

CHINA HAS PULLED AHEAD OF INDIA ON FAR MORE THAN THE ECONOMY

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In economic terms, it's around a dozen years ahead of us, but the gap is much larger when social indicators are considered

The spectacular rise of China over the past few decades has no parallel in human history. The People's Republic of China was established 70 years ago this month under conditions of economic misery. It is today the main geopolitical challenger to the US. As a result of its profound economic transformation, China has taken a lead over India in the past two decades. How large is this lead?

This is a question worth asking as the Chinese economy inevitably begins to move out of the fast lane now that China is a middle-income country. The loss of momentum will perhaps be deeper than expected if the strategic squeeze being applied by the US has its desired effect. A forthcoming working paper by economists M. Zhu, L. Zhang and D. Peng estimates that the rate of expansion of the Chinese economy will be down to 4% by 2030. A few private sector economists believe that China could end up growing at half that rate.

Let us begin with standard economic measures. This column takes data from multilateral agencies such as the International Monetary Fund (IMF) in order to make the numbers comparable, though the use of the dollar as a unit of measure means these comparisons are sensitive to movements in the exchange rates of the two Asian giants.

At the turn of the century, the Chinese economy was 2.5 times the size of the Indian economy. It is now nearly five times larger. The gap looks a little less daunting when it is seen on a time scale. India's gross domestic product (GDP) in 2019 will be around \$2.9 trillion. China crossed that mark in 2007. In other words, India is around a dozen years behind China in terms of economic size.

The record is very similar when we consider average incomes. The average Chinese was twice as rich as the average Indian in the year 2000. She is now nearly five times richer. It is a broadly similar story if we consider purchasing power parity, rather than market exchange rates. The average income in India in 2019 will be an estimated \$2,972. China was at this level in 2006. Once again, it is a gap of a dozen years.

What really distinguishes China from India is the ability of the former to grow rapidly on a sustained basis instead of in short bursts. For example, China doubled its per capital income from the \$3,000 level in five short years. This is similar to the rate at which a country such as South Korea achieved in the 1980s.

Indonesia had an average income of around \$3,000 in 2010. It has not yet been able to double its per capita income from that level, and may struggle to do so even by 2024, going by current IMF forecasts. The big question to ask, now that Indian per capita income is around that \$3,000 mark, is this: Will real incomes double from here at Chinese or Indonesian speed?

If the gap in economic terms is around 12 years, what about the gap in social indicators? Here are a few health indicators that can give us an idea about the overall gap in social indicators. Let us start with the prevalence of stunting among children below five years. Around a third of Indian

children were stunted in 2014; China faced the problem with the same intensity way back in 1990. Less than a tenth of Chinese children below five years fall prey to stunting today.

Consider births attended by skilled health workers. In 2016, 81.4% of births in India were in proper medical centres. This has been an impressive improvement. However, China was at 94% as long back as 1990. Almost every birth in China today is overseen by a trained health worker.

The third example is access to sanitation. In Indian cities, 72.01% of the population had access to at least basic sanitation services in 2017. Compare this with the 77.49% of Chinese city dwellers with access to sanitation in 2000, or the 90.79% today. It is much the same in the rural areas. 52.23% of Indian villagers had access to decent sanitation in 2017. China was at this level in 2005. Of course, these numbers could yet change dramatically, depending on the success of the Swachh Bharat programme.

The upshot: China is around a dozen years ahead of India in purely economic terms, but the gap is far larger when social indicators are considered. It is important to remember that China had crossed India's current levels of social indicators when its per capita income was far lower than \$3,000.

A lot of the ongoing discussion over the gap between the two countries focuses on the former, rather than the latter. However, they need to be considered together because of their interlinkages. India cannot provide a better quality of life to its citizens unless it maintains rapid economic growth on a sustained basis for at least the next two decades. And rapid economic growth will not be sustainable unless there are investments in human capital, especially if the country's demographic dividend is to be meaningful.

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