

# Immediate and long term challenges for Indian and Chinese development



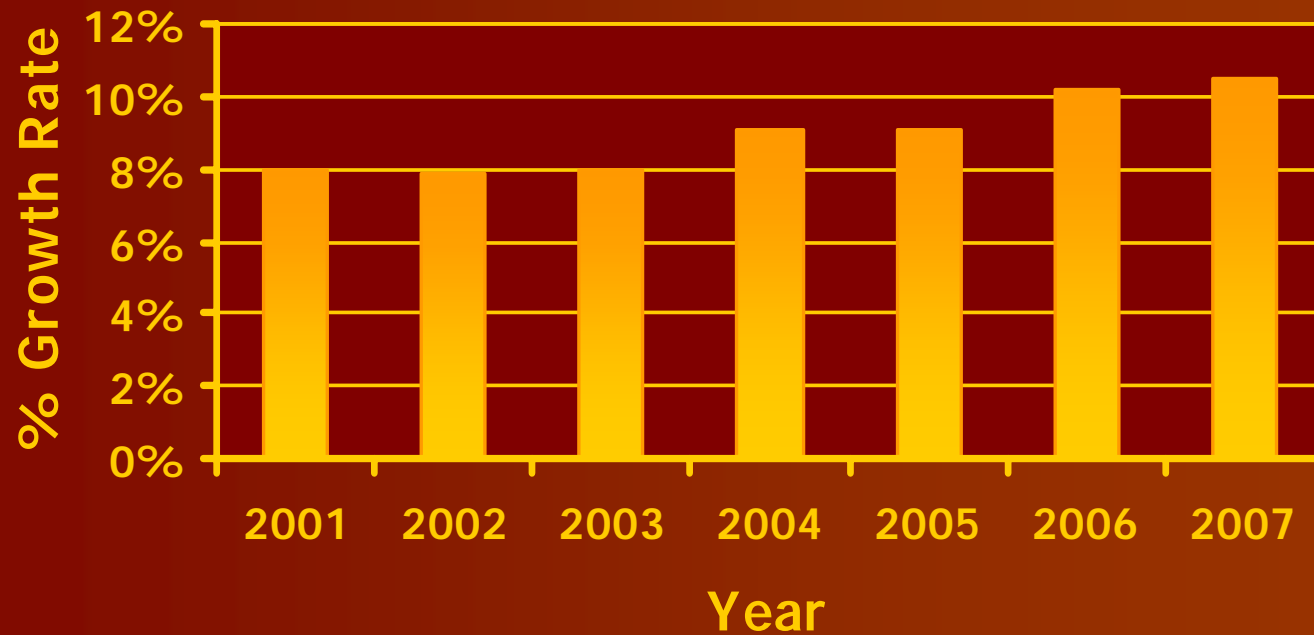
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# India and China's expected role in the global economy

