brought new opportunities as well as challenges to other economies. In order for both China and the world economy to continue to reap this benefits it is essential that China increasingly assumes the Global responsibilities that inevitably accompany its growing economic influence.

#### CHINA IN GLOBAL SCENARIO

China as a fast growing developing economy is increasingly entering the international stage that was previously dominated by Europe, United States and Japan. This rising power is bringing with it as completely set of new experience and perspectives for Global economy. As the largest 'Rising Power' China has attracted tremendous efforts on the part of European policy makers to create co-operative mechanism with other countries to address policy changes. China, therefore serves as a particularly important case study for co-operating with rising powers in a multilateral framework.

China is the only country that has been able to maintain its double-digit growth rate. China's rapid growth over the decades has been spectacular and riveting. It is none the 2<sup>nd</sup> largest economy in the world with a GDP of \$5.7 trillion. China has begun to deal in the currency of global power, and its economic success is affecting its foreign, defence and security policies. The appellation of assertiveness is frequently applied to China's profile in global affairs today. China has generally implemented reform in a gradualist fashion. As its role in world economy has steadily grown, its importance to the international economy has also increased apace. China's foreign trade has grown faster than GDP over 25 years. China's increasing integration with the international economy and its growing efforts to use market forces to govern the domestic allocation of goods is influencing the world. In the second quarter of 2010 Chinese economy was valued at \$ 1.33 trillion ahead of \$ 1.28 trillion that Japan's economy was worth. China could become the world's largest economy (by nominal GDP) sometime as early as 2020. China's economy developed at an unprecedented rate and that momentum has been held steady in the 21<sup>st</sup> Century. Thus, there is wide scope for Chinese economy for vigorous development, as its exports increase at an exponential rate. China's low cost, abundant supply of Labour, stage of development, productivity level and govt. effort in welcoming international trade contribute significantly in rapid growth of china's share in global total exports.

#### INDIA AS AN EMERGING GLOBAL POWER

India is an emerging economic power with a large pool of human and natural resources and a growing large pull of skilled professionals. A revival of economic reforms and better economic policy growth rate. In recent years, Indian cities have continued to liberalize business regulations. By 2008, India has established itself as the world's second fastest growing major economy. India's fastest growth attracted the attention of developed countries like America and Japan for investing in this developing country. The main factors behind the glittering picture of Indian Economy are as follows:-



**INDIA'S SECRET OF SUCCESS**

India had followed a socialistic pattern of society and an import substitution model on planned economic development from 1951 until 1990 with a resultant sustained low rate of growth. In 1991, Indian economy trapped into financial crisis. In order to pull the economy out of economic crisis and to put it on path to rapid and steady economic growth. It was most essential to correct financial disequilibrium, curb rising prices, correct adverse balance of payment and replenish foreign exchange reserves. To achieve all this objectives introduction of economic reforms (LPG) was the need of the hour.

The economic liberalization of 1991, initiated by the then Indian Prime Minister P.V. Narsimha Rao and his Finance Minister Manmohan Singh in response to balance of payment crisis, did away with the license Raj (investment, India and import licensing) and ended many public monopolies, allowing automatic approval foreign direct investment in many sectors.

These economic reforms proved a boon for Indian economy and put it on a higher trajectory of trend growth rate of 7% per annum for post 1991 period.

Because of economic reform India's position in international scenario has undergone a gradual change. It proved helpful for strengthening the roots of its economy at world level. These changes help in emerging India as one of the wealthiest economies in the developing world.

