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Abstract of Diploma Thesis

Economic Comparison of China and India

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Abstrakt

Tato diplomová práce je věnovaná srovnání ekonomik Číny a Indie. Práce obsahuje obecnou analýzu klíčových makroekonomických ukazatelů, stručný přehled podnikatelského klima včetně analýzy jeho hlavních faktorů a také srovnání konkurenceschopností ekonomik ve světě.

Metodologický je práce založena na porovnání výsledků výzkumů a ratingů přepravovaných Světovou Bankou a organizací World Economic Forum. Práce se skládá z krátkého představení Číny a Indie, klíčových definicí, analýzy podnikatelské klimy a hodnocení konkurenceschopností ekonomik.

Klíčová slova: Čína, Indie, analýza, srovnání, podnikatelské klima, globální, konkurenceschopnost, makroekonomické indikatory, zahraniční investice, podmínky pro podnikání, Asie.

Abstract

This diploma thesis is devoted to comparison of economies of China and India. Thesis includes general analysis of key macroeconomic indicators, brief overview of doing business factors. An important part of the thesis is analysis of countries global competitiveness. Methodology of the thesis is based on surveys and rankings performed by World Bank and World Economic Forum. Thesis consists of brief introduction of China and India, key definitions, analysis of doing business factors, analysis of countries competitiveness.

Key words: China, India, comparison, analysis, business climate, global, competitiveness, macroeconomic indicators, foreign investments, doing business, Asia.

Introduction

In early 80's first western multinational corporations started to move their production capacities to Asia. From that time Asia became an important economic center of our planet. In 1997 Asian financial crisis broke dynamic development of Asia-Pacific region. However after couple of years Asian economy revitalized and started to grow rapidly again. At the end of 90th economy of China significantly rose up due to relocation of foreign manufacturers.

World financial crisis 2007-2011 significantly impacted global economy and changed people's vision and perception of future financial prosperity and prospective. It became completely clear that western financial institutions and banks are exposed to changes in global investments climate more than they have ever been. From the other side, financial crisis determined trend of the global economy shift towards Asia.

My choice of above mentioned countries was not occasional. Currently China and India are two rapidly expanding markets in the world. We can expect positive trends of growth for both countries. There is a bit different situation with India. Population of this country grows exponentially nevertheless it does not have so many economical successes as China has. However India now represents a very attractive, unsaturated market with good potential of growth.

First part of the diploma thesis is devoted to brief characteristics of both countries with emphasized attention towards current economical situation. In second part I will try to achieve objectives set below and perform useful and transparent comparison of selected countries.

Objectives and methodology

In this thesis following objectives have been set:

- To make a quality description of current situation in economics of India and China;
- Make a comparison of key macroeconomic indicators of two countries and based on this information try to create possible scenarios of development;
- Make a quality analysis of factors that are crucial for doing business;
- Based on surveys of WTO and WEF evaluate economies competitiveness, determine main drivers for business developing and identify weakness spots;
- Methodology of this diploma thesis is based mostly on surveys of multinational organizations such as WTO (World Trade Organization), WEF (World Economic Forum),

World Bank. Since both countries have a big influence on global economy, there are a lot of available materials and surveys devoted to economical development of examined countries. However correct selection and analyzing of them is a quite sophisticated issue and takes a long time, skills and patience.

Results

Diploma thesis reaches objectives set at introduction. Description of key macroeconomic factors was performed. In business climate analysis part key requirements for doing business were compared and weaknesses and strengths were identified. In part devoted to economies competitiveness general analysis was executed.

First of all, it was necessary to understand countries sustainability and trend of development in terms of macroeconomic indicators. The volume of Chinese economy is larger, GDP is much higher. Both countries are suffering from instable growth of GDP. During the financial crisis 2008-2010, China and India were strongly influenced and decrease of GDP was noticed. It emphasizes that both countries depend on global economic climate and this relation will remain high since China and India are significant world exporters. Structure of economy differs, Chinese economy is represented mostly by industry and services, while in India, industry has less meaning, but agriculture makes almost 15% of GDP. China and India are well provided with workforce, but quality of it still needs to be improved. In India situation is worsened by discrimination of women rights, they have limited access to higher education and career opportunities.

Instable inflation also remains a weakness spot of China and India. It is especially crucial for China where fluctuation corridor was from 0 up to 8% in 2008-2013. China and India are actively involved in international trade, but India stays far behind China in terms of volumes and share in world total exports and imports. In Indian export agriculture products and natural sources play important role, while China is specialized in export of goods for final consumption.

The next weak place of Chinese and Indian economies is paying taxes. This process, important for any kind of business, is complicated in two ways: obligatory procedures following from local laws and norms and overall tax burden.

This thesis also revealed problems with foreign trade processes and infrastructure in both countries. Even capacities of countries in terms of foreign trade are huge, lack of infrastructure and bureaucracy complicates import-export activities.

Generally there are few aspects complicating doing business in China and India: corruption, tax regulations and tax burden, access to finance, lack of infrastructure. Those factors are typical for transition economies in developing stage. Nevertheless, China is making amazing progress and its economy is driven today more with efficiency factors.

Economic growth allowed to China and India invest more in energy sector, infrastructure, modernization. It creates good conditions for exporters of technologies and machinery tools. Today, a lot of Czech companies are penetrating Chinese and Indian markets. Growth of personal incomes determines and stimulates middle class extension. The advantage of China and India is in huge internal purchase power. Besides export opportunities, countries have own markets to develop, so there is a space for all.

In this thesis a strong accent was put on problem of aging of Chinese population. One child policy had negative influence on demographic situation. As a result, China is exposed to risk of economy stagnation, social system burden will intensify.

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