



## China's Shifting Economic Landscape

**For Prelims:** [Deflation](#), [Reasons for China's Economic Downfall](#), [Largest Greenhouse gas Emitter](#), [Decoupling](#), [South China Sea](#), [Uighurs in Xinjiang](#), [India Semiconductor Mission](#), [IMEC corridor](#), [International Solar Alliance](#).

**For Mains:** Major Factors Contributing to Economic Challenges in China, India's Transition Amid the Economic Turmoil in China.

Source: [TOI](#)

### Why in News?

[China's economy](#) faced significant challenges in 2023, registering **one of its slowest growth rates in over three decades** as it was battered by a crippling property crisis, sluggish consumption, shifting [demographic trends](#) and global turmoil.

### What are the Major Factors Contributing to Economic Challenges in China?

- **Economic Status:** China's National Bureau of Statistics (NBS) reported a **5.2% growth in GDP**, reaching 126 trillion yuan in 2023.
  - Despite exceeding the target and outperforming the 3% recorded in 2022, this growth represents the **slowest performance since 1990**, excluding pandemic years.
  - [Deflation](#) for three consecutive months added to the economic headwinds.
- **Factors Contributing to Economic Challenges:**
  - **Lack of Jobs for Youth:** More than 1 in 5 people between 16 and 24 were unemployed in May 2023 highlighting challenges in job creation for the youth.
    - The working-age population between **15 to 59 years**, which is seen as being productive in an economy, has now fallen to 61% of the total population.
  - **Demographic Trends:** China's **population has been declining since 2016**, reflecting a [falling Total Fertility Rate \(TFR\)](#) and challenges in overcoming the legacy of the **one-child policy**.
    - Despite policy changes allowing up to **3 children**, demographic trends have not reversed.
  - **Unsteady Real Estate Market:** The real estate market, traditionally a significant contributor to China's economy, faces financial challenges with major firms like **Evergrande and Country Garden experiencing difficulties**.

### What are the Other Challenges Related to China in Global Context?

- **Environmental degradation:** China is the **world's largest source of [greenhouse gas emissions](#)**. Air pollution is responsible for about 2 million deaths in China per year (WHO).
- **Tense Relations with the United States:** The ongoing trade war, competition for technological dominance, and differences in values create significant tension between [China and the US](#), impacting the global balance of power.

- The US and its allies are increasingly [decoupling from China](#) in key technological areas, like semiconductors.
- **South China Sea Disputes:** China's territorial claims in the [South China Sea](#) are **contested by several countries**, raising concerns about regional stability and freedom of navigation.
- **Human Rights Concerns:** China has faced international scrutiny and criticism regarding human rights issues, **particularly concerning the treatment of ethnic minorities such as the [Uighurs in Xinjiang](#)**.

## How India is Transitioning Amid the Economic Turmoil in China?

- **Demographic Advantage:** India's working-age population is projected to constitute **68.9% of the total population by 2030**, in stark contrast to China's ageing population.
- **Evolving Manufacturing and Transportation Landscape:** Initiatives such as the [India Semiconductor Mission](#) and dedicated industrial corridors like the **Delhi-Mumbai Industrial Corridor** are bolstering infrastructure and drawing investments to India.
  - **Foxconn, a major Apple supplier**, is relocating a substantial portion of iPhone production **from China to India**.
- **Business-Friendly Environment:** Programs like [Make in India](#) and the [production-linked incentive scheme](#) offer crucial support for businesses.
  - The PLI scheme for electronics has successfully lured major players such as **Samsung, Pegatron, Rising Star, and Wistron**.
- **Thriving Domestic Market:** As the world's **fifth-largest economy (by nominal GDP)**, India presents significant opportunities for locally manufactured goods, attracting multinational corporations to integrate India into their production processes.
  - **H&M**, for instance, sources from Indian garment manufacturers.
- **Emphasis on Sustainability and ESG:** With a goal to achieve **50% renewable energy capacity by 2030**, India is attracting companies committed to green manufacturing.
  - **Tesla**, for example, plans to enter the **Indian electric vehicle market** in 2024.
- **Global Recognition and Dependability:** India's membership in the [IMEC corridor](#) and its leadership in the [International Solar Alliance](#) are enhancing its trade appeal and global reputation as a reliable investment destination.

## What are the Challenges Hindering India's Progress?

- **Infrastructure Constraints:** Despite ongoing improvement, India's infrastructure, including **power grids, logistics networks, and transportation systems, lags behind China's**, potentially hindering manufacturing competitiveness and attracting investment.
- **Skilled Workforce Shortage:** While demographics offer a large working-age population, a significant portion **lacks the specific skills (Skill India Report: Only 5% Indians formally skilled)** required for high-value manufacturing, necessitating heavy investment in upskilling and vocational training.
- **Lack of Desired Ease of Doing Business:** While initiatives like Make in India aim to improve, **India still ranks lower than China in global ease of doing business rankings**, requiring further measures to simplify processes and reduce red tape.
- **Lack of R&D Push:** Despite advancements, India continues to trail in research and development capabilities, allocating only **0.6-0.7% of its GDP to R&D**, in stark contrast to China's **2.56% investment**.

## Way Forward

- **Upskill the Workforce:** India needs to focus on **vocational training and skilling programs aligned with industry needs**, creating a readily available pool of qualified workers for high-value manufacturing.
- **Streamline Regulations and Bureaucracy:** Implementing reforms to simplify procedures, reducing red tape, and expediting business approvals can enhance India's ease of doing business.
- **Boost Innovation and Technology:** Increasing R&D investments, foster collaboration between academia and industry, and promoting entrepreneurship can cultivate a robust innovation ecosystem in India.

- **Diplomatic Dialogue and Conflict Resolution:** India can take advantage of this time to engage in constructive diplomatic dialogue with China to address outstanding border issues and foster better relations on various fronts, including **trade, economic partnerships, and cultural exchanges**, benefiting both nations and the broader global community.

## UPSC Civil Services Examination Previous Year Question (PYQ)

### Prelims

**Q. “Belt and Road Initiative” is sometimes mentioned in the news in the context of the affairs of : (2016)**

- (a) African Union
- (b) Brazil
- (c) European Union
- (d) China

**Ans: D**

**Q. Consider the following statements:**

1. India has more arable area than China.
2. The proportion of irrigated area is more in India as compared to China.
3. The average productivity per hectare in Indian agriculture is higher than that in China.

**How many of the above statements are correct?**

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

**Ans: B**

### Mains

**Q. The China-Pakistan Economic Corridor (CPEC) is viewed as a cardinal subset of China’s larger ‘One Belt One Road’ initiative. Give a brief description of CPEC and enumerate the reasons why India has distanced itself from the same. (2018)**

**Q. “China is using its economic relations and positive trade surplus as tools to develop potential military power status in Asia”. In the light of this statement, discuss its impact on India as her neighbour. (2017)**