



The Economic Performance of Either China or India with One of Their Smaller Neighbors

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Abstract. This article will compare India with the South Asian island nation of Maldives. Unlike North Korea, Maldives is more dependent on tourism and services for its economy. China has more frequent exchanges with the international community and is a relatively open country. I think contrasting China and India with smaller countries of a different nature brings a different perspective. India's overall development model is something that cannot be replicated by a small country, but we can think about it differently - can we compare a small country with a big country, like India or a province in China. My answer is probably yes, but it will do little to boost the economies of these small countries.

Keywords: China · India · Economy

1 Introduction

China, the fastest and most successful country in recent years, with its neighbor North Korea to explain why smaller countries, constrained by their economic size, cannot emulate China's development methods. In fact, in recent years, there is also a country that benefited from the large economic scale brought by the country's high population and large area and achieved a large growth in a short period of time - India. We see certain similarities in the development success of India and China, including the fact that they are mixed economies, have a lot of cheap labor, etc. The North Korea mentioned above is a relatively extreme closed country, especially the country and the international community less communication; In this part, this paper will make a comparison between India and Maldives, an island country in South Asia. Maldives is different from North Korea in that its economic source is more inclined to rely on tourism and service industry. The country has more exchanges with the international community and is relatively open. I think contrasting China and India with smaller countries of a different nature can bring a different perspective.

2 Analysis

India has the largest population and land area of any South Asian country; Maldives is the smallest country in South Asia. As shown in the Fig. 1, India has a population of 1.4 billion and an area of 3,287,000 square kilometers [1].

Maldives has a population of 540,000 and covers an area of 300 square kilometers as shown in the Fig. 2. The huge gap in land area and population leads to a huge gap in the economic size of the two countries, which brings about a great difference in the economic structure of the two countries [2].

The Fig. 3 shows the GVA (Gross valuated Added) between 2020 and 2021, which indicates the economic structure of India. The main source of production is the financial sector, followed by tourism, industry and agriculture. Financial industry is the main industry, while industry, agriculture and tourism are the auxiliary industries. However, in general, none of these industries occupies an exaggerated proportion in the total

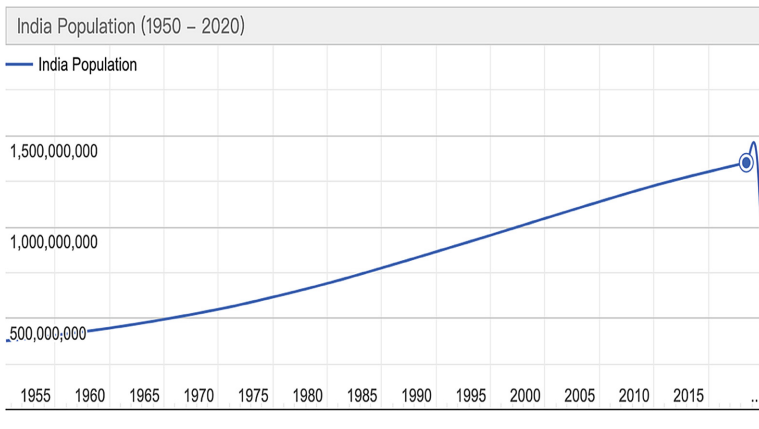


Fig. 1. India population in 1950–2020 [1].

