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Why China Excels Over India

K. S. Rawal

ABSTRACT

China has been a noted terrifying Asian Giant in the global political frame for several decades known for its foreign trade mechanism, low cost manufacturing and typical cultural identity. This vast country is believed to be largely a poverty-ridden enclave in a vast desert's inhospitable climate and Geography as well as a home of the largest population of the globe. Detailed account of China's economy and society was nearly unknown to the outside world up till recently for China being a communist regime. From 1949 onwards, China has worked hard under a vigorous planned activity in the sphere of literacy, industrial growth, population control, scientific research and overall economic change. India also embarked upon its planned development in 1951 in nearly the same conditions, to evolve a socialist pattern of society. Overhauling then present status China in 65 years has reached a status comparing well with USA. The wonderful progress by China is indeed a riddle, which can be understood with reference to reorganization, management, technological reshuffling, growth of wondrous skills in work-force and accessing the great citadels of scientific research. India chose the democratic organization and planned economy, and slowly worked for its resource use and adoption of new technology. However, India could not cross the barriers beyond Hindu Rate of economic growth, despite the assistance of progressive nations and World Bank. The strange magic played by China in the race of economic change needs to be understood deeply.

KEYWORDS: Wage freeze, Skill acquisition, Manufacture ring cost, Zero-rate, Infra-structure, Supply network, Collection agency

OBJECTIVES

The primary objective of this paper is to investigate the reasons that why Chinese strategy worked effectively despite the insurmountable hurdles like calamities, climatic, excessive population pressure, limited resources and hostile political environment. India had its own type of hurdles like wars with China and Pakistan, facing the burden of refugee of Bangladesh, climatic change, droughts and floods. China had an advantage of being a dictatorial regime, ensuring effective governance, whereas Indian's performance was only meager. By 2014, China reached its GDP to 10 trillion U.S. dollars. It had annual growth rate of 7.5% while India's growth was 5.5%. China was able to limit its budgetary deficit to 2.1% as compared to 4.6% in India. China focused its growth in building infrastructure, whereas India still lags far behind. China concentrated on real estate and basic infrastructure covering housing, power generation, sanitation, aviation and creation of social assets. China has eight times greater GNP as compared to India. Chinese achievement in scientific research is very high and its global trade participation is excellent. China has attracted FDI in very large measure, which is over 54 billion US dollars as compared to 13 billion in India.

Chinese achievement is mainly in seven sectors including:

(1) Zero rate of population growth under single baby norm strategy;

Associate Professor, Department of Economics, K.G.K. Post Graduate College, Rohilkhand University, Moradabad, Uttar Pradesh, India
Email id: ksrawal.ksr@gmail.com

(2) Atomic research 10 times advanced as compared to India;
(3) Marvelous success in space technology;
(4) Baffling success in engineering and construction technology;
(5) Transfer of Hong Kong without hue and cry;
(6) Wage-freeze strategy and relatively stable price line;
(7) Successful modernization of entire economy parallel to advanced nations.

India has faced several challenges which are also common with China like inter-regional disparities, acute poverty in rural areas, unemployment for a large work-force, food-deficit, women participation, mechanization of household works, shortage of capital, lack of life amenities in rural areas, low agricultural productivity, etc. Pace of change is rapid in China.

CHALLENGES MET BY CHINA

Challenges met by China are as follows:

1) Remarkable success of China is noted in its population control in which no less than 10 crore births are avoided.
2) Labour mobility control and effective check on rural migration, frozen wage-rate for rural and urban areas and stable prices of the consumer goods of essential nature. Separate wages fixed for urban, suburban and cosmopolitan towns of coastal nature.
3) Overhauling of skills and standards of education at various levels so as to reap gains of specialization for economic growth.
4) Special policy incentives for adopting new techniques, devices and skills by workers in manufacturing of goods widely demanded by western clientele. Weaving a highly congenial frame of rules, conditions and procedure for entrepreneurial class and the foreign investors and leaving no margin for red tapism and undue delays in decision-making.
5) The workers are supplied with raw materials, models, directions, devices, etc. even in the remotest rural centers and the finished goods are collected back from rural to the export houses at coastal areas. Marketing network is closely interlinked with manufacturing centers.
6) Sub-letting and sub-contracting new orders to neighboring countries like Vietnam at low wages and marketing through Multinationals. It is outsourcing labour at dust-cheap cost.
7) Encouragements for using techniques, modern devices, new apparatus and fresh technical application.
8) Combing of diplomacy with trade, obtaining raw materials, resources and investments and finding new access to richer markets. Attracting FDI for most modern establishments in strategic fields.
9) Keeping the spare parts, accessories and tools ready and supplementing national exports of defense equipments.
10) China has always an upper hand in market sales over its competitors. Cost controls help China in selling at a low price keeping the quality intact. Chinese go for cultural studies in the importing countries to deeply understand the choices and needs as well as the client class with its capacity to pay. Price flexibility and adjustment make a prime feature of China trade. (Batra and Khan, 2005)

