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China and India Continue High-Speed Growth

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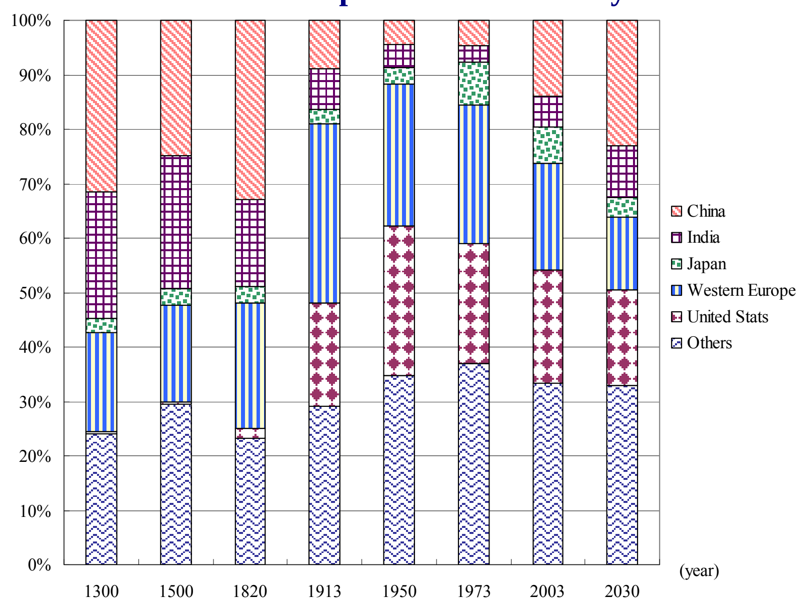
[Main Points]

- Although the effects of the global financial crisis are still causing a slump in the developed nations, the emerging Asian economies led by China and India recovered speedily and have returned to their former path of fast growth.
- Both China and India should be able to sustain their rapid advance with the help of population dynamics and their potential for catching up. They are expected to emerge as the world's largest and second-largest economies around the middle of the twenty-first century.
- Both countries will need to deal appropriately with a variety of issues in order to achieve smooth economic development. India needs more infrastructure and better human resources, while China needs more research and development and greater efficiency in resource utilization.
- Seen in historical perspective, the growing importance of China and India in the world economy can be interpreted as a return to the situation before and during the nineteenth century.

World GDP Composition over History



Note: Based on GDP figures expressed in 1990 dollars.
Source: Maddison, Angus, "Asia in the World Economy 1500–2030 AD," Heinz W. Arndt Memorial Lecture, Canberra, November 10, 2005. (http://kisi.deu.edu.tr/yesim.ucdogruk/ECN%20232/maddison_Asia.pdf)

1 China and India Pull the World Economy Forward

With China and India in the lead, Asia's emerging economies quickly overcame the effects of the global financial crisis and returned to their high-speed growth track, casting a backward glance at the developed nations, which encountered unavoidable economic stagnation because of the crisis and have yet to fully recover. Because of uncertainty about the outlook for the developed countries, which previously had been the mainstay of global growth, people are now looking with strengthening hope to China and India to serve as the world economy's growth engine.

China has enjoyed rapid economic growth ever since it embarked on reform and opening up to the world in 1979, although the speed has varied from time to time. The surge forward was particularly impressive from the start of twenty-first century until the financial crisis, with the economy zipping along at a double-digit growth rate. Growth in India accelerated following the economic reforms of 1991, but not until the twenty-first century did this country's high-speed growth truly take off.