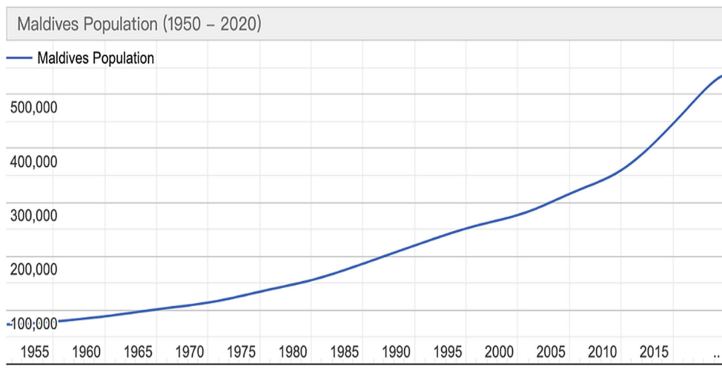


Fig. 2. Maldives population in 1950–2020 [2].

share. Therefore, India is a mixed economic system. Both industry and agriculture need sufficient land resources and labor to support their development, while the financial industry is developed on the basis of other industries. This is strongly related to the large economic scale with high population and large land area.

Sector	GVA in 2020–21 (Rupees in Crore)			
	Constant prices	share (%)	Current prices	share (%)
1 Agriculture Sector	2,040,079	16.38 %	3,616,523	20.19 %
1.1 Agriculture, forestry & fishing	2,040,079	16.38 %	3,616,523	20.19 %
2 Industry Sector	3,654,362	29.34 %	4,644,385	25.92 %
2.1 Mining & quarrying	294,644	2.37 %	292,120	1.63 %
2.2 Manufacturing	2,107,068	16.92 %	2,585,740	14.43 %
2.3 Electricity, gas, water supply & other utility services	306,254	2.46 %	484,477	2.70 %
2.4 Construction	946,396	7.60 %	1,282,048	7.16 %
3 Services Sector	6,758,989	54.27 %	9,654,259	53.89 %
3.1 Trade, hotels, transport, communication and services related to broadcasting	2,208,388	17.73 %	2,941,477	16.42 %
3.2 Financial, real estate & prof servs	2,872,815	23.07 %	3,950,786	22.05 %
3.3 Public Administration, defence and other services	1,677,786	13.47 %	2,761,996	15.42 %
GVA at basic prices	12,453,430	100 %	17,915,167	100 %

Fig. 3. The GVA (Gross valued Added) between 2020 and 2021 [3].

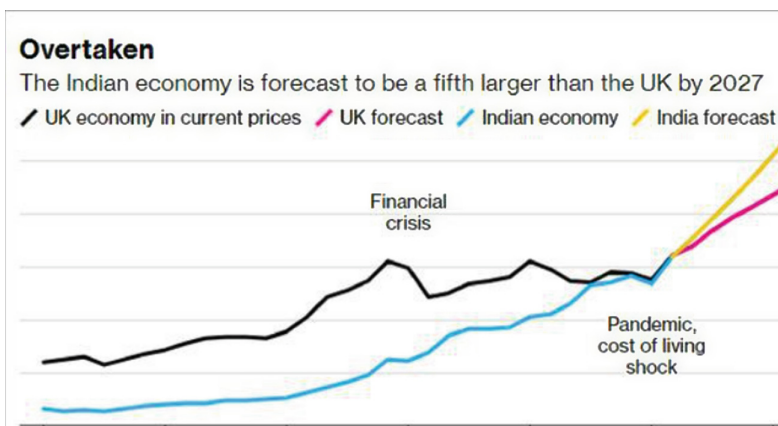


Fig. 4. The Indian economy forecast in the future [4].

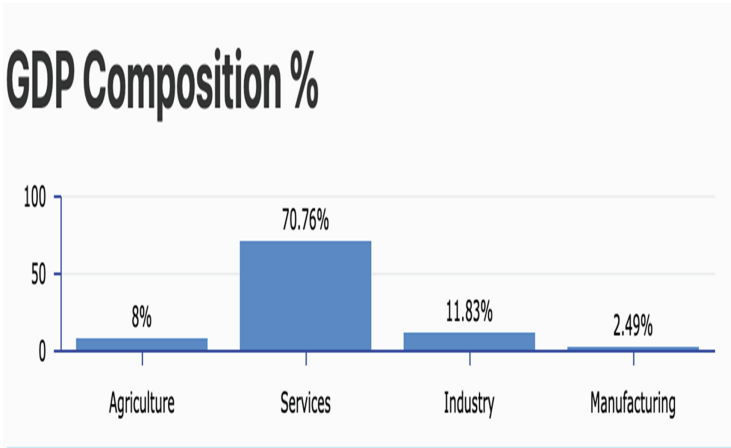


Fig. 5. The distribution of Maldives' GDP in 2020 [7].