WAGE-FREEZE IN CHINA

In a democratic country, the trade union movement is by far strong and the Labour laws are stringent to protect the interest of the working class. Strikes and lock-outs are quite frequent. China is communist country yet it does not permit labour strikes. (Virmani, 2006 a) This helps China to keep the cost of manufactures down to compete with suppliers in export market. China maintains stability in the prices of the wage, goods and food related commodities. Essential services are kept stable so that the wages are also nearly stable. The wider peasantry in China made great sacrifice in keeping the prices of essentials unchanged. This continued over 6–7 decades.

The three tier wage systems allow lowest wage to the ruralites, slightly better in sub-urbans and somewhat better in the coastal export houses. China had a low standard of living in its rural habitations. The best part of output is destined for export. Less sophisticated output is retained for local consumption. Currently China has a system of state-run free enterprise wherein state sets the operational policy for imports. By artificially limiting the imports, China accumulates the vast capital of export surpluses. Dust cheap labour keeps the costs under control.

TRADE STRATEGY OF CHINA OVER THE DECADES

China shares the global trade to the extent of 6–7% while India has hardly 0.5–0.7% share. China had greater dependence on exports. Therefore, China has to use its diplomatic influence for promoting trade. Exports of China have considerable role in keeping the labour force employed. Strategic imports of China cover expertise, crude oil, raw materials, minerals, metals, equipments, etc. These are to be imported from various countries. The developing economics export raw materials and minerals in large measure. Therefore, China has to import from Latin America, Africa, Middle East, etc. Chinese exports consumer and capital goods besides offering long-term credit, finance, building bridges, power development, railway and weapons. China has a vast programme of foreign assistance which flows to the developing nations where from China imports her raw materials. This assistance includes the technology, weapons, defense equipment's, transport, communication, railways, constructions, infrastructures, banking and commercial establishments. Bhutan, Pakistan, Ceylone, Afghanistan, Maldweep and Iran have received liberal trade grants. India has also adopted the same policy of development assistance to the neighboring developing economics but the gain in trade has been only marginal. Bamboo flexibility in pricing is special features of China-trade.

PERVADING INFLUENCE OF CHINA

China earns a vast part of its export earnings from export of weapons to Governments and revolting groups in close neighborhood. This is diplomatic cover to trade. China has enormous strength and influence besides the capacity, which threatens the smaller nations. Even India seeks Chinese trade relations to appease China for cordial border talks and to avoid conflicts. China's superiority is established in Asia and Africa. Indian defeat (1962), accession of Tibbet, Nathula routs, Rangechu valley, Tawang, etc. established Chinese terror.

SINO-AFRICAN TRADE

China was alert and was carefully watching developing Africa, which is known to be very rich in natural resources, minerals, metals, timber, etc. and is trying to struggle for development. There are more than 52 sovereign African countries seeking aid, supports, planning process, infrastructure for development as well as political supports. China has captured African market for its own exports. China has access to weapon trade due to belligerent relations among the African states. China has excess of consumer cum capital goods, household goods, electric goods, electrical gadgets, engineering goods, etc. to be exported to Angola, Sudan, South Africa, Congo, etc. India also finds scope of expanding trade relations in Africa. India arranged a vast meeting of African state-heads and commerce ministers in Delhi so as to renew age old relations with Africa. India expressed her willingness to participate in developmental efforts of African countries. Use of trade links for diplomatic success in finding permanent seat in United Nations is freely expressed by India. India has also applied 'Look to the East' strategy of trade in competition with China. As a member of ASEAN India has reconnected with eastern Nations.

