

Immediate and long term challenges for Indian and Chinese development



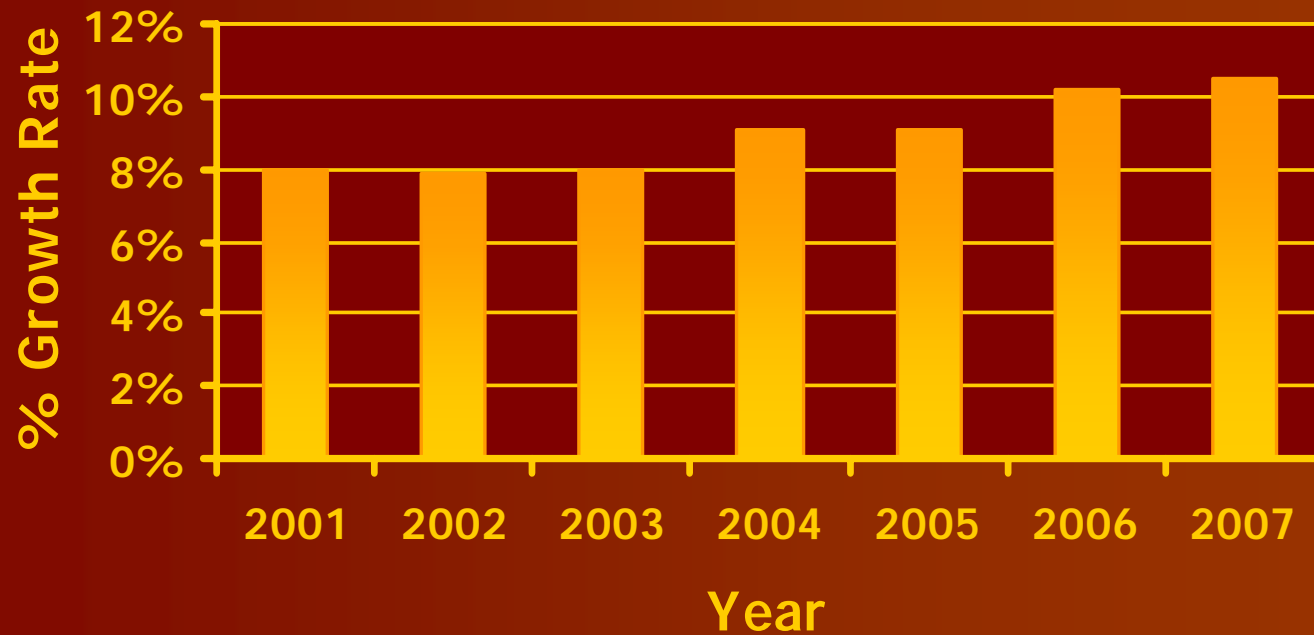
Dr Lawrence Sáez
Department of Politics
SOAS

India and China's expected role in the global economy

- China and India are certain to be leading economies in the 21st century (i.e., in nominal GDP, China should overtake Japan by 2016, India by 2032)