In this way, both countries are in a period of rapid development. A Goldman Sachs report released in January 2003 on the economies of the BRICs (Brazil, Russia, India, and China) was one of the spurs of the rising interest in the two countries (Goldman Sachs 2003). The report presented an analysis of the world economy until 2050, and it concluded that the BRICs would assume an increasingly weighty position in the world over the years until then. China and India, it predicted, would realize especially rapid economic growth. Measuring the scale of economies using gross domestic product, the report forecast that China, whose economy was one-tenth the size of the US economy in 2000, would overtake the United States in 2035 and reach a size 1.25 times larger by 2050. India's GDP, meanwhile, would move from one-twentieth that of the United States in 2000 to 80% in 2050. As both countries continued to grow very quickly following the report's publication, an update was released four years later (Goldman Sachs 2007). The new report projects that China will surpass the United States in 2027 and reach an economic scale 1.83 times larger in 2050, while India's economy will grow to match the scale of the US economy. Parenthetically, Japan's GDP in 2050 is expected to be one-eleventh the size of China's and one-sixth the size of India's.

After rapid economic development in Asia took off in the second half of the twentieth century, the region came to be called the world's growth engine. Japan entered its high-growth phase in the second half of the 1950s, and not long thereafter it became the first non-Western country to join the ranks of the industrial nations. In the second half of the 1960s fast growth got underway in Hong Kong, Singapore, South Korea, and Taiwan, which were to become known as Asia's newly industrializing economies (NIEs).

During the 1980s the high-speed development spread within the Association of Southeast Asian Nations (ASEAN) to such countries as Indonesia, Malaysia, and Thailand. China and India began recording high growth only after that, but their impact on the world economy has been incomparably greater because they have populations several times larger than the combined population of Japan, the NIEs, and ASEAN.

Many studies have been conducted separately on China and India, which will be profoundly influencing global economic trends henceforth, but few have attempted a comparative analysis of these two nations. The World Bank investigated the sustainability of the economic growth in both countries until 2020 from such perspectives as industrialization, finance, energy, and governance (Winters and Yusuf eds. 2006). The Asian Development Bank also studied both countries, using an analysis of growth patterns in an investigation of such topics as macroeconomic policies, education, and development of the information-and-communications-technology (ICT) industry, and it went on to consider the implications for other countries (Asian Development Bank 2010).

Based on the foregoing understanding, this project conducted a comparative analysis of the Chinese and Indian economies from a variety of perspectives, and it identified tasks to be tackled in order to realize further economic development and considered ways of handling these tasks. It focused the analysis on a variety of policies including industrial policy, and it also explored the possibility of Sino-Indian cooperation as one of the means for accomplishing the tasks. Thought was given during the analysis to the economic relations between Japan and each of the countries, and attention was paid to the roles both countries are expected to play in such international forums as the World Trade Organization (WTO) and the Group of 20, where their influence is on the rise. The contents of each of the report’s chapters are summarized below.

2 Chapter Summaries

2.1 The Rising Chinese and Indian Economies: Comparison from the Historical Perspective

The history of the economic development of China and India can be divided into three periods: the era before India’s independence and the establishment of the People’s Republic of China, the era when independent national economies were formed (the time of Mao Zedong and Jawaharlal Nehru), and the era of rapid development (the years since the start of reform and opening up the world).

In nineteenth-century China, long before the establishment of the People’s Republic, modern industries began to bud with the backing of bureaucratic capital (the military industry, mining, steel, shipbuilding, maritime transport, and other industries), foreign capital (such manufacturing industries as cotton spinning), and domestic private capital (cotton spinning, cement, maritime transport, coal, finance, and other industries). In India, meanwhile, the period prior to independence saw the foundation of such industries as cotton textiles and steel by domestic private capital. During the era when independent national economies were formed, the Chinese government promoted industrial development centered on heavy industry and the national defense industry, making use of the planned economy. India also promoted heavy industry using the setup of a mixed economy under government leadership, and in the interest of reducing poverty it sought to secure employment and devoted attention to small-scale protectionist measures. The era of rapid development began in China in 1979 with the shift to the reform and opening-up line. India moved gradually toward deregulation and liberalization in the 1980s, and full-fledged economic reform got off to a start in 1991. China's economic reforms began in farming communities and progressed step-by-step into a variety of other areas, including reform of state-owned enterprises; a market economy began to take shape, and rapid growth was achieved. India's economic reforms featured privatization, trade liberalization, and foreign capital liberalization; the reforms accelerated the speed of the market economy's formation and resulted in high-tempo growth.