ROLE OF EXPORT SURPLUS IN CAPITAL FORMATION

Chinese economy was growing at a rate of more than 7.5% in the past but it is reported that its growth rate is likely to dwindle in the near future while that of India is likely to reset itself at 8–9%. (RBI). It is felt that at present due to high rate of population growth India may face serious impediment in saving the output for export surplus. China saves its national output by 50% for export. Greater consumption shall surely reduce exportable surplus in India. China keeps the level of consumption under well control. India has to be guided by market-forces, adhering democracy and free enterprise. China prepares goods of low and high quality to adjust price-flexibility. China pays to its labour hardly 20% of wage prevalent in USA. At German rates, Chinese wage is hardly 22–23%. Wages are low in India yet Chinese wage per day constitutes hardly 72% of Indian wage rate. High rate of inflation in India erodes labour wage but in China, prices have no inflationary pressure. Regional wage differentials and inter-industry differentials are big in India as well as in China. (Batra, 2007). Wages slightly higher in China's export enclaves at coastal China because these areas feed the Multinational marketers. Rare skills are remunerated highly in China.

FOREIGN DIRECT INVESTMENTS IN CHINA

China has attracted a good lot of FDI. It was nearly 54 billion US dollars in 1984–1985. By 2014, the MNC led foreign investments in China reached 500 billion US dollars. The main sphere is of foreign export. Wage rates there are higher than those paid in traditional sectors. Rural rate is 36 Yuwans a day, 53 Yuwans in sub-urban and 60 Yuwans in Coastal China. MNC have helped in technical innovations and training centers. Procedural simplification is the main attraction in China. Foreigners get a level playing field, which is unthinkable in India. Bureaucracy in China is not that corrupt as that in India. Most of the announced FDI could not mature into reality in India due to complicated procedures and corruption rampant in India. Tax regime in India is highly confusing. (Virmani, 2005).

INDUSTRIAL MERGERS AND COLLABORATIONS

China concentrates on the sole objective of technological modernization for which technology institutes, universities, skill raising training centers are honestly working and apprentice facility is provided. China follows the policy of encouraging industrial mergers, collaborating with foreign concerns, polycentric arrangements, as promoted by MNC in large scale. This certainly leads to scale advantages of low costs. New technical education, vocationally, skill sophistication, emphasis on health security and smooth management of public services, communications, etc. are praiseworthy in dictatorial regime. There is a good progress in air conditioning, housing, port development, aviation, internet services, transport connectivity, spare-part supply, health service in Hospitals and skills seen in surgery achieved in short time. Only few of these are properly working in India. Industrial mergers are rapid in India but these do not seem to benefit the country by lowering costs and quality of services.

SPECIAL ECONOMIC ZONES FOR MANUFACURING AND EXPORTS (2006)

This strategy was adopted in China in the early phases of planning for exports and expedited production by industry. Selected areas were chosen and were given special treatment for exploiting growth potential and were dressed with infrastructural amenities. These had been exempted in taxes as well, besides the attractive incentives. These really helped in lowering costs and making the products more competitive. Later on, this system was revised due to their being the centers of tax evasion. India also embarked upon this SEZ scheme with enthusiasm but it did not increased either industrial activity or expected employment. These proved to be special windows for tax evasion by industrial house. (Mainstream, 2006) Indian industry feeds on official supports and fails in open competition with China in markets of Nigeria, Mauriteus, South Africa, Lesotho, Swasiland, Kenya, Uganda, Senegal, Ghana and Tanzanian populace. China accords priority to her commercial interests. There are several obstacles on way to Chinese–Indian trade yet China is one of the major partners in Indian market. Disagreement in south China seas, border dispute, support to Pakistan against India, Chinese supports to revolting Kashmiri groups, weapon supply to revolters in India, dumping practices of China in India trade and Chinese Claims in Tawang are points of clear disagreements. Chinese dumping is hitting Indian SSI to a large extant.

ORGANISATIONAL NETWORK OF CHINA

India and China both have challenges of rural poverty, food deficit, disparities, etc in common. China has built a huge network of well-knit organizations for seeking supply orders, supply of raw materials, equipments, training and required skill development avenues, manufacture collection centers and marketing channels. China's efforts for skill development and entrepreneurship are seen in the organizational set-up and their proper functioning. India has also woven infrastructure and training through ITI and Polytechniques but technical content is not satisfactory. These have not unleased the spirits of entrepreneurship, in the required measure. China is sincere in affording aid to friendly nations. Since 2010–2011 China had actually worked for giving long-term credit, loans, investments on infrastructure, etc to trade partners. India has also started assistance programmes. India had allocated 278 billion US dollars for this purpose. Assistance has flown to close by nations. Bangladesh, Srilanka, Nepal, Pakistan, Afganistan, Bhutan and Maldeves have been the beneficiaries.