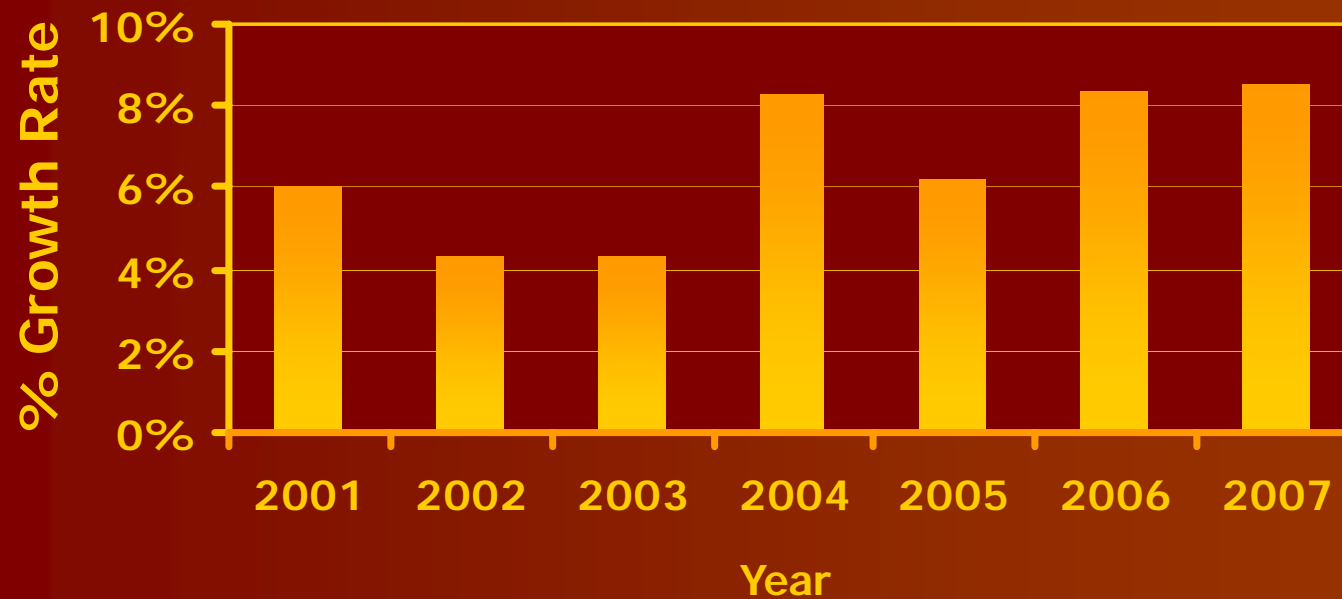
Economic growth trends

China's GDP Real Growth Rate



Economic growth trends

India's GDP Real Growth Rate



India and China's expected developmental challenges

- China and India are certain to be leading economies in the 21st century (i.e., in raw GDP, China should overtake Japan by 2016, India by 2032)
- **Both countries face serious developmental challenges**