Among the common points in the fast growth of both China and India in recent years is reliance on state-owned enterprises, private businesses, and foreign corporations. One difference is that while manufacturing industries have driven the growth in China, the service sector has been the main engine of growth in India.

Although China and India have both been recording rapid growth, they have encountered a wide assortment of problems. Both have huge populations, but while China's demographic structure is moving toward a large number of elderly people with relatively few children, India has a large number of young people. Mismatches in China's labor market have occurred, with shortages of migrant workers becoming conspicuous even as jobs for university students are in short supply. India has begun to enjoy the merits of a "demographic bonus," or potential for high growth presented by the demographic structure, but there is a possibility that social problems will arise if employment opportunities do not became available for the growing ranks of the working-age population. Apart from such population issues, there are numerous other issues that need to be addressed, including the political setup and the relationship between the central government and regional governments. Both countries will find it difficult to sustain growth if they are unable to resolve these issues in an appropriate manner.

2.2 Sino-Indian Relations at Present: The Economy Overall

After the foundation of their present states, China and India maintained friendly bilateral relations under a banner of nonalignment and peace and coexistence from their position as a third pole in the Cold War between East and West. With the onset of rebellions against Chinese rule in Tibet, however, China and India had a falling out, and military clashes in border disputes made the relations even worse. The situation turned for the better at the end of the 1970s, when China began implementing reform and opening-up policies and adopted a course of building good-neighbor relations with nearby countries. There have been some disruptions in the friendly relations over the years since then, as when India in 1998 carried out nuclear tests and, in more recent times, took steps to ban the import of Chinese manufactured products and implement antidumping measures, but both countries have basically pursued a utilitarian diplomacy, setting aside their disputes and promoting trade and investment.

Recently the new term Chindia, which refers to China and India together, has drawn comment. In the background is the complementary relationship between the two economies, which has encouraged the thinking that each country may be able to accelerate its development by pursuing bilateral economic cooperation. The complementarity reflects the fact that while China is strong in manufacturing and infrastructure, India enjoys an advantage in services and information technology (IT). The complementary relationship has worked to boost bilateral trade and investment over recent years.

In addition to being the world’s largest and second largest countries in terms of population, China and India sailed relatively smoothly through the recent global financial crisis triggered by the bankruptcy of US investment bank Lehman Brothers in 2008. They continued to grow rapidly even as the developed nations and many other countries were forced to endure a period of slow growth. In this situation, cooperation between China and India will have ramifications and effects that are not limited to these two countries. Both play a prominent role in such international frameworks as the G-20 and the United Nations Security Council, and they are quickly gaining a louder voice in regional frameworks as well, such as the ASEAN+6 group (ASEAN plus Australia, China, India, Japan, New Zealand, and South Korea).

Although there has been some trade and investment friction between China and India, which have a competitive relationship in areas including industrial development, diplomatic efforts have not only reduced this friction but also spurred cooperation aimed at taking advantage of their complementary relationship. Greater efforts will be needed in the future, as currently the bilateral cooperation has only just begun in a number of key fields, such as environmental protection, infrastructure improvement, and energy development, expected to produce significant results. For Sino-Indian cooperation to make progress, many barriers including mutual distrust and rivalries will have to be overcome.

Some people believe that Japan, in its diplomatic strategy, needs to appreciate India's importance as a counterbalance against China, but it would not be wise for Japan to base its diplomatic strategy on the presumption that China and India are purely rivals. It may be inferred that work is already underway behind the scenes on building channels that may be able to resolve the two countries' disputes.

2.3 Infrastructure and Energy

Infrastructure provides the foundation for economic development. Investment in railroads, electricity, and other infrastructure began in the nineteenth century in both China and India, relying on foreign capital. After India became independent and China established its People's Republic, both countries continued this infrastructure investment, thereby creating a base for economic development. Growth took off in China after the government changed course to reform and opening-up to the world, and infrastructure was developed at an astonishing speed on a huge scale. India is now catching up with China in terms of growth speed, but it still has many tasks to tackle in the sphere of infrastructure. In India's telecommunications sector, however, the spread of mobile phones has been remarkable.