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

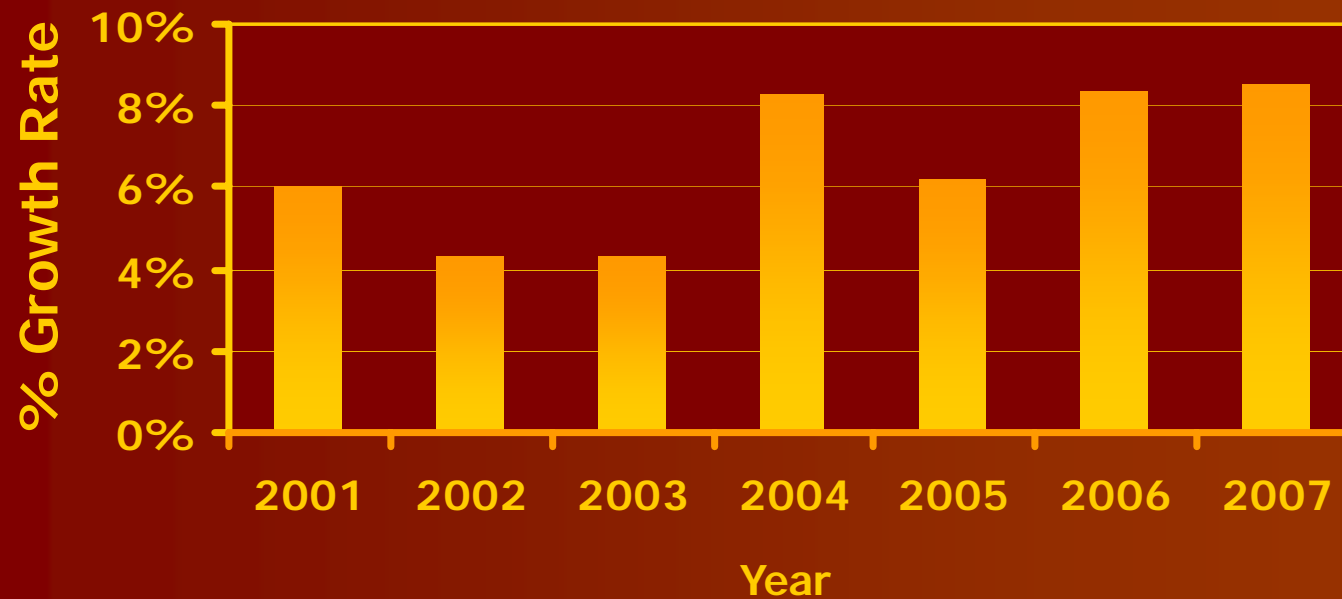
# Economic growth trends

## 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 21<sup>st</sup> 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**



**DEMOGRAPHIC  
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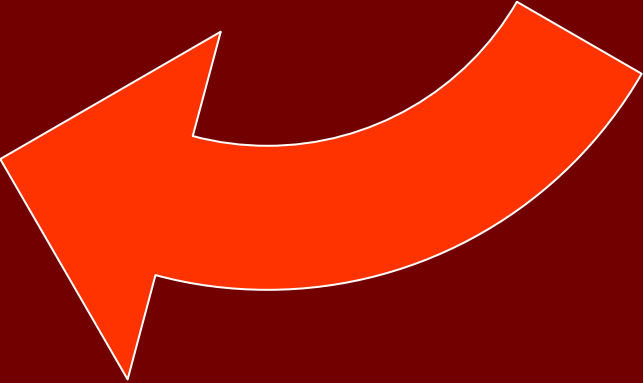
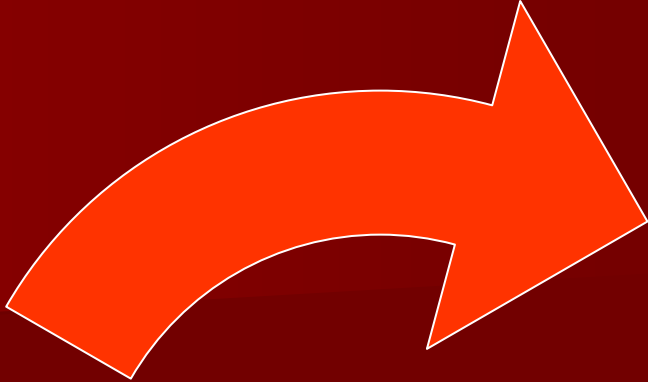
**DEMAND FOR  
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**ECONOMIC  
GROWTH**