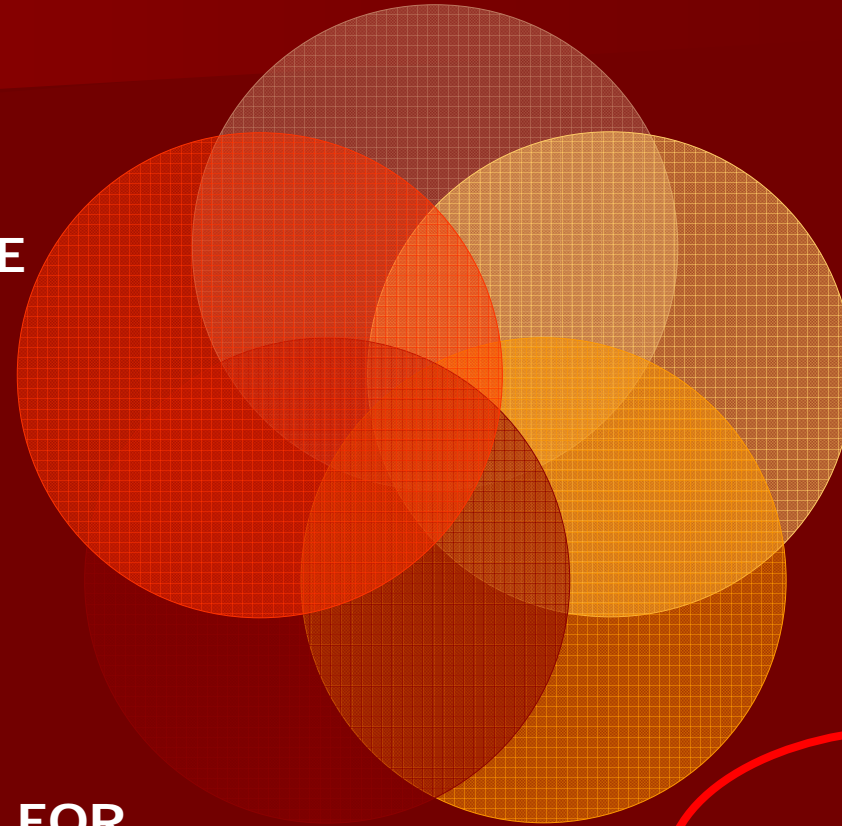
**DEMOGRAPHIC
TRENDS**

**PHYSICAL
INFRASTRUCTURE**

**HUMAN
DEVELOPMENT**

**DEMAND FOR
ENERGY**

**ECONOMIC
GROWTH**



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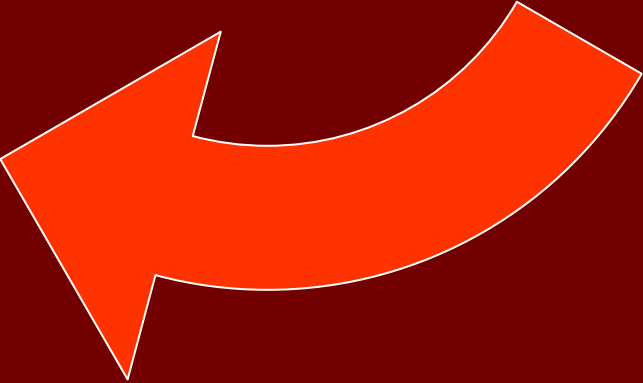
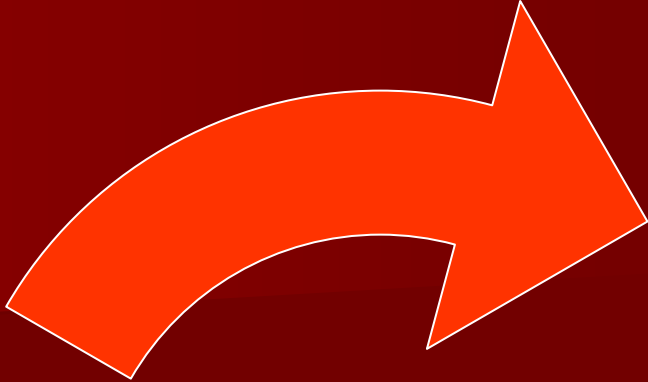
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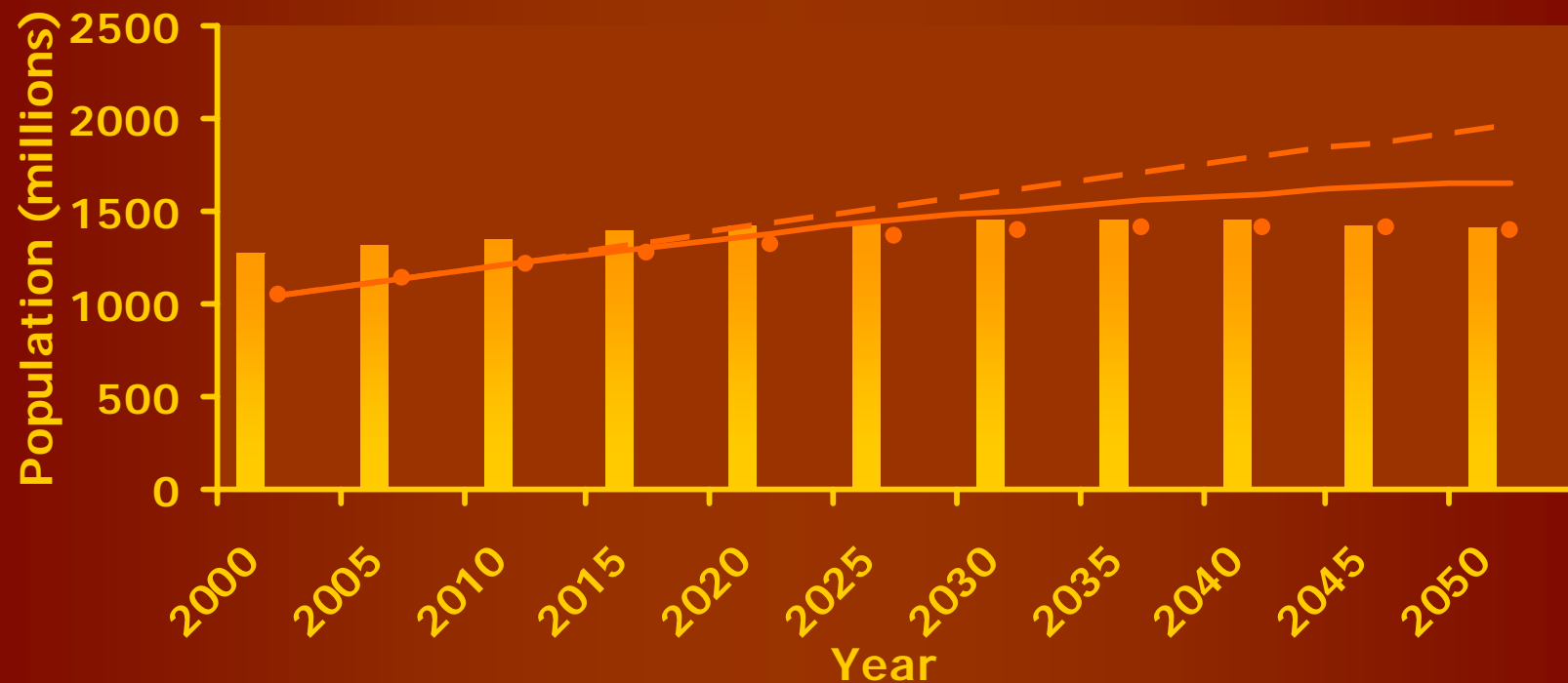
**DEMOGRAPHIC
TRENDS**