Electricity in China was formerly in short supply, but reforms in the electric power sector were pushed forward after reform and opening up began in 1979, and by the end of the 1990s the shortages were resolved. Deregulation of electricity rates has not, however, made as much progress as had been anticipated. Although the removal of price controls can lead to productivity gains in the electric power sector, it has been impeded by such factors as increases in electricity demand. India suffers from chronic shortages in electricity supply. Insufficient electricity is obstructing business activities and holding back economic growth. One problem is that state electricity agencies, which play a central role in India's electric power sector, have been pushed toward insolvency by the failure of populist local governments to apply the principle that users should bear the burden of costs. Another problem is that necessary reforms have been hard to implement as a result of a regulatory setup in which electric power companies are under the joint jurisdiction of both the central government and state governments.

In the area of logistics infrastructure, which includes roads, railways, ports, and harbors, India is lagging far behind China. In such areas as roads, ports, and harbors, China has opened construction and management to private firms and foreign corporations, and efficiency has been realized as a result. In India, meanwhile, government agencies closely regulate logistics infrastructure companies, and delays in developing infrastructure have resulted from the poor productivity of workers protected by labor unions, low charges and fees, and difficulties in fund procurement, as well as from problems of land acquisition. India needs to implement bold reforms in order to get logistics infrastructure constructed and efficiently managed.

Telecommunications infrastructure is being rapidly improved in both countries. The diffusion of mobile phones in particular has been remarkable. Currently the number of mobile phone subscribers has risen above 800 million in China and is approaching 700 million in India. It is interesting that telecommunications infrastructure differs from that in other areas in that state-owned enterprises are in a dominant position in China, while private businesses have the upper hand in India. The reality of the mobile phone market in both countries is that competition among companies has become excessive, and the charges levied are among the lowest in the world.

China and India have many points in common in the energy field. Both countries have plentiful deposits of coal and have come to rely heavily on it. Demand for oil and natural gas has been expanding as a result of factors including the rapid diffusion of cars, and dependence on imports for the supply of these fuels is on the rise. In this context, both countries are making active use of energy diplomacy to secure supplies of oil and natural gas.

2.4 Trends in Foreign Capital Policies and Inward and Outward Investment

Foreign direct investment (FDI) in China and India has been greatly increasing since the middle of the first decade of the twenty-first century, but the investment in India is on a far lower level than that in China. Foreign companies are targeting FDI in India at a diversifying range of industries and fields, and their investment forms and participation methods are proliferating. Inward FDI in India in the past tended to be concentrated in certain areas. In the service sector, much of it went into finance, telecommunications, and IT software, and in the manufacturing sector, there was heavy investment in such industries as transport equipment and electronics. Investment in recent years has been spreading into new fields including infrastructure, food processing, and new forms of energy. Moreover, it is not being used just to establish wholly owned local subsidiaries. The forms of FDI have been proliferating, with money going into joint operations, mergers and acquisitions, and joint investment in infrastructure projects with start-up companies unaffiliated with India’s large business groups. Much of the inward FDI in China, meanwhile, was formerly concentrated in the manufacturing sector, especially in electronics, machinery, and chemicals, but recent years have seen an increase in investment in real estate, distribution, finance, and other service industries. A recent feature of the FDI in China is the growing scale of individual investment cases and, in connection with that, lively M&A activity.

China and India are both actively wooing foreign companies, but the policies they are implementing to attract investment differ. India places emphasis on deregulating foreign capital and improving the investment environment. China traditionally used a policy of according foreign companies preferential treatment, but recently it has revised that policy and is shifting to a course of placing qualitative considerations ahead of quantitative criteria, such as by selective screening based on the industries targeted for direct investment.

