



# **CFA - SF**

**Eoin Treacy 12<sup>th</sup> April 2012**

**Differing patterns of development:  
Comparing India and China to the UK and  
USA**





Just how useful is the term

**“CHINDIA”**

to understanding the patterns of  
development evident in China  
and India?



## Population

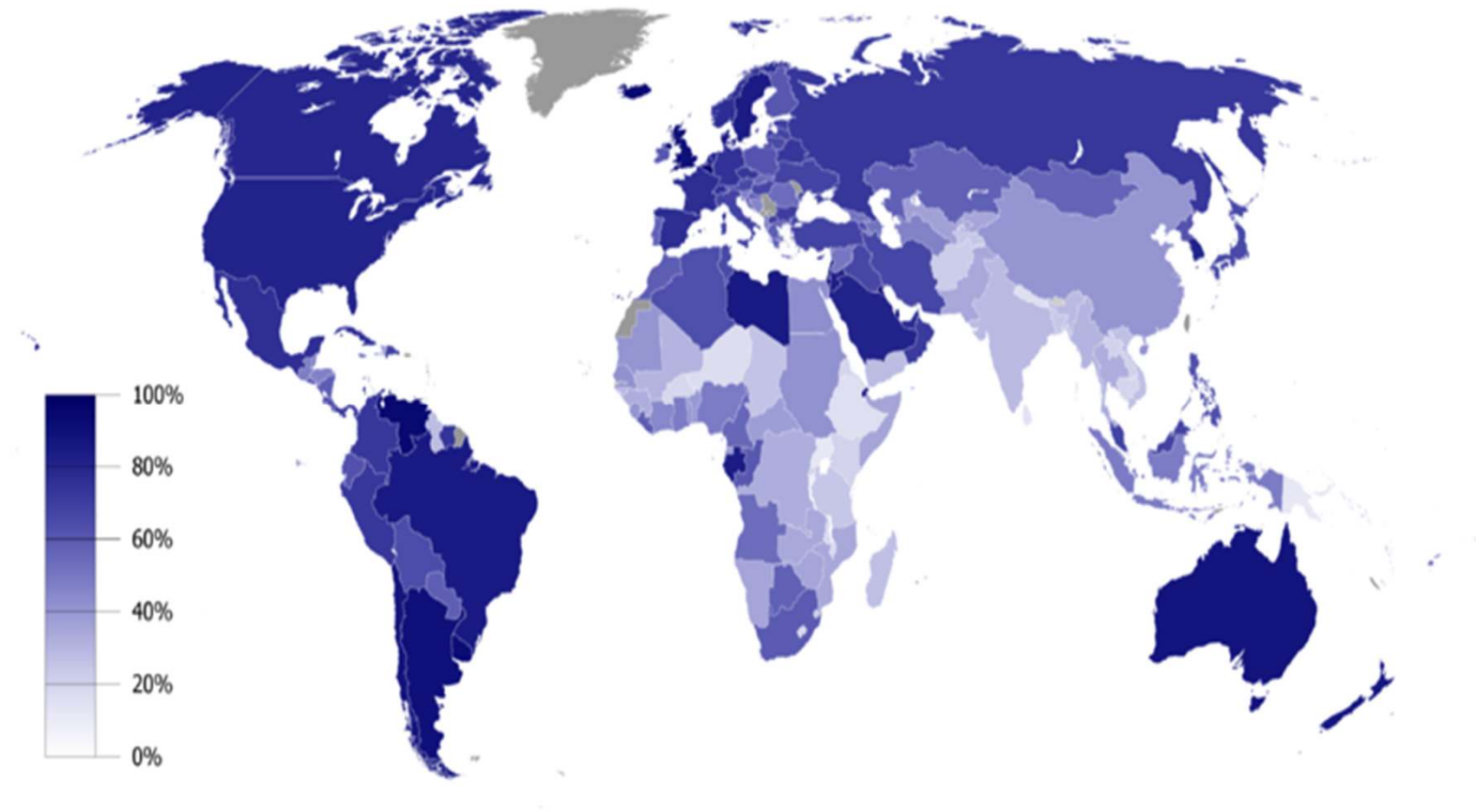
China and India each have more than a billion citizens.

Widespread perceptions are that China's population is beginning to age while India's is still growing quickly.

Is population a blessing or a curse?



# Urbanisation





## The American Dream

Administrations in both China and India understand that if they want preserve social cohesion they need improve the standard of living for the majority of citizens.