China buys raw materials, metals, minerals timber, lubricants, crude, iron, manganese, cobalt, copper, cotton, etc. and exports finished goods like weapons, war equipment's, defense materials, instrumentations, machines, marine equipments, vehicles, railway, chemical, electronic and electrical goods. In Africa Chinese goods export grows at 7–8% per year while that of India is less than 5%.

UNDER VALUED YUWAN KEEPS EXPORTS GROWING

It is widely held that the undervalued Yuwan, export enclaves, flexible export pricing, need based education and hard training have helped China enormously. Piracy and imitation, labour export, exploitation of women labour strictly controlled wages and check on Trade Unions have promoted Chinese national interests. After 1972, China has encouraged foreign collaborations in the modern large-scale industries and learning new technology all along. Gwanxy under Dachenchiang Co. had introduced the system of raw material distribution and final product collection in that large scale with alertness and efficiency. Deliberate continued under valuation of Yuwan despite the opposition by major importers like USA, kept Chinese exports growing in western richer markets.

COLLECTION AND DISTRIBUTION OF WORK

This arrangement is wonderful in China. How the workers are assisted in fetching work orders and precise instructions of manufacturers are indeed praiseworthy. No such arrangements could grow in India despite the emergence of District Industries Centers. Industrial and Commercial mergers occurred in large scale creating super size giants like IISCO, GAIL, ONGC, IOC, BPCL, HPCL and several others but these did not work to help small industrial units. Global marketing via MNC worked. In the sphere of Medicine and Pharma sector mergers and collaborations emerged in India with added strength. Taichi (Japan) Milan, etc. merged Ranbaxy, Matrics, Cipila, Zenotech, etc. There are 1236 such collaborations working at present. Similar consolidation occurred in aviation, banking, education, finance, hotels, constructions, water supply, power and bridges in India but these led to swelling of profits only without raising efficiency. Foreign concerns raised investments in health care, computers, automobile, etc. Cisco, Microsoft, Accenture, Honda, Toyota, Medicare are innovating concerns like Infosys, Wipro, Pharma, Telecom, Nanocars, Agro-tech, etc.

RESOURCE ENDOWMENT AND TRADE PROSPECTS

Natural endowments are unevenly distributed round the globe. Africa is rich in endowments and still fully unexploited. There is a struggle among the traders to get a strong grip over these unexploited resources. Nearly

127.7 thousand million barrels of crude oil and 14.76 trillion cubic ft. of natural gas attract China as well as India to win over the favors from African nations. Chinese aid to Africa has already reached around 2.3 billion U.S. dollars while Indian aid to African was only 200 million dollars. India is likely to raise it to 300 million shortly after Indo–African meet in October 2015. African states are numerically important for voting in United Nations. Chinese trade is worth 13 million dollars in south-east Asia while the total trade is of 600 billion dollars. The demand for crude, minerals, metals, timber and manganese is likely to rise.

INDO–NEPAL AND INDO BHUTAN TRADE

Indian participation in trade with immediate neighbors has been growing rapidly so as the assistance, credit and grants. In Nepal the projects of hydropower like Devighat, Trisul and Karnali Panchswar are prominent. India has very close trade linkage and all around cooperation with Nepal. Due to Chinese rivalry, Indian role is under black mail more than often. Nepal's leanings are towards China due to Chinese power and terror. Nepal's markets are laden with Chinese and Korean products. Bhutan also shares Indian benevolence in terms of several projects like Tata Hydro, Chekha, Kuruchi, Punar and Sangekha are well marked. Several bridges and roads are under construction. Cultural and health supports are given by India.

IN AFGHANISTAN AND SRI LANKA

Indian supports in Afghanistan include projects of education, irrigation, hydel, roads, health, medical, pharma and communications. It is worth 1.3 billions US dollars. Sri Lanka got grants for building 50,000 houses for Tamil rehabilitation. A sum of 576 crore Rs. was given for ports and housing. Thermal power project is financed by India. Bangladesh also shares Indian aid for several projects of development.

CHINESE PREMIERE'S ROLE

Premier Wen Jiabao of China visited India in 2005 to push forward the cause of trade promotion. Arvind Virmani reported that India was among the top 20 trade partners of China. China was among top 15 of Indian trade. In export trade, Chinese are second in Indian list and fifth in imports. This trade has been quite fluctuating over the years. It has grown rapidly in recent years despite of deteriorated terms with China.