China and India have both been stepping up their outward FDI in recent years. China's FDI marked a major expansion in 2008 and 2009. India's FDI has seen rapid growth in M&As in developed countries in fields including steel, oil and natural gas, and telecommunications, with large business groups taking the lead. The acquisition of brands and technology is one of the key motives behind the M&As of Indian companies. The central role in China's FDI is played by state-owned enterprises, which are becoming more actively involved in acquiring resources and technology and opening up markets in emerging countries.

From the Japanese perspective, China became an attractive FDI target during the 1990s, and India has been selected for a growing volume of FDI since 2005. Japanese firms see both countries as promising places for investment, as their rapid development is expected to continue. Much of the Japanese investment in India is aimed at developing sales in local markets. Much of the Japanese investment in China was formerly aimed at export production, but recently, as a result of wage increases and other factors, more investment is flowing into activities to sell products in local markets. Among the managerial concerns on the minds of Japanese executives are inadequate infrastructure in India and rising wages in China. To be sure, these are not problems just for Japanese companies but issues that need to be properly addressed for the sake of sustaining economic growth in both countries.

2.5 *Trade and Trade Policy: Global Strategies of China and India*

Chinese exports have quickly expanded each year since 2000 except in 2009, when they fell below the level a year earlier as a result of the global financial crisis. Even so, China in that year became the world's largest exporter in terms of value. India's exports have also been booming since 2000, although in 2009 they fell 15% below the year-earlier level. Still, the value of these exports is not quite one-seventh of China's exports. China's trade balance has been in the black year after year, and the size of the surplus has been greatly expanding since 2005, although it contracted in 2009 because of the temporary export slump. The large surpluses China is running up with Western countries have generated trade friction. Unlike China, India has registered trade deficits on a growing scale since 2005, and reducing the red ink has become a policy objective.

Both countries have been pursuing a policy of import liberalization. India began liberalizing trade in 1991 as part of the program it introduced to open up its economy, and the liberalization became a full-fledged drive in the twenty-first century, including large-scale cuts of tariffs on mining and manufacturing imports. In China's case, import policy underwent a basic course change when the nation joined the WTO in December 2001. With its entry into the world trade body, China prohibited import quotas in principle and embarked on steady cuts in tariffs. On average, China's tariffs appear to be somewhat below India's, and it has achieved a tariff binding rate of 100%, while the Indian rate remains at about 70%. Both countries have adopted a similar orientation in import policy, but their orientation in export policy presents contrasts. India is engaged in promoting exports through the establishment of special economic zones, which it has modeled on China's special zones. China is currently endeavoring to restrain exports on account of intensifying trade friction caused by its expanding exports to Western countries.

There are major differences in the export structures of China and India. While India's exports are spread across a wide range of categories including machinery and equipment, pearls, gems, mineral fuels, and textiles, over half of China's exports are in the machinery and equipment category, in which electrical equipment and appliances and general machinery have large shares. There are also sharp contrasts in the two countries' trade with Japan. India's trade with Japan has the typical structure of trade between developing and industrial countries, with India exporting primary products and importing machinery and equipment. China's trade with Japan has a large share of processed products centered on electrical equipment and appliances; the two countries are developing a complementary relationship in production networks.

China and India are enthusiastically pursuing a trade policy featuring free trade agreements (FTAs) and economic partnership agreements (EPAs). Whereas China is keenly interested in opening up export markets and securing resources, India has placed emphasis on expanding exports of services, including the movement of people. China and India have both entered into FTAs with ASEAN, and the affiliates of Japanese companies operating in Southeast Asia are seeking ways to effectively utilize these agreements. Japan and India have worked out an EPA that is expected to come into effect in mid-2011, and many Japanese firms are hoping it will facilitate India's procurement of parts and materials from Japan.