**ECONOMIC  
GROWTH**

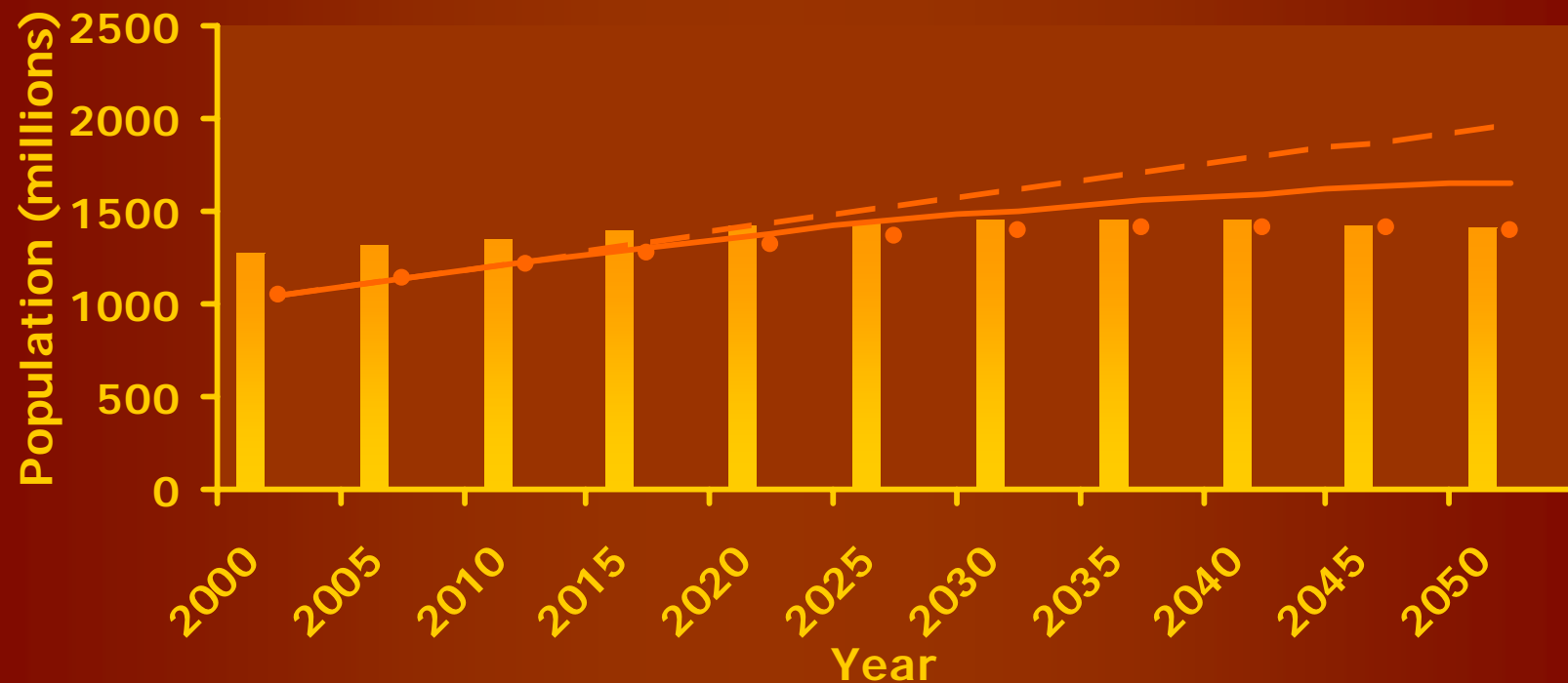
**DEMOGRAPHIC  
TRENDS**



# 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.

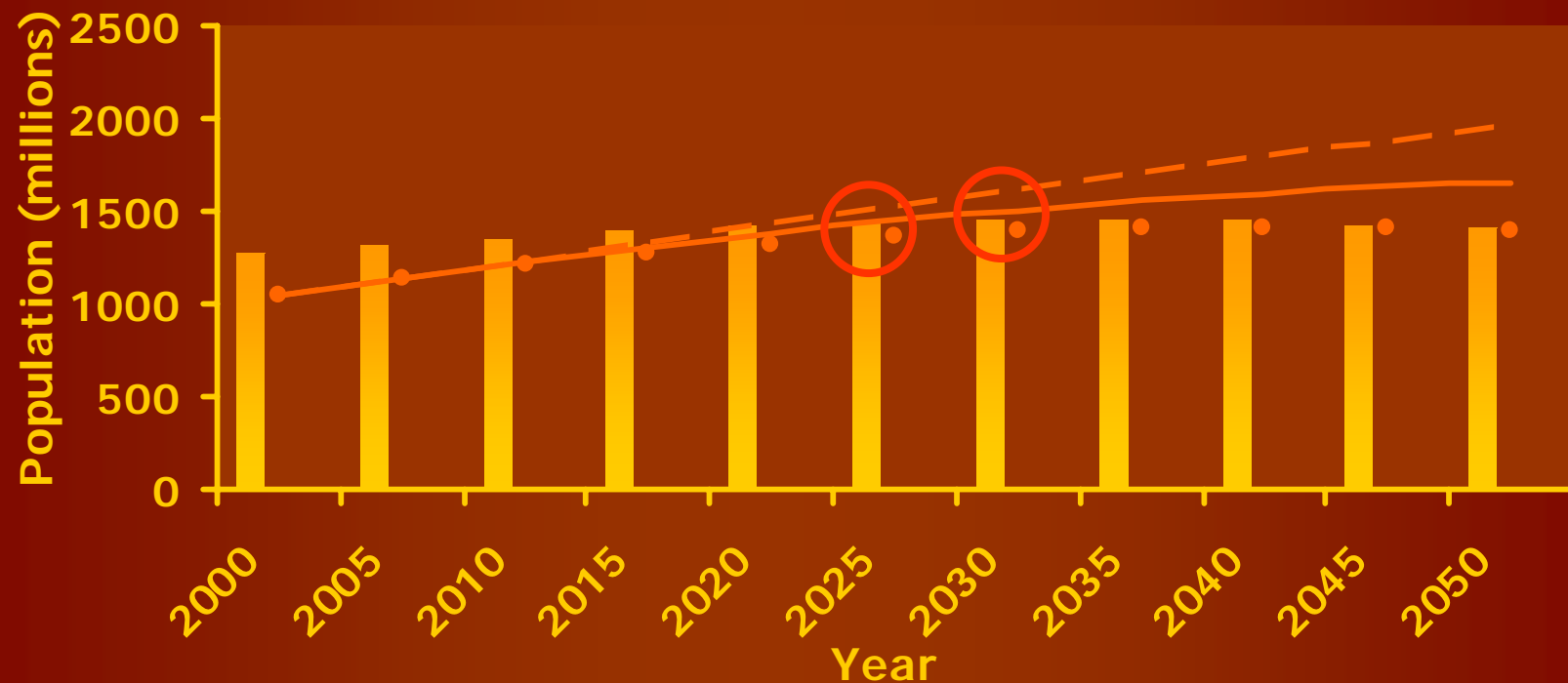
# India and China's projected population growth



