

## **COMPETITIVENESS OF INDIA AND CHINA: A COMPARISON**

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An attempt has been made in this paper to compare the competitiveness of India and China for the last decade. China's GDP was three times that of India in 2007. China's share of GDP to the world was 10.8% which was double of that of India. The average annual growth of per capita GDP of China was just double of that of India in 2007. There was current account surplus for China (9.4% of GDP) against current account deficit for India (-1.1% of GDP). Adult literacy rate was 61% for India against 91% for China during 1995-2005. India and China both had followed centralized planning but China adopted an approach of communism to implement policies whereas India's approach was to implement policies in a democratic system. China carried forward the reform process aggressively in 1980's and 1990's whereas India has initiated reform process in 1991 and carried forward moderately. The structure of output in India has moved in favour of service sector from 42.1% of GDP in 1991 to 52% GDP in 2007, whereas in China it has moved in favour of industry from 42.1% of GDP to 48.6% during the same period. China strictly followed the traditional development model, but India tried to jump from agriculture to service sector resulting very low manufacturing growth for India compared to China. The low manufacturing growth of India resulted low over all growth of the country. The labour law in India and lack of infrastructure are the major deterrents of industrial growth in India. Manufacturing value added growth for India was just 6% during 1993-2003 whereas it was 12% for China during 1990-2005. Based on the global competitive index, India's ranking was 50, whereas that of China it was 30 among 134 countries in 2008-09. Labour productivity in China was 0.137 which was higher than India (0.128) in 2002. Total factor productivity growth in China was 12% higher than in India during the period 1998-2003. FDI inflow in India was meager US \$ 16.9 billion against China's FDI inflow of US \$ 69.5 billions in 2006. The competitiveness of India's exports did not improve in post liberalisation period but improved in the case of China. Cost competitiveness for China was relatively less compared to its competitors. India's export profitability compared to its competitors improved very much during post liberalisation period but it improved in China only during 1994-1997. Both Indian and Chinese imports were more competitive compared to their competitors. China had better revealed comparative advantage than India in many products.

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