2.6 Demographic Structure and Fostering of Human Resources

As of 2009, China and India had more than 1.3 billion and 1.1 billion people, respectively. Their populations are so large that between them they account for more than one-third of the entire world's population. The two populations have points in common, such as a large share of rural residents, but there are also quite a few differences in demographic structure, household composition, and other respects. One contrasting feature is the population growth rate. Whereas China registered population growth of only 0.6% per year from 2005 to 2010, India had a rate of 1.4%. Underlying the speed of the growth rate is the number of children a woman will bear during her lifetime (total fertility rate), which is 1.8 in China against 2.7 in India. The differential in the total fertility rate is largely a result of the population policies each country adopted after World War II. Although India has pursued a policy of restraining births ever since the early 1950s, it has not had much effect until recently. China began to implement a one-child policy in 1979, and it has been more successful in slowing the population increase.

The differential in the population growth rate has produced large differences in the demographic structures of China and India. When one examines a country's potential for economic growth, the population's dependency ratio, which is the ratio of children (aged 0 to 14) and the elderly (aged 65 and over) to the working-age population (aged 15 to 64), provides a useful measure. This ratio is currently 36% in China and 57% in India. The lower the ratio, the fewer children and elderly there are for each worker to support. A low ratio, in other words, creates an environment conducive to economic growth. India's share of children in the population is larger than China's, and as its young people grow up over the years to come, its dependency ratio will decline, facilitating economic development. China, by contrast, will see a rise in its dependency ratio as its society goes through the graying process, making economic development more difficult. India thus has a well-suited demographic structure for realizing economic growth, but if it is to take advantage of this opportunity it will need to implement appropriate labor policies in order to create employment opportunities for the swelling ranks of young workers.

Education plays a key role in fostering human resources, and in this respect India is in a fairly inferior position to China. The two countries differ little in their school attendance rate for elementary education, but in secondary and higher education, school attendance in India is conspicuously below the Chinese level. The illiteracy rate provides one measure of the degree of penetration of elementary education. The rate in India is higher than in China, indicating that school attendance is not firmly connected to improvement in academic ability. In a gender comparison, India's education for young women is lagging. However, there is some evidence that Indian students are superlative in applying themselves to the IT industry, a field of Indian strength. In view of the fact that fostering human resources is indispensable for attaining economic development, it is to be hoped that Japanese government and companies will constructively contribute to China and India in this area.

One common feature of China and India is that many of their people are residing in other countries, where they have formed networks. In the development of overseas operations by the companies of both countries, these networks are providing valuable assistance in securing personnel, raising capital, and meeting other needs.

2.7 Comparative Study of the Chinese and Indian ICT Industry Market

China and India present contrasting patterns in the development process and competitive strengths of their information-and-communications-technology (ICT) industries. In India's case, the ICT industry has made a major contribution to economic growth. Within the ICT industry, India is the leader in the world market for information-technology outsourcing (ITO) and business-process outsourcing (BPO). Information technology in India and the service industry utilizing IT are strongly export-oriented. As of fiscal 2009, exports accounted for 79% of sales and occupied a 25% share of total Indian exports. The development of India's ICT industry has relied heavily on liberalization of foreign capital and the government's IT strategy. While this development was driven by exports of software and services, the government has currently shifted emphasis toward fostering the hardware production industry, promoting informatization within India, and implementing a knowledge strategy.

China's ICT industry also occupies a prominent position in the economy, but unlike in India's case, hardware production has a large share of the output. In fact, China is the world's largest manufacturer of ICT hardware. The development of this industry was assisted by government measures to foster it and an informatization policy for the domestic economy and society. With more than 800 million subscribers to mobile phones and more than 410 million Internet users, China is both a telecommunications power and an Internet power. While the country had been seeking to promote ICT hardware production, recently it has been implementing a software and services export strategy.

There are differences between China and India in the corporate organizations leading the telecommunications industry. India's industry was brought into being by companies in a government monopoly, but now that it has gone through deregulation and liberalization, many companies financed by foreign capital and domestic private capital are actively engaged in competition. China's industry is under the sway of three big state-owned enterprises and lacks the vigorous competition seen in India, but the spread of telecommunications devices has nonetheless moved ahead rapidly thanks to reductions in user fees, which were enabled by government promotion of informatization, technological progress, and other factors.