Demographic projections

- **India** likely to surpass China in population by 2025 ⇒ World's *most populous* nation.
- **China's** urbanisation level to increase from 40.5 percent in 2005 to **60.5** percent by 2030.

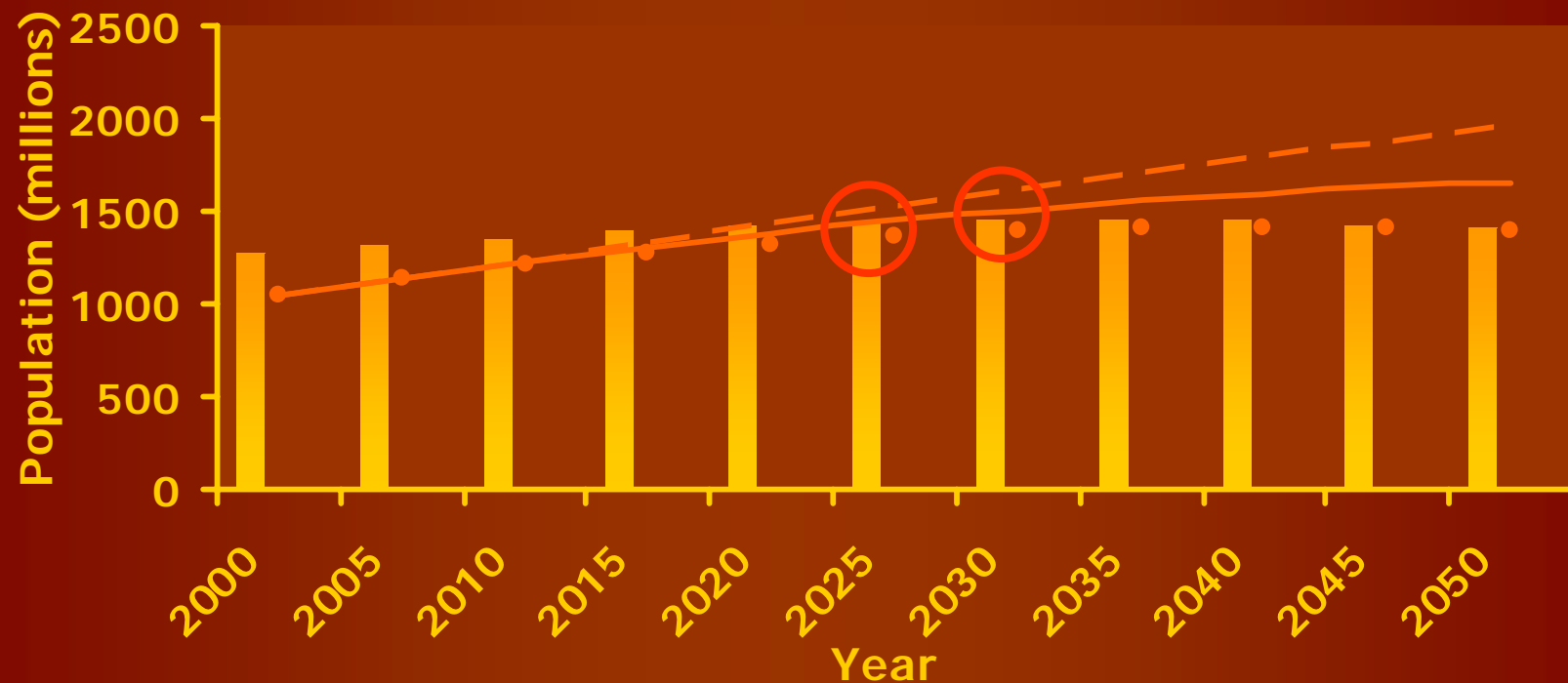
India and China's projected population growth