**INDIA'S GRAND STRATEGY**

After independence it was very difficult for India, how to achieve economic development with its limited resources and huge population. Therefore, there was need of appropriate strategy at that time. India has also prepared a strategy for the development of its economy. In its strategy, it paid attention to whole aspects that affects its economic development. As India was considered a under developed country. Therefore, it was necessary for India to choose such a path that can lead it into the race of globalization. First, 'Jawaharlal Nehru' the first Prime Minister along with the statistician "P.C. Mahalanobis" formulated and oversaw economic policy. They expected favorable outcomes from this strategy, because it involved both public and private sector and was based on direct and indirect state intervention, rather than more extreme Soviet Style central command system. Because of predominance of rural economy there was an urgent requirement to develop its infrastructure, trained and skilled laborers, scientific research and accountable administration and many other such factors that may boost the economy growth and take the economy from its initial stage of the stage to prosperity. India enhanced its global competitiveness by pursuing the path of globalization, liberalization and privatization. By doing so Indian economy, more interacted with other economies and feel them to its emergence as an economic power. In order to compete with other countries India has simultaneously stressed on capital and technology intensive heavy industries subsidizing manual low-skill cottage Industries, foreign investment, domestic consumption and domestic entrepreneurship. India also made strategies for improving the quality of human resource for that purpose it led stress on the development of social infrastructure i.e. education, health and environment.

Due to this grand strategy, India began its journey to development after independence and these strategy involving different areas help India to reach the present economic level.

**INDIA'S CONTRIBUTION TO GLOBAL ECONOMY**

India as becoming new economic powerhouse, it indicative of the global confidence and its economic performance and prospects for the world. The changes in Indian economy in the past five years seem dramatic. India as a nation has been diligently working to exhibit its image at global level. The word is appreciating India and it is fulfilling the expectation by contributing through its accelerated growth momentum. India's contribution to global economy can be illustrated through these points:-

1. India's trade with the world has grown faster than its overall trade growth. India has maintained its trade relation with European Union (U.K. Germany, Italy, France, France etc.) North America (U.S.A. Canada), OPEC (Organization of Petroleum Exporting countries) and developing nations. The engagement of Indian firms with the world has acquired new dimensions apart from its leading edge in the software services. India is also becoming a major hub for manufacturing and export of manufactured products. That is why every country wants to maintain its trade relation with India.
2. Indian agriculture has contributed a lot in world economy. Due to green revolution the production of food grain is increased and India has become the main exporter of agriculture based products. India is exporting spices, milk, jute, pulses, butter and ghee, cashew nuts to other countries. India is supplying rice, wheat, sugar, fruits, vegetables, tea, tobacco etc to the different nations. They are mainly based on India for the production of these products to fulfill their countries requirement. India's ranking in the world in agriculture is shown below in the table :-

India is ranking in World in Agriculture (Selected Indicators)

Crop/Criteria	Rank	Crop/Criteria	Rank
Pulses	1	Wheat	2
Jute	1	Rice	2
Spices	1	Sugarcane	2
Milk	1	Tea	2
Butter and Ghee	1	Tobacco	2
Cashew Nuts	1	Fruits and Vegetables	2

3. Indian's small-scale industries gave the production of Artistic goods to the all nations, which is most popular in the world. India is the main spot of the production of Artistic goods like gems and jewellery, handicrafts, banarasi saris etc. There is great demand of these products in foreign countries.
4. Due to increased specialization, availability of large pool of low cost, but highly skilled, educated and fluent English speaking workers on supply side and on demand side increased demand from foreign consumers, interested in India's service exports of those looking to outsource their operations. Thus, India's I T industry is contributing significantly. The excellent infrastructure in service sector and the lowest communication cost has helped India to be a dominant player in these sectors on the global level.
5. The healthy fundamentals of the domestic financial sectors have enhanced the interest of foreign investors. Thus India is contributing in broad way in global economy by providing better quality of delivery of services, economics of scale and higher outward foreign direct investment. That's why India has become the main center of attraction to the foreign countries for setting up multinational companies (MNC) there. Aiming at self-sufficiency in production & protection from foreign competition, have encouraged a diverse industrial base that led to an expansion in production of fast moving consumer goods in the world.

Thus Indian economy's evolving economic and business environment exhibits a number of encouraging signs that suggest the robust economic growth of the whole world.