India's largest telecommunications carrier is Bharti Airtel Ltd., a private company, while China's is China Mobile Communications Corp., a state-owned enterprise and the world's largest carrier. A comparison shows that while both are actively developing overseas operations, the Airtel group is far ahead of the China Mobile group in terms of labor productivity. The low productivity of China Mobile is a result of its organization as a state-owned business, which necessitates that it achieve policy objectives for maintaining employment.

Global corporations are greatly interested in the ICT markets of China and India. Japanese corporations ought also to move constructively toward implementing policies and analyzing trends, such as changes in market structure. To be specific, they ought to aggressively develop high-value-added fields and learn from the low-cost models created by leading Chinese and Indian corporations, and aim to expand their business operations in emerging markets with great potential.

2.8 Strategic Comparison of Chinese and Indian Manufacturing and the Potential for Cooperation

The development pattern of manufacturing industries in both China and India has been characterized by active government intervention, but the manner of the intervention has significantly differed. After India attained independence, the government embarked on a course of developing domestic industry by founding state-owned enterprises and imposing high tariffs to provide them with generous protection. Gradual trade liberalization got underway in the 1970s, but full-fledged economic reform only got started in 1991, when India encountered an economic crisis. Market entry restrictions on foreign and domestic companies were boldly deregulated, and tariffs were slashed. In response to the new policy, foreign and domestic companies moved into the mobile phone business and other fields, notably the automobile industry, and rapid growth began. The administration of Prime Minister Manmohan Singh, which took office in 2004, formulated radical industrial promotion policies for automobiles, information technology, energy, and other fields. A feature of these policies is that they are centered on indirect support, such as tariff reductions and exemptions on imported inputs.

In the Chinese promotion of the manufacturing sector, only automobiles and steel have been supported by what has been explicitly described as an "industrial policy." In general, when the government decides to place priority on the development of a designated industry, it introduces an industrial policy aimed at persuading foreign companies to invest in the industry, and to back up this policy it adopts various preferential measures including reductions in corporate tax rates. Then, if circumstances unfavorable to industrial development arise, such as excessive production capacity or too many entrants, the authorities implement a policy placing restraints on competition. In other words, the Chinese government intervenes using direct means to foster key industries.

In this way, the Chinese and Indian governments have made use of contrasting approaches to the fostering of industries. In recent years, however, the Chinese government has executed a basic course change away from giving foreign firms preferential treatment and toward nondiscriminatory treatment of domestic and foreign businesses, and India has shifted away from nondiscriminatory treatment and toward attracting foreign capital. The policies of the two countries are, accordingly, beginning to converge.

The development of the automobile industry has been remarkable in both countries. China in 2009 became the world's leading country in both automobile production and sales. Although India is still far behind in this respect, it became the world's seventh-ranking country in automobile production in the same year. Deregulation has supported the rapid growth of automaking in both countries, and so has the emergence of a cluster of auto-parts makers fostered by foreign companies. One task both countries need to address in the automobile industry is an insufficiency of research and development. In other areas, India needs to deal with a shortage of infrastructure, while China needs to address a lack of independent brands, an excess of production capacity, and low fuel efficiency.

China and India have a long history of trade and investment relations. Each is in a position where it can deepen its complementary relationship with the other, with China enjoying a decisive edge in the manufacturing sector and India displaying strengths in telecommunications and software, but bilateral cooperation has only just begun. As far as industrial development strategy is concerned, the government plays the lead role in China, while the private sector takes the initiative in India. China is strong in the speed and extent of its infrastructure development but weak in its fostering of private companies, while India has an edge in the sustainability of its competitiveness thanks to the advent of robust privately operated businesses but suffers from a shortage of infrastructure. If these contrasting features of their relationship are properly appreciated, ample benefits can be realized through mutual cooperation.

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