China (medium variant)
India (high variant)
India (medium variant)
India (low variant)

Source: UNDP

India and China's projected population growth



■ China (medium variant) - - - India (high variant) — India (medium variant) • India (low variant)

Source: UNDP

Key challenges

- Impact of demographic trends and sustainability of economic growth
- Population growth and the growth of the middle class
- Strains on physical and social infrastructure
- Growing demand for energy

Expected outcomes from population growth

- Demographic asymmetry (in terms of projected population growth and age dependency ratios)
- Growing urban-rural divide
- China and India's GDP per capita will be low. By 2026, GDP per capita in China could be \$7,542 and India \$2,517 (Source: Goldman Sachs)

Growth of the middle class

- India:

From 50 million households with income of \$4.5K to 11K in 2015 to 96 million by 2025

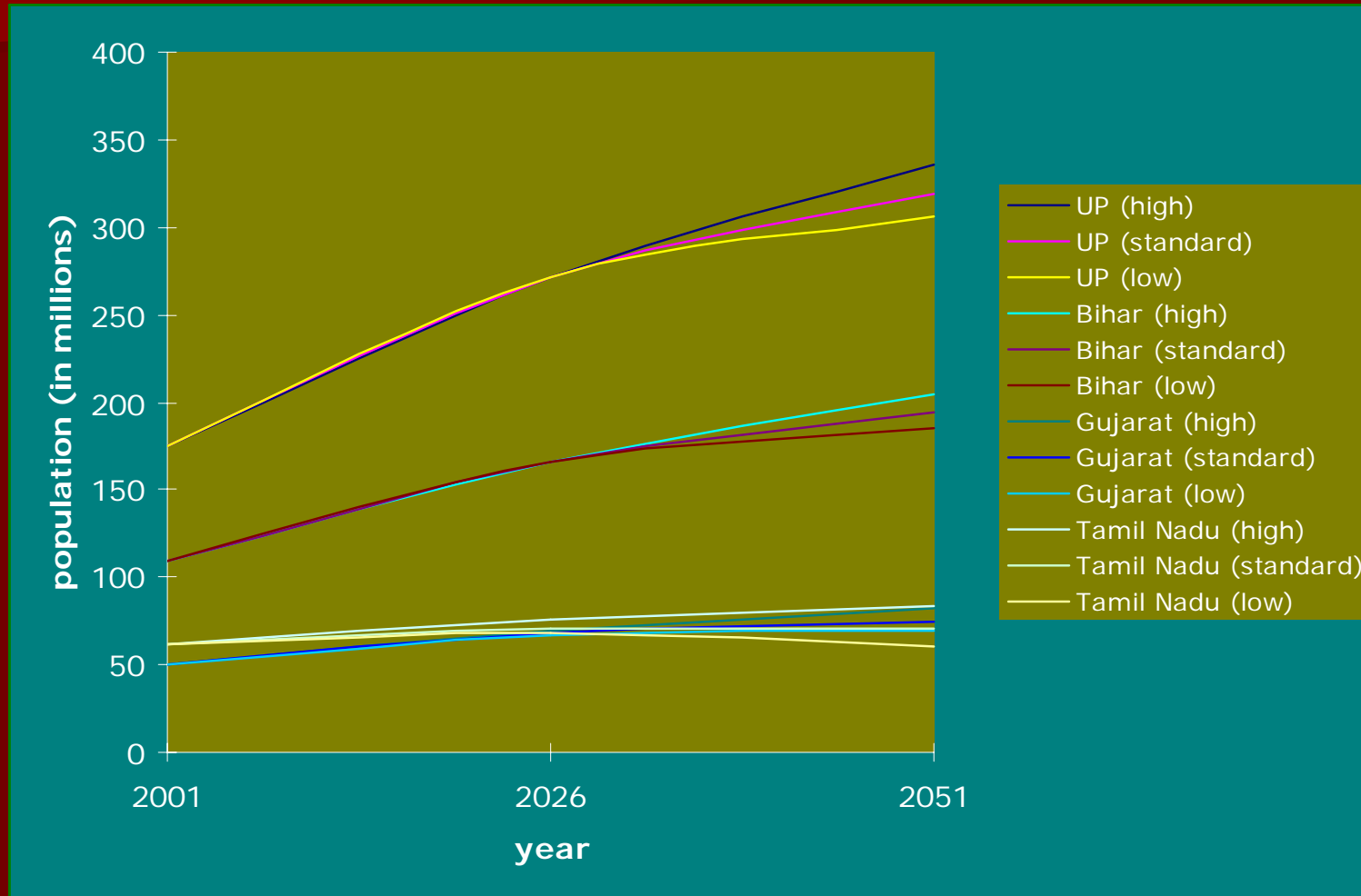
[per capita income around \$2,331 by 2025]