Contrast China and India with the Middle East and North Africa.



## Corruption

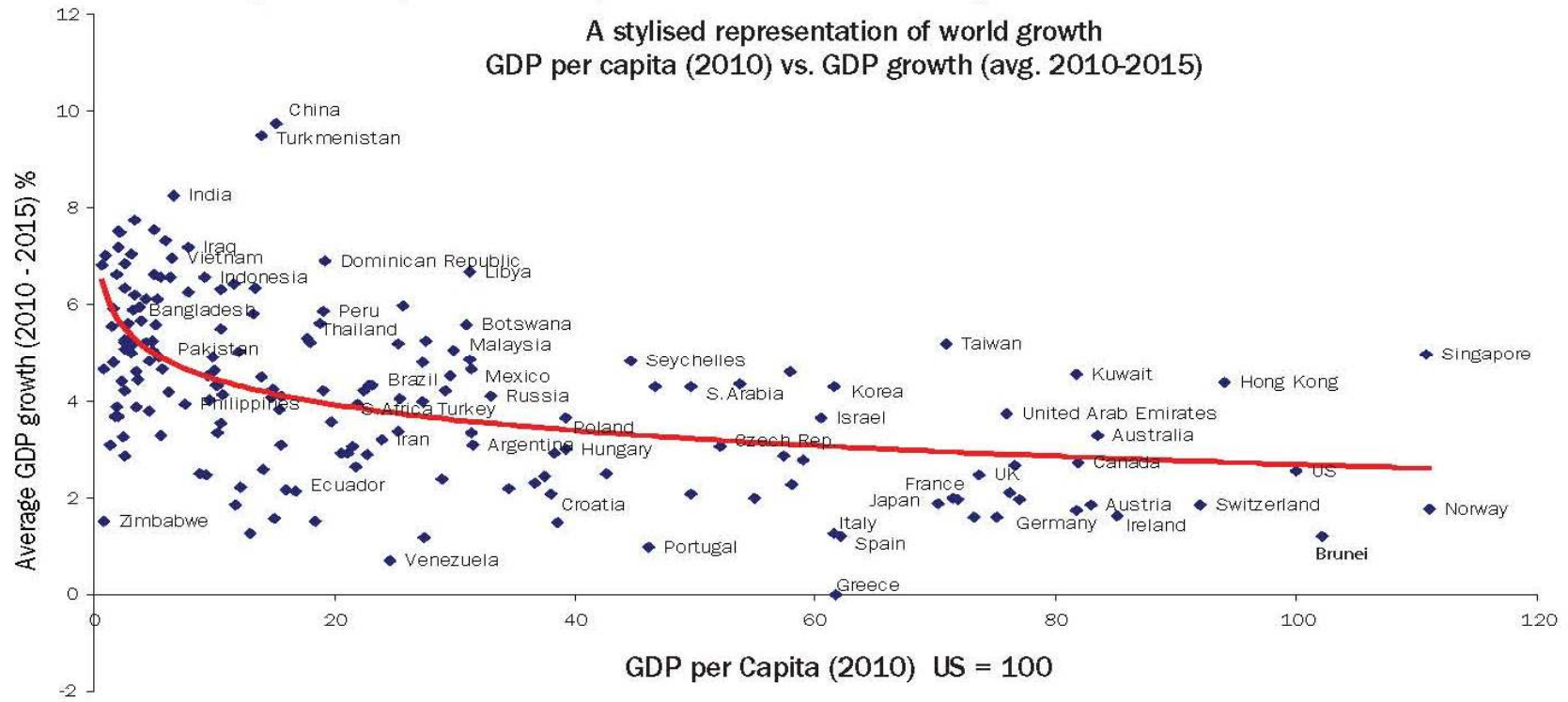
India's is famous for graft because it has slowed down the pace with at which infrastructure can be built.

China is at least as corrupt but as with just about everything else, corruption is centrally planned.



# GDP Growth

Chart 1: It's a two-speed world, built on the dynamics of economic convergence



Source: Sarasin & Partners, IMF and WEO April 2010.









## **Democracy versus** **Authoritarianism**

Democracy: inherently stable,  
vested interests tend to eventually  
take control but freedom fosters  
creativity

Authoritarianism: prone to  
instability, capable of long-term  
strategic planning, stifles  
individualism



## Infrastructure

China has adopted the grid system in much the same as the USA in its early development

India's infrastructure development is more haphazard and largely dependent on private enterprise similar to the UK's early development.