**INDIA IN GLOBAL SCENARIO**

India's position in Global order has undergone a dramatic change after independence. Now India is emerging as an global power. India's economic power has increased more due to the impulses generated by the entrepreneurs in knowledge intensive service and manufacturing activities in the private sector than due to the government pursuit of a grand vision accompanying comprehensive grand strategy to realize the vision of becoming a global power. Due to strong economic reforms from the socialist inspired economy of post independence Indian nation, the country began to develop a fast paced economic growth, as free market principles were initiated in 1990 for internal competition and foreign investment. India's position in global scenario is well documented. The economy of India is the eleventh largest economy in the world by nominal GDP and fourth largest by purchasing power parity (PPP). India's GDP per capita (nominal) is US \$ 1124 ranked 142 in the world while its per capita of US \$ 3176 (PPP) is ranked 127<sup>th</sup> in 2010 according to CIA fact book.

According to the researcher of India is fastly catching up with China with its large pool of human & natural resources, and a growing large pool of skilled & knowledge full professionals. According to the economist there is a great possibility that India can catch up with China in coming years. To catch up with china India will have to more attention especially in terms of the state of its infrastructure, raising its domestic saving rates and investment rate to GDP attracting FDI, achieving export-orientation and outward FDI for the presence of each country's business corporation, only than India can reach the current status of China. But there is no doubt by showing the India's tremendous growth performance that Indian economy will lead the global economy in future years.

Thus there is a wide scope in the coming years for Indian economy that by perfecting a strategy of cooperation & competitiveness, at the regional as well as global level this country can lead the world.

**CHINA & INDIA ARRIVAL OF BIPOLAR WORLD AND FUTURE PREDICTIONS**

The simultaneous rise of China & India shows that both these economies are becoming the bipolar of world instead of U.S.A's and Japan's economies. It is relevant here to recall the remarks of Deng Xiaoping the architect of Chinese economic reforms. He had told the then visiting Indian Prime Minister 'Rajiv Gandhi' in 1988 that "Unless both China & India rise up, there would be no Asian century none the time has come for both countries to plan together to shape the 21<sup>st</sup> century as the Asian century. Undoubtedly both China and India are among the foremost rising economic Powers (with spillover to Political Power) at the beginning of 21<sup>st</sup> century. According to the report prepared by the national intelligence council of U.S.A (2004) has also identified china and India among the new major global powers.

Global powers symbolize those countries which have global capacity and strength to influence the events of world affairs. They achieve their status through economic power military might and political influence. For them the world's surface is like giant chess board where the moves and counter moves indicate the changing balance of power. Thus, there aim is to incorporate as much of world as possible into their sphere of influence. However the sphere of influence may be in areas of strategic importance in which a global power can wield effective power. As an global power China and India try to maintain and improve there geopolitical position by extending there relative sphere of influence by maintaining control in their respective cores. Thus the actions of both these economies are codified in geopolitical strategies which legitimize their international role. China and India are emerging as important sources of the world economic growth & the drivers of international integration in global scenario and proving themselves as bipolar of the world economy.

India & China are poor but powerful countries whose rise to global prominence is challenging both developed & developing countries alike. Their rapid growth, large size and increasing assertiveness in global affairs demand attention .The world is now talking about both china and India as the rising global powers. According to the economist there is large scope for indo-china economies for enhancing the economic power in coming years .There have been made many research on this topic .According to the Goldman Sachs in the paper," Dreaming with bricks: the path to 2050"published in 2003: china's economy will surpass Germany in the next few years, Japan by 2015 and the united states by 2041".

India's growth will be the highest not china's and it will overtake Japan by 2032.

Another report which is known as "second follow up report 2007".This report compiled by lead authors Tushar Poddar and Eva Yi insight into "India's rising growth potential". It reveals updated projection figures attribute to the rising growth trends in India over the last four years .Goldman Sachs assert that "India's influence on the world economy will be bigger and quicker than previous researches ".They noted significant areas of research and development and expansion that is happening in the country, which lead to propriety of the growing middle class.

A Goldman Sachs predicts that from 2007 to 2020, India's GDP per capita in US \$ term will quadruple and that the Indian economy will surpass the United States by 2043.