- China

From 96 million households with income of \$3K to 12.5K in 2015 to 173 million by 2025

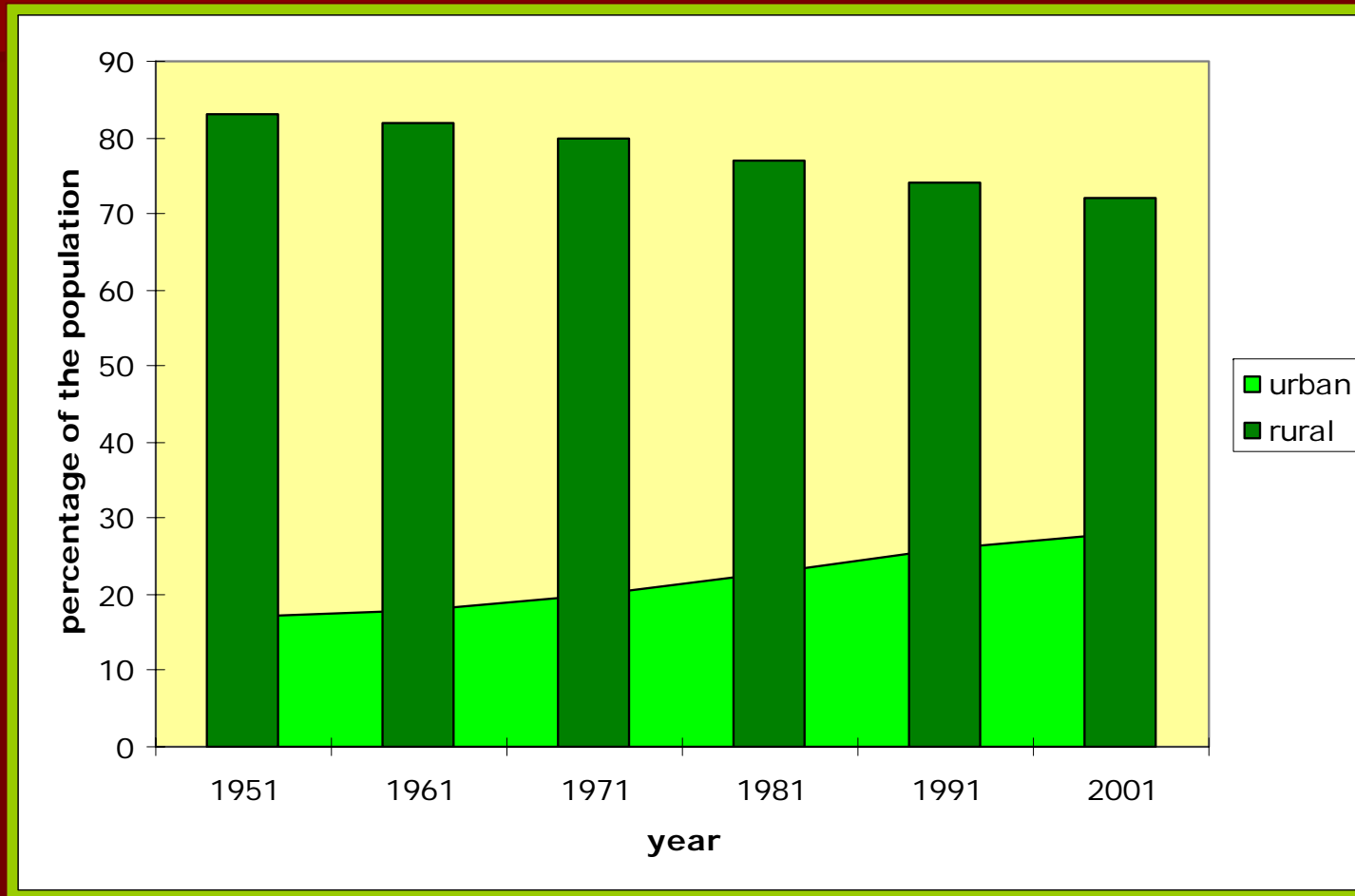
[per capita income around \$7,051 by 2025]