## Socialism (i)

China's rulers might be from the Communist Party but the economic system is anything but socialist.

Bo Xilai's firing in March suggests a distancing from Maoist policies.

India is a democracy but still clings to the socialist dogma that followed independence.



## **Socialism (ii)**

India is officially a democracy but the system is designed to preserve the status quo.

Throwing off the dogma of its quasi communist past remains the greatest challenge for reformers.



## Independence of the Judiciary

In China the rule of law is largely dependent on the whim of the ruling class and ‘Guangxi’.

India inherited its judicial system from the British Empire which means it is independent.



## Participation of Women in the Economy.

Income inequality is still a major  
hurdle in both countries

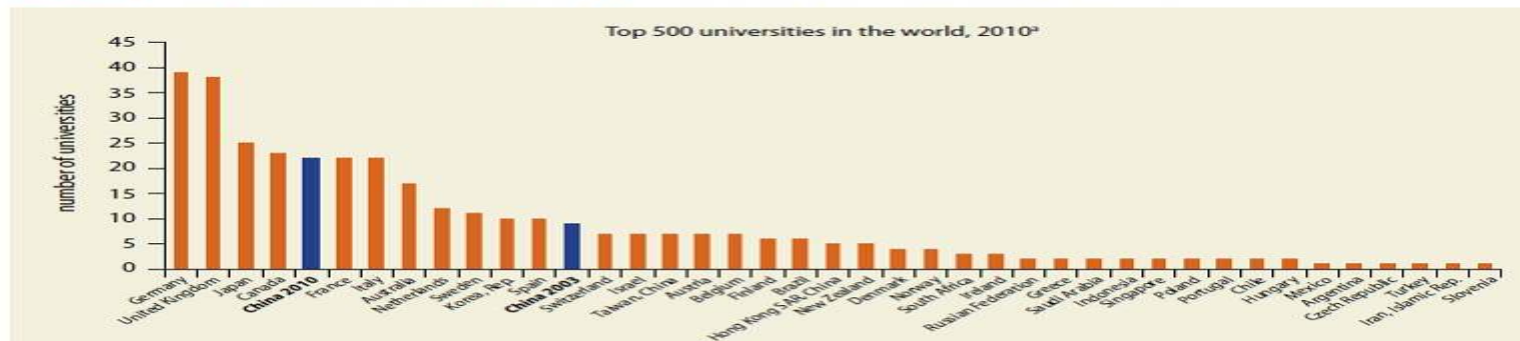
Women represent a much greater  
percentage of the workforce in  
China than India.



# Literacy

China: Recognise at least 1000 characters. (6 universities in the top-100 globally)

**FIGURE 5** The quality of China's tertiary education system is improving rapidly



Source: Shanghai Jiao Tong University 2010.  
a. The United States, which has 154 top universities, is not shown.

India: write your name in your native tongue. (no university in the top-200 globally)





## Trajectory

Nothing is static about any of these points.

What happens next?

How did it go in the USA and UK?



Conventional wisdom tends to  
focus on global hegemony  
rather than using countries as  
developmental examples



## Free of Expression

The USA – freedom of expression  
enshrined in the constitution

Chinese more than 5 times more  
likely to blog than an American.



## Classism

The UK preserved social strata by creating more levels throughout its development.

Social mobility in India is moving in a similar fashion. Room is being made for the newly rich but social distinction is maintained.



## Public displays of wealth

The USA became synonymous with brash displays of wealth during the roaring '20s

Luxury brands today depend on China for just about all of their growth. They have had a much harder time penetrating the Indian market.



## Global aspirations

Indian companies are notable for high standards of corporate governance and global ambition. (Tata, Mittal etc.)

The UK and USA also host a large number of globally oriented companies that seek to do much more business abroad than at home.



# Energy

The USA has the second largest reserves of shale gas and the largest for shale oil.

China has the largest reserves of shale gas.

The UK became a net energy importer over the last decade.

India needs nuclear and much more exploration if it is every to become energy independent.



## Reform

In the UK, Margaret Thatcher faced down the unions, introduced essential reform and ushered in a lengthy period of economic growth.

India introduced essential reforms during the balance of payments crisis that followed the first Gulf War but needs to do much more to challenge the status quo.





China has infrastructure, capital and an export led economy.

