China and India: Clouds on their future

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Earlier this year, the Institute was at the center of back-to-back trips to China and India, bringing into sharp focus the challenges facing each country.

In January the Institute led a delegation of 24 professors from US universities to Shanghai, Chengdu, Guangzhou and the neighboring Pearl River Delta, and Hong Kong. In each place, we visited companies, had briefings from management, government officials, entrepreneurs, bankers and many others. Our two-week itinerary touched all aspects of China’s competitiveness and gave professors direct contact with how their areas of expertise (marketing, management, finance, operations) are functioning in China.

In February the Institute hosted a Global Executive Forum in Bangalore, India, with a delegation of 23 mostly Colorado executives and members of the Global Advisory Board of the Institute for International Business at the University of Colorado.

Our itinerary included a range of companies, many of which compete globally and have world class products and services. These companies operate on a different type platform than China’s manufacturing platform. India’s is the platform of the global Internet-based communications infrastructure, first developed in the US in the 1990s and then expanded worldwide to reach developing nations such as India. India’s highly educated engineering talent leveraged this platform to enter global markets in software, information technology, business process operations and call centers.

China and India have very different histories, both ancient and recent, and have taken different paths to reform and development with very different governmental and institutional structures. But they have many key similarities that are placing each of them in the class of rising economic and political powers which will have a role in shaping the world of the 21st century.

China initiated its reforms in 1978 and began opening up to trade and investment in the 1980s. It began with several special economic zones that permitted entrepreneurial business development and these zones became the case study for broadening China’s business development in the last decade. China’s reform process was informed by their experiences within these zones and now much of China’s East Coast is a dynamic manufacturing region.

Since the early 1990s India has made steady progress toward opening trade and commerce, encouraging foreign direct investment and opening its economy to foreign companies as both owners and joint venture partners. And it has moved up rapidly in the technology arena. However, the big contrast with China is that technology is a relatively small industry with current employment in the 1-2 million range. Estimates are that this industry, broadly defined, can only grow to 10-20 million jobs.

So Indian companies can be very successful globally but they cannot transform India by themselves. India’s population of over one billion and a work force of 700-800 million will need other economic stimuli to move out of poverty. In addition, India’s infrastructure development is 10 to 20 years behind China’s. Roads, ports, air and ground transportation, power and the like are just beginning to receive investment. China’s future is clouded with the needed political transition from authoritarian state and one-party rule to a more open and democratic society. India’s future is clouded by the socialist legacy and resistance in many states to reform and economic development dominated by the private sector.

The challenges faced by each of these emerging countries were expressed in two questions: Can China survive communism? Can India survive capitalism? Participants in both delegations saw these challenges firsthand. This Global Forum report addresses many of these experiences.