Projected population growth in selected Indian states



Source: Dyson, Cassen, and Visaria 2005

India's rural-urban divide



Source: Dyson, Cassen, and Visaria 2005

Developmental challenges

- Further strains on physical and social infrastructure
- Energy demand
- Country level governance levels challenges to industry

Infrastructure comparisons

	1990		2000		2004	
Railway density Km per 1,000 km ²	China	6	China	6	China	7
	India	21	India	21	India	21
Road density Km per km ²	China	127	China	151	China	201
	India	673	India	1,115	India	n/a
Paved roads % of total roads	China	n/a	China	n/a	China	81
	India	n/a	India	47	India	n/a
Passenger cars per 1,000 population	China	1.4	China	6.7	China	13.3
	India	3.1	India	5.9	India	7.8

Source: UN, ESCAP

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Japan = 438

Source: UN, ESCAP

Reserve-to-production ratios

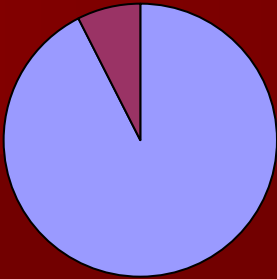
	crude oil	natural gas
Indonesia	10.4	36.3
China	12.1	47.1
India	20.7	36.2
Pakistan	n/a	32.2
Bangladesh	n/a	30.7

Source: BP

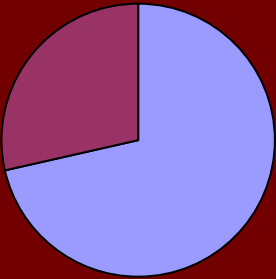
CRUDE OIL DEPENDENCE



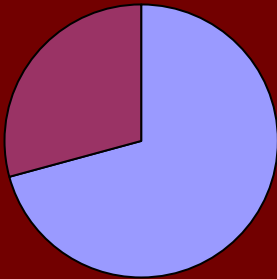
Bangladesh



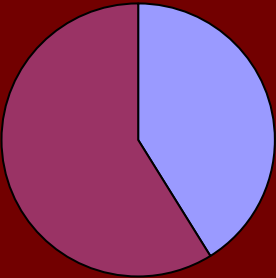
India



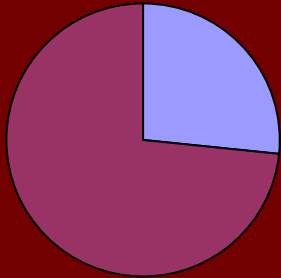
Pakistan



China



Indonesia



Source: BP

Industry specific problems

- Nominal governmental commitment to greenhouse emission reductions
- Restricted consumer access to credit
- Corporate governance weaknesses
- Entrenched industry incumbents
- Political interference and corruption

Thanks

If you wish to send me comments or suggestions,
then please email me at ls4@soas.ac.uk.



Dr Lawrence Sáez
Senior Lecturer
Department of Politics
School of Oriental and African Studies