The latest predictions after global financial, crisis occur, Nov 2010:'Standard chartered plc says', China will overtake the US to become the World's largest economy by 2020.And then china's economy will be twice as large as the U.S.A. by 2030 and account for 24% of global output, up from 9 percent in 2010. And with India accounting for 10 of the 30 fastest growing urban areas in the world and 700 million people moving to the cities by 2050. This will have significant implications for demand for urban infrastructure, real estate and services.

After analyzing the future predictions for both countries given by researchers, there is a tremendous scope for these countries to become global powers. Both the countries have the potential to surpass the leading economies of present time .China has proved some of this prediction because the size of China's economy overtook Germany's economy in 2007, a year earlier than expected, and have over taken Japan's in July 2010. India also has potential to become a global power at a later time (say by 2050) than China (say 2020). Both these countries have their own strengths of economies; On the basis they will achieve their path to become the global powers. China and India are moving forward with a vision to eventually surpass the current superpower the U.S, to become the No. 1 global power and make its presence felt in the international relations arena. But the path to become the superpower for both these economies is not smooth. There are so many hindrances and weaknesses to fulfill this dream .The projected strengths and weaknesses of both these economies will be later discussed in this paper.

**CHINA AND INDIA: COMPARATIVE POTENTIAL**

China and India are similar in many ways. Both are the countries of Asian continent. Earlier both of these countries was considered as low level income countries and facing the problem of population explosion .After getting their independence both have adopted the different political paths to their planned economic development as we studied earlier in this paper .Both countries have acquired rising global powers due to open market economy oriented reforms. China has the advantage of an earlier start than India in this respect .china started its economic reforms in 1978 and India in 1991. Now both of these countries have celebrated their 60<sup>th</sup> anniversaries of independence .In these 60 year china and India both use their strengths in positive way so that they can become global powers. But they have to face many weaknesses and challenges to reach this present level. china and India will be potential competitors and will also display complementarities through common strategic interests in their ongoing quest to become global power of consequence by the year 2020 (and beyond) .Both have their relative strengths and weaknesses .Despite the highly authoritarian political system of china and the soft system of democratic governance in India, both countries have the requisite potential to emerge as global powers. Much will depend on the suitable policy choices each country makes for managing its global role in the ever changing complex set of international relations to reach the goal in the 21<sup>st</sup> century.

**CHINA'S MAIN STRENGTHS**

China's rapid growth in its economy and its emergence as a global power plays an important role in world economy development. China's main strengths which led its economy to this present level are:-

- Clear vision and pragmatic approach to policy making and effective implementation of its policies for delivering results
- China's calculative Strategy.
- Providing large markets for imports and propelling growth of countries in Asia and in the rest of the world.
- Commitment to sustain high growth.
- Largest exporter of goods in world.
- Fastest growing major economy
- High level of foreign exchange reserve allowing leverage for economically and politically befriending developing countries in Asia, Africa and Latin America.
- China's large pool of manpower and low cost of Labour
- Well developed world class infrastructure
- Business friendly policies and procedures for encouraging FDI
- Productive and disciplined workforce.

**CHINA'S MAIN WEAKNESSES**

In spite of these strengths, there are many weaknesses which continue to constrain its progress. The main weaknesses are:-

- Lack of synchronization between economic liberalization and political liberalization / democratization (unwillingness to give up highly centralized political regime backed by huge armed forces to crush domestic dissent).
- Poor human rights record (illustrated by the Tie amen Square event of 1989; restrained civil liberties, execution for dissenters / corrupt officials)
- Very large disparities in the levels of economic development (least developed provinces, e.g., Xinkiang)
- Growing unemployment and restrictions on movement of Labour (causing resentment especially among rural landless laborers)
- Large number of loss-making state-owned enterprises (SOES)
- Unsatisfactory legal protection system (for property and intellectual property rights.
- Available energy is insufficient to run at fully installed industrial capacity.
- The transport system is inadequate to move sufficient quantities of such critical items as coal.
- The lack of rule of law

- Widening income disparities
- An inefficient banking system
- Over dependence on exports
- Lack of business morality

**CHALLENGES BEFORE CHINA'S ECONOMY**

China is still a developing country; despite the relatively positive outlook for its economy, China face a number of difficult challenges that, if not addressed, could undermine its future economic growth and stability.