On September 2, 2022, Bloomberg reported that according to the statistics of the International Monetary Fund (IMF), India's economy surpassed that of the United Kingdom in the last three months of 2021 to become the world's fifth largest economy, and continued its rapid growth in the first quarter of 2022, with nominal GDP nearly \$40 billion higher than that of the United Kingdom [5].

India's economy overtakes UK's and will overtake China's in 20+ years. Among the world's major economies, India now ranks behind only the US, China, Japan and Germany. The International Monetary Fund predicts that India will continue to lead the UK in 2022 [6]. If this trend continues, by 2027, India's GDP will exceed that of the UK by more than 20%, and the UK will lose all hope of catching up as shown in Fig. 4.

For India to surpass Britain is undoubtedly the beginning of a new era. India's economy was the 11th largest in the world in 2012, when the UK was fifth. Over the next decade, India followed China's example and rode globalization to an economic boom.

Then let's take a look at the economic structure of Maldives. Figure 5 is the distribution of Maldives' GDP in 2020. The largest economic industry in Maldives is service industry, accounting for about 71% of the total share, among which the most familiar tourism industry accounts for 28% of the total share; Even in 2020, when Maldives tourism industry was severely affected by coronavirus, it decreased by 63% compared with 2014 (ANNUAL GROSS DOMESTIC PRODUCT Maldives, 2022) & (Maldives: Economy, 2022). Industry and agriculture together account for only 20% of the total. It can be concluded that the most important economic source of Maldives is tourism and tourism-related services (see Fig. 6).

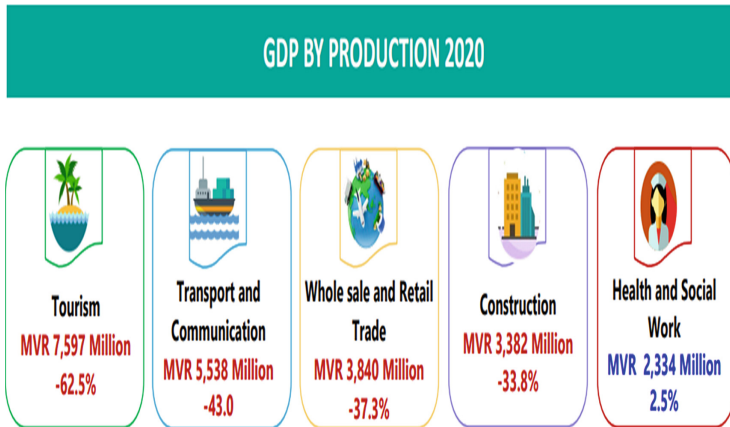


Fig. 6. GDP by production in 2020 [8].

3 Conclusion

According to the comparison of the economic structure of two and a half South Asian countries, we can see that the economic structure of Maldives and India is very different due to the difference of population and land area. India's economic structure is mixed, while Maldives is largely dependent on tourism. In addition to the geographical location of Maldives, Maldives does not have enough labor force and size, which also limits the government to develop agriculture and industry. We can conclude from this that India's overall approach to development cannot be replicated by Maldives.

India's overall development pattern cannot be replicated by smaller countries, but we can think about it in a different way -- can we compare smaller countries with larger countries like India or a province in China. My answer is probably yes, but it won't do much to boost the economies of these small countries. An advantage of large economic scale is that various regions of India can be concentrated in one area based on their geography and other factors, so as to be more efficient in problem solving. For example, the Gurgaon-Biwadi