According to the IMF China now receives twice as much benefit from fostering human capital than from infrastructure development.

Since 2008, government attitudes toward access to welfare, healthcare provision, the environment, housing and education have changed.



India has a healthy internal market, a vibrant creative community and a large number of high margin globally competitive companies.

India needs infrastructure, (roads, railway modernisation, electricity, water, power, schools, hospitals etc.)

India needs to foster an export oriented manufacturing sector.

India needs to reverse its habit of persist deficit spending.

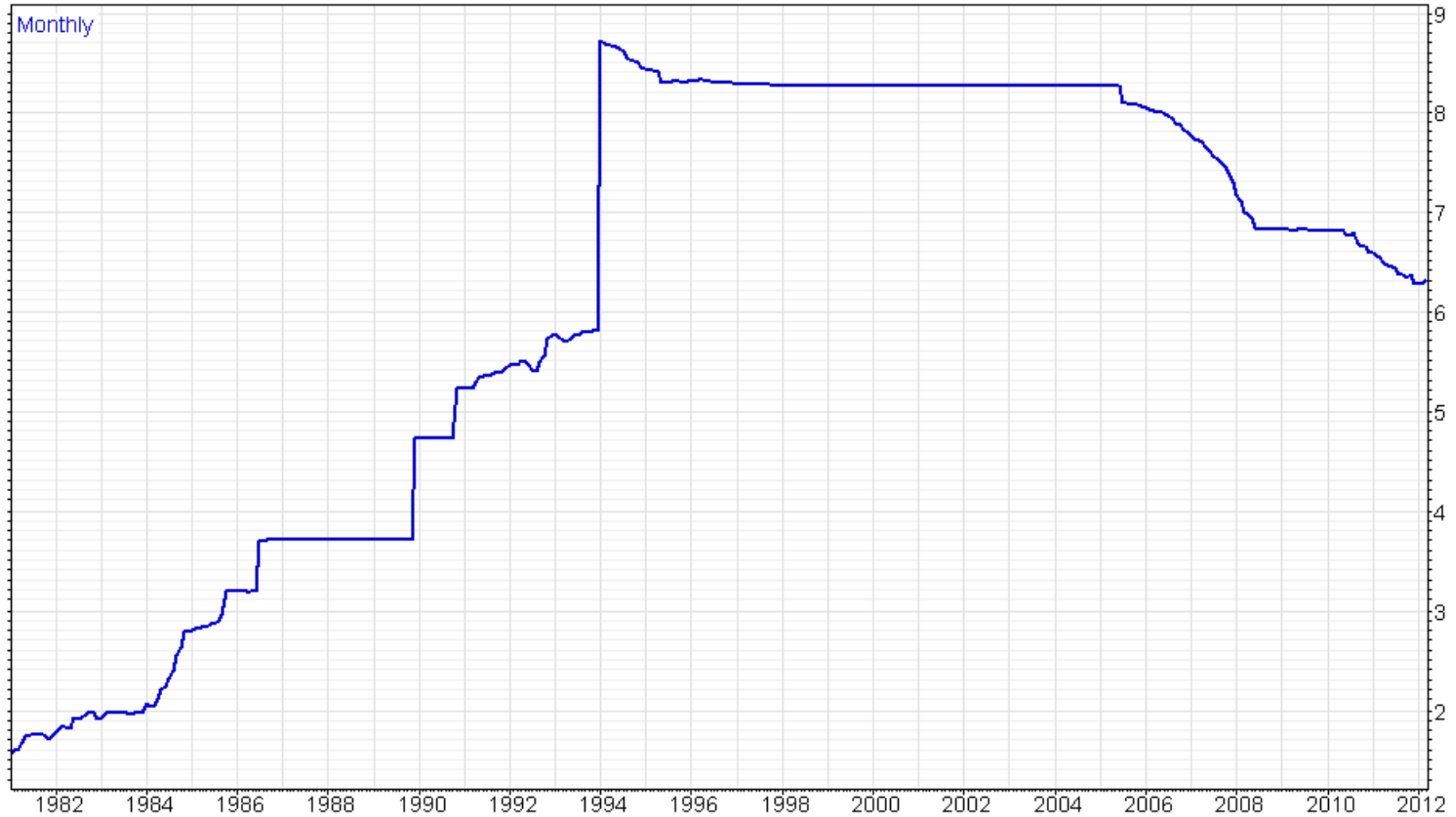






China Renminbi per 1 US dollar (CNY) 6.329 -0.00

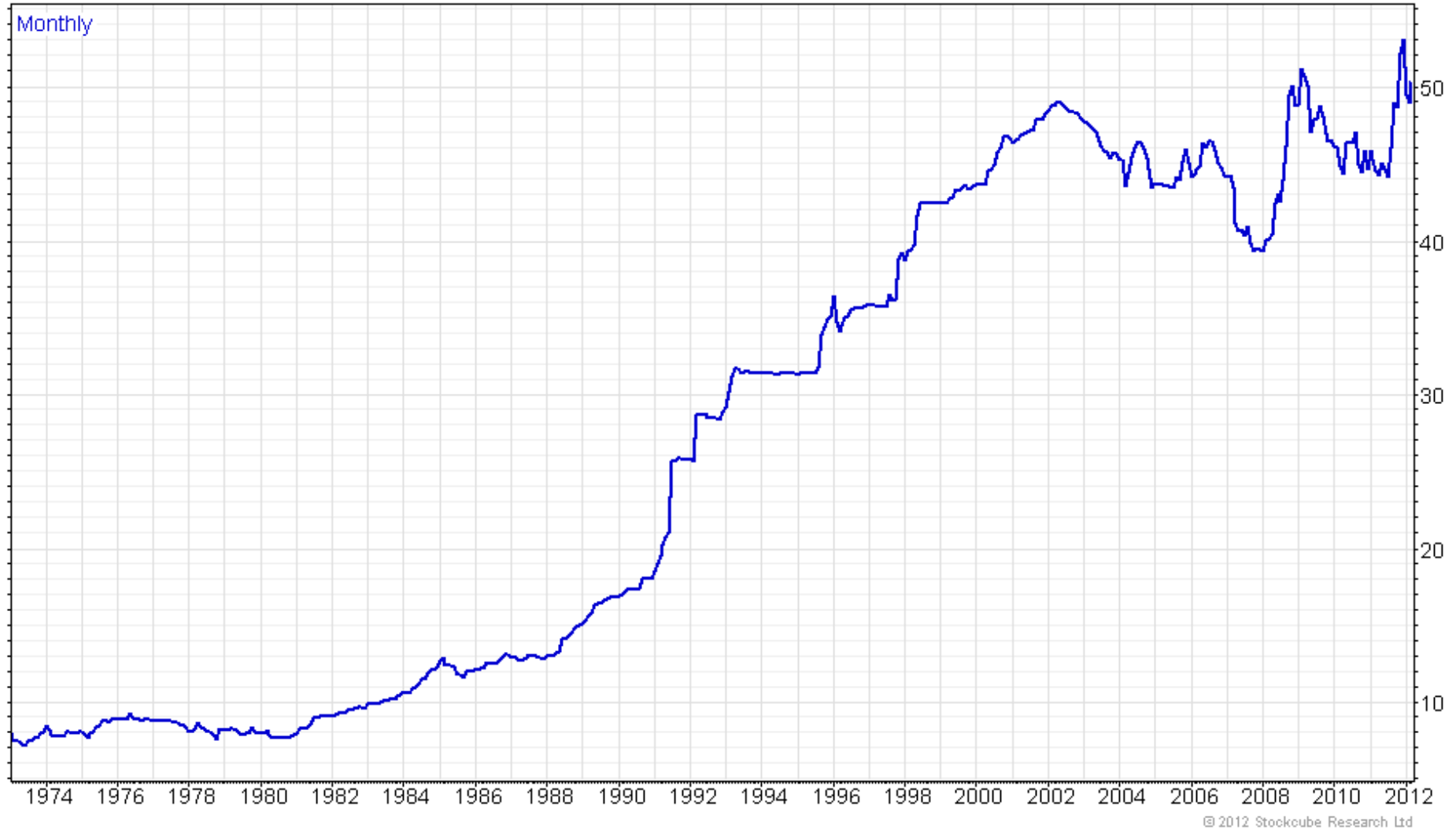
www.fullermoney.com 15 Mar 2012





Indian Rupee per 1 US Dollar (INR) 50.3863 +0.48

www.fullermoney.com 15 Mar 2012











Thank you very much

Fullermoney is a Global  
Strategy Service produced by  
David Fuller  
&  
Eoin Treacy

We invite you to visit our site:

[www.fullermoney.com](http://www.fullermoney.com)