UNFAVOURABLE BALANCES

Indian exports to China during 2004–2005 were worth 5.3 million US dollars while imports were worth 6.8 billion. Trade balance has always been negative. Indian exports have only little manufacturing content, as these were raw materials. Salt, sulphur, lime and cement have only 2.6% value. (Virmani, 2006 b). China imports iron–steel, plastics, organic chemicals, fish, sea based food, minerals and metals. Nuclear reactors and boilers are also sent.

UNCHECKED INDIAN IMPORTS

Indian imports from China cover electrical application, machinery and spares, oil and waxes, lubricants and minerals, chemical, milk pearls, precious stones, jewellery, fabrics and filaments, etc. China exports to India are hardly 1% of Chinese production. China is a low consumption economy so imports are strictly restricted. India is a free economy, which allows imports as per demand. Bilateral trade prospects with China are bright. (Batra,2004). China believes in Non-tariff barriers of trade so her imports are low. Serious price differentials in making of the two countries keep this trade going. India has advantages in English language while engineering, chemicals and automobiles, telecom, mobiles, electronic are advantages of China. (Batra and Virmani 2004).

COMPARING UNEQUALS IN DUEL

Indian and Chinese economies are not precisely comparable. The manufacturing content of Indian economy is hardly 27%. India's main manufacturing areas are steel, cement, sugar, coal, crude oil, refining, power, cloth, fertilizers, automobile and chemicals. (Batra and Khan 2005.). China is a very vast economy at least 5–6 times greater than India. Indian total exports are worth

31,000 crore US dollars and imports are a worth 49,000 crore US dollars.

Service sector contributes 59% of income in India while industrial sector in China contributed eight fold higher incomes in China. China's share in global trade is nearly 6% while India has less than 1%. (Dutt and Sunderam 2006.). Chinese steel, clothes, dolls, mobiles, lights, decorative, chains, electrical gadgets, household goods, large size machines, footwear, umbrella, coats, caps, jackets, fashionable goods and cultural things are popular for quality and low price. China gives huge subsidy for infrastructure and supports generally passed on to producers engaged in exports. China has the credit of achieving great scientific application. China makes a strange admixture of culture, tradition and most modern science. Workers in China are skilled by custom and by training. Chinese commitment for hard work is great.

The trends of growth in 2015–2017 indicate significant changes unexpected so far. China is witnessing a downward growth per year as compared to that of India. The slip down would be around 3–4.5% in growth of Chinese economy. India would achieve growth at the pace of 7–9% per year in 2016–2018 while China would come down to 5–6%. The reasons would be a slow growth in export market and slower growth of Chinese domestic consumption. Even if the wages grow slightly the consumption level would keep quite low. Indian economy has considerably low dependence on exports; therefore, the global slow-down shall not pull down the overall growth in Indian economy.

Experts believe that Indian GDP shall grow to nearly 10 trillion and Indian population shall be around 1.63 billion by 2020 while China's population shall be around 1.44 billion to 1.5 billion. Indian income growth shall be around 7.5–9% and that of China shall be 4.5–5%. Even United States would grow at 2–3% per year. The recession shall pull down export earnings drastically. India is likely to perform well if India avoids conflicts at the borders and resolves disputes.

CONCLUSION

Under-valued Yuwan has immensely helped Chinese in keeping exports at a higher pitch.

China has focused on 'over construction' of infrastructure roads, bridges, labour colonies, housing, institutions, etc. which kept the labour engaged and kept the unemployment considerably reduced. These housing constructions could not however, be hired by labour due to high rentals and miserably low wages.

Chinese success in the past in rapid growth is credited to low-cost large-scale manufacturers solely meant for exports.

Chinese alertness to search and building contacts with new markets and production befits the needs and styles of global market and cultural affinity.

Low wages, which kept stable, helped cost-control. This was afforded by excess labour supply from rural sector especially the women labour.

Emphasis on evolving and inventing new technology of manufacturers has helped China considerably specially in domestic goods sector.

Chinese foreign policy is closely linked with trade and diplomacy. Chinese foreign assistance programme is closely linked with exports and diplomatic framework.

Employment creation has always received priority in China. Weaponry exports are also a part of Chinese global linkage policy.

Population control is the most important step of China in its growth path. Here India failed miserably.

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