Some of these challenges are:-

- Pervasive government corruption
- Fragility of the financial system and SOES
- China's growing population
- Unemployment ,poverty and rural & industrial social rest
- Global warming and environmental concerns
- Taiwan ,Tibet ,south-china sea and other potential conflicts
- The incongruence between political and economic liberalization will some day turn explosive for china's internal stability
- Growing shortage of water resources
- Rising prices or inflation
- Rising wages
- Social instability

Thus after studying the china's strengths, weaknesses & challenges; we can say that china has the requisite capacity to meet all the challenges; in spite of its weaknesses. The praises that liken china to an "engine" or a "locomotive" of the regional economy serves to encourage the Chinese people to work even harder. Only then china fulfill its dream to become a global power by 2020.

**INDIA'S MAIN STRENGTHS**

Like china India has also some strong points for its economy to be a global power in coming years. India's main strengths are:-

- Higher arable area per sq. k.m. of national territory than China (54% arable land compared to 15% of China's mainland), abundant natural resources, and all season agricultural activities (but higher agricultural productivity in china than in India.
- Skilled manpower (scientific, technical, managerial and professional)
- Demographic dividend (riding population in working age group to the year 2020)
- Growing affluent middle class.
- English language proficiency
- Vibrant democracy.
- More dynamic private entrepreneurs
- Rising confidence for India's participation in regional / bilateral FTAs
- Well-functioning financial markets
- Political stability.
- India's large & growing service sector
- India's national heritage & culture
- Major service outsourcing hub for the world
- Public and private sector compete and coexist in a dynamic balance which is imparting competitive strength to the economy
- Export of food grains
- Global suppliers of manufactured goods and services

**INDIA'S MAIN WEAKNESSES**

There are many weaknesses, which are faced by India in the path of its progress.

- Lower ranking in the lower ranking in the human development Index (HDI) in the United Nations Report.
- Large absolute number of poor and illiterates.
- Infrastructural bottlenecks (much less developed infrastructure than China)
- Implementation problems due to political and administrative hassles (delay and corruption at all levels of government – especially at the grass root level)
- Regional disparities in levels of economic development of the states.
- Internal conflicts especially in Jammu and Kashmir and the Northeastern states (which are exploited by unfriendly neighbours of India)
- South Asian politics: India-Pakistan relations restraining faster progress towards South Asian economic integration.
- Great inefficiency in energy use
- Black marketing
- Lack of social infrastructure
- Shortage of resources with comparison to its growing population
- Increasing debt problems
- Slow speed of decision making under its democratic set up
- Huge loss in public sector industries

**CHALLENGES BEFORE INDIA'S ECONOMY**

There are many challenges before India's in the way to become a global power. These are:-

- Growing population
- Widespread corruption
- Unemployment ,poverty & economic in equality
- Environmental concern (global warming, loss of biodiversity, climate change etc.)
- Rising prices
- Brain drain in India
- Terrorism

There is no doubt India's way to become a global power is not smooth. But India has a strong capacity to fight with these challenges & problems on the basis of its positive strengths .That's why in recent years India's faster growth attracted the attention of economist to think that India has potential to become a global power. But it will take some years to surpass the world's leading economy .According to researchers India will become a superpower by 2050.

**CHINA & INDIA: AS COMPETITORS AND COMPARATIVE PERFORMANCE**

Asia's Giants: - India and China are emerging as global powers. Both of these countries are competing with each other in the race of globalization. No doubt China is surging ahead of India. China is the strongest competitor of India, because India is still behind from China in this race. India has higher arable area (54%) per sq. k.m. than compared to China (15%). It has abundant natural resources, all season agriculture activities which is big threat to China's growing economic



powers. India is main competitor of China in food grain textiles & steel. The prominence of China and India as major manufacturing countries with realized potential has been widely recognized. The view that India and China are rivals is as over generalization and over-simplification of a complex relationship. As India and China continue to pursue their interests and so long as their overwhelming preoccupation remains their domestic transformation & both understand that this goal requires a peaceful periphery it is firm conviction that the elements of competition in the bilateral relationship can be managed and the elements of congruence can be built upon.

Once all the irritants between the two are removed, their trade and economic partnership may gain momentum. After examining the future of India & China the wider point is that India has more prospects & potential to surpass China & become no. one. Its main strength in coming period is its younger population which will help India to shine on world. Despite of China's one child norm policy, it will be behind India in respect of young population. The other main factor that will take China's economy in downward direction is lack of business morality in a large no. of its importable like medicine, Chinese toy & Mix of melamine milk products. If situation remains the same & Chinese product doesn't fulfill the requirement for international standard then the day is not far for its doom. India can take advantage of China's this policy.

## COMPARATIVE PERFORMANCE

Indicator	CHINA	INDIA
1) GDP	\$ 4.98 Trillion	\$1.367 Trillion (Nominal; 2010)
2) GDP Growth	9.1% (1 <sup>st</sup> ; 2009)	8.8% (2010)
3) GDP Per capital	\$3.735 (Nominal; 2009)	\$ 1124 (Nominal; 2010)
4) Inflation	5.1% (Nov. 2010)	8.62% (Sept. 2010)
5) Labour Force	813.5 Million (1 <sup>st</sup> , 2009)	467 Million (2 <sup>nd</sup> , 2009)
6) Unemployment	4.2% (July 2010)	9.4% (2009-2010)
7) Gini Index	46.9 (List of countries)	(36.8) (List of countries)

Source: (CIA World Fact Book)

## SCOPE FOR MUTUAL CO-OPERATION

It is in the mutual interest of both India and China to cooperate and move forward. It is heart warning to see that for the first time, China has opened up to Indian agricultural produce. Further, the Indian embassy in Beijing will now have an economic wing that will push among other things, cooperation in areas from infrastructure to positions taken at multilateral forums. Also, we would suggest that China must permit its huge market to be opened more for Indian Pharma, engineering, IT among others.

**Asian's giants** – India and China must further join hands in all respects and strengthen each other by working together. In this context it is most refreshing to see that China has taken the lead and made its intentions clear by unequivocally backing India's candidature for a non-permanent seat in UN Security Council for 2011-2012.

We would also like to mention here that India & China on May 27, 2010 discussed a wide range of bilateral issues and signed three agreements related to visas, sports and civil administration. These agreements were signed after an hour's meeting between the presidents of both countries. This would increase mutual understanding and friendship and advance the development of China – India strategic partnership. Both countries should utilize the bilateral & multilateral for a to increase cooperation & coordination. As for instance, we all witnessed the close coordination between India and China at the Climate change talks in Copenhagen. India & China are also considering an developing close coordination on other global issues like reform of the international financial institution & trade issues. There is enough space for both countries to grow and prosper together. Our bilateral relations have gained strength and momentum and have assumed global & strategic dimensions through our joint efforts. There are regular high level visits between us, trade and investment flows have risen sharply, cultural interaction has flowered and People to People ties have strengthened. Our close cooperation is conducive to peace and stability in Asia and the World. On the occasion of the 60<sup>th</sup> anniversary of the establishment of diplomatic relations, we in India look forward to continue working closely with China in taking our relations to new level.

Cheng Ruisheng, a veteran diplomat and former Chinese ambassador to India recently said the two countries should restore the border dispute under a framework of compromise and spirit of mutual respect and understanding, which is a key to enhancing trust between them. He said conditions are ripe for the final settlement of the border dispute between two Asian giants. "The final settlement of the China – India boundary question will be the most important key to greatly enhancing mutual trust between the two countries". India and China have completed 13 rounds of talks on border disputes and more progress is likely in coming days ahead. India has already recognized Tibet as part of China and took resolute measures to let Olympic torch pass through without any hindrance from Tibetan protestors without in 2008. China for its part recognized Sikkim as part of India and made positive remarks on India's desire to become permanent member of United Nations Security Council. The two countries enhanced their cooperation in the Climate change talks he said, adding that being emerging economies of both needed support of each other on a number of issues in the future.

We too must realize and appreciate the fact that we cannot ignore China which has in last few decades emerged as an economic and military super power with its reserves of foreign exchange alone exceeding double of India's entire Gross Domestic Product.

In the Context of continuously rising global economic status of both China and India and the existing and potential complementarities in the Asian and the global markets, it would be ideal for India and China to forge mutually beneficial and mutually rewarding strategic partnership at business to business level in both countries.

**Cooperation for Energy Security:** - Both India and China display high deficit in meeting their fast growing energy requirements from their respective domestic energy resources. It makes business sense for both countries not to bid for acquisition of foreign energy resources without coordinating their positions. Joint bidding in such cases where national interests permit. Coordinated action will benefit both countries. The case in point is a collaborative joint venture between China and India for this purpose. India's oil and Natural Gas Commission (ONGC) and China's China Natural Petroleum Corporation (CNPC) had set up the first 50:50 equity partnership venture named as Himalaya Energy. Both India & China in accordance with the priority to their own national interest, both countries can further cooperate in this area of cooperation in energy imports in negotiating mutually profitable swap deals in oil procured globally to save transport costs.

## COOPERATION IN WTO

Both India and China is member of the world Trade organization. A new world trade and investment order is evolving through continuous negotiations among the member countries of this organization. China & India share common interest in negotiations for future liberalization of world trade. The common areas and to other like minded developing countries for future negotiations at WTO including the following major areas:-

- Agriculture.
- Non-agriculture market access.
- Intellectual property rights.
- Linkage of trade with Labour policies.
- Movement of natural person's policies.
- Movement of natural persons (mobility of skilled Labour across countries)

The scope for mutually beneficial cooperation between India and China can also be extended to negotiations in several other multilateral fora.

**CONCLUDING REMARKS**

To conclude this paper, we can say that China & India are emerging as Global powers in these days. These emergent economics raise new challenges and opportunities for other developed & developing countries. In our conclusion we consider the four following inter-related themes to be essential to an understanding of why these emergent economics are called the rising powers:-

- First, the Rising power states are increasingly more engaged in defining international and regional standards. On this basis we can say that China & India are rising powers because their economies influence and shape the governance of global standards, particularly on bilateral and regional trade.
- Secondly, Rising Powers are global player. No doubt China & India are global players. They are taking on more substantive roles in global production networks and becoming lead firms in their own right. As global players China & India contributed a lot in the development of world as we studied in this paper..
- Third, Rising Power consumers are not only gaining Prominence in terms of scale, they are also more demanding both in terms of the quality of products and the variety of choices they seek. India & China is trying their best to satisfy their consumer as well as world's consumers. China is famous for its low price products in all over the world. India is also attaining the good variety and quality of the products which was earlier not good.
- Fourth, changing regulatory frameworks – both globally and regionally through the agreements. China & India also changing their regulatory frameworks for becoming global power. For this purpose they are more and more interacting with other economies & have included in the race of globalization.. They are making trade relations and agreements with rest of the world. They are also changing their domestic policies for the development of their economies.

These points indicate that China & India are fulfilling all the conditions to become a superpower. After analyzing the predictions given by different researchers we can say that China can become the global power by 2020 and India by 2050.

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8. Global Economics Paper No. 99, Dreaming with BRICKS and Global economics.
9. Goldman Sach's Prediction for BRIC
10. Goldman Sach's – How solid are the BRIC? Dec, 2005 (PDF)
11. "India in emerging Asia" – Speech of LEE KUAN YEW (Nov. 2005)
12. The emergence of china in global economy : A European perspective (Speech by JEAN CLAUDE , Nov.2007)



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