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

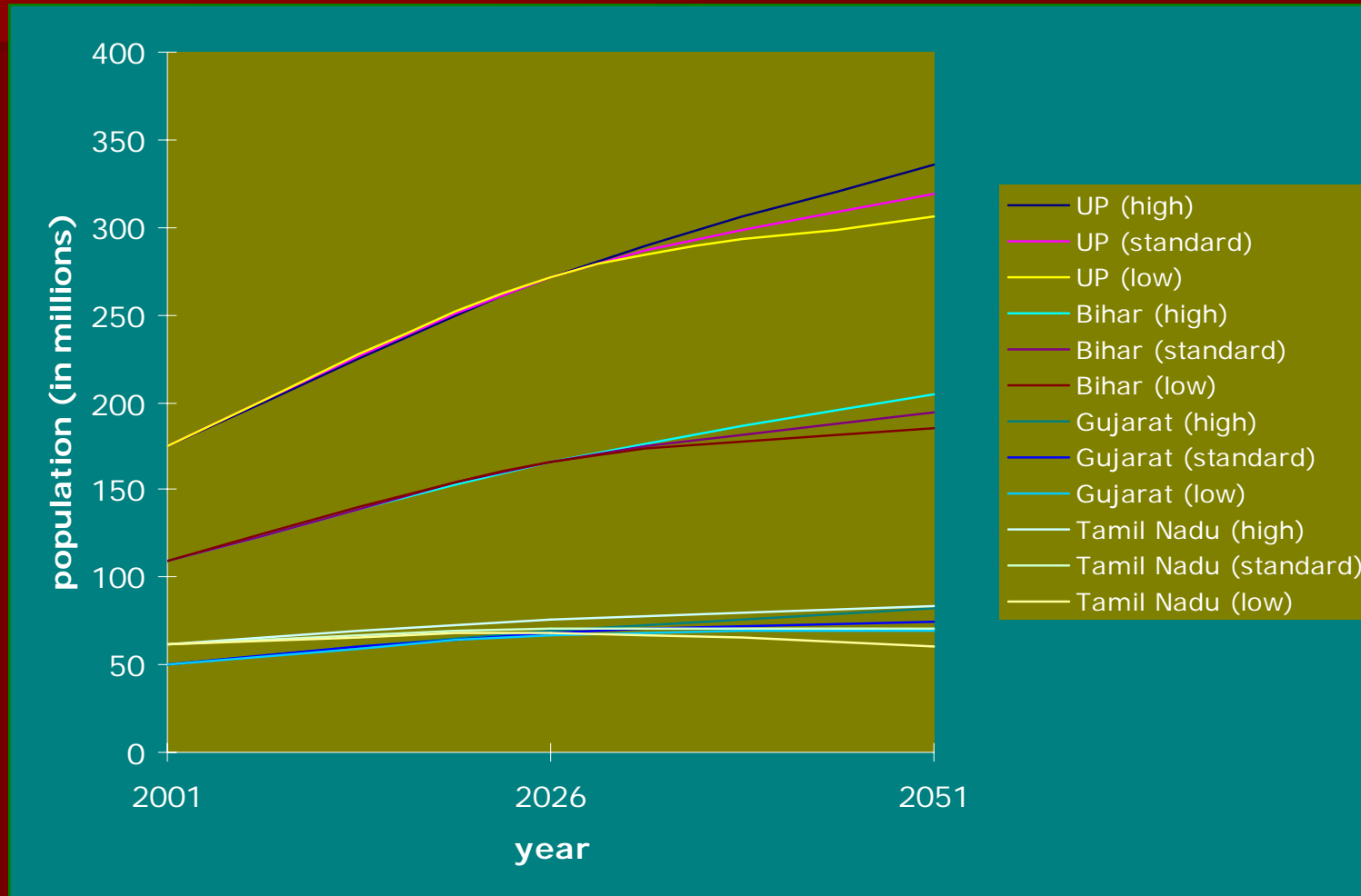
[per capita income around \$2,331 by 2025]

- China

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

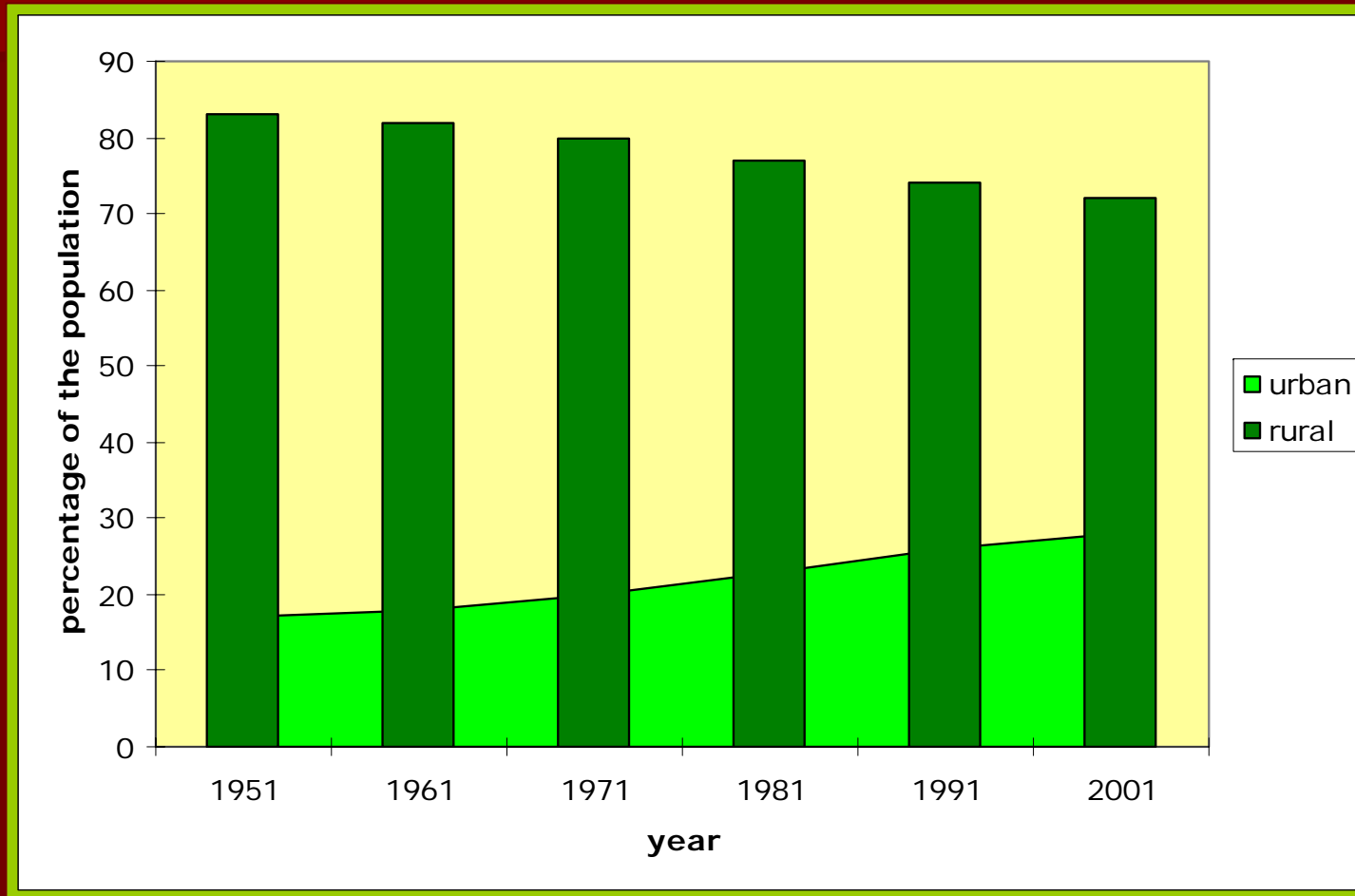
[per capita income around \$7,051 by 2025]

# 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	
<b>Railway density</b> Km per 1,000 km <sup>2</sup>	China	6	China	6	China	7
	India	21	India	21	India	21
<b>Road density</b> Km per km <sup>2</sup>	China	127	China	151	China	201
	India	673	India	1,115	India	n/a
<b>Paved roads</b> % of total roads	China	n/a	China	n/a	China	81
	India	n/a	India	47	India	n/a
<b>Passenger cars</b> 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

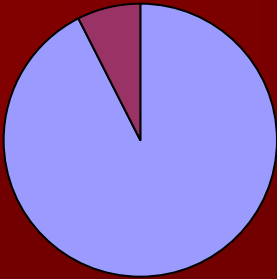
	crude oil	natural gas
Indonesia	10.4	36.3
China	12.1	47.1
India	20.7	36.2
Pakistan	n/a	32.2
Bangladesh	n/a	30.7

Source: BP

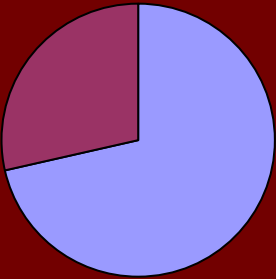
# CRUDE OIL DEPENDENCE



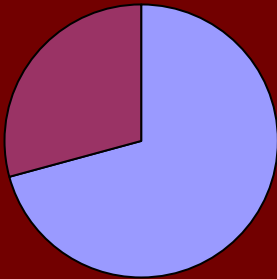
**Bangladesh**



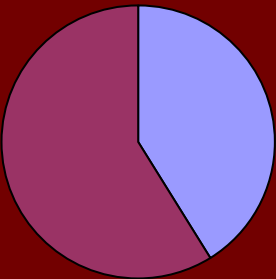
**India**



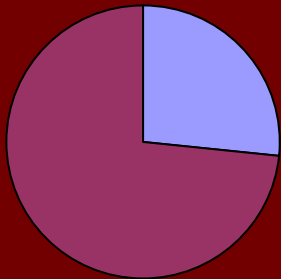
**Pakistan**



**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](mailto:ls4@soas.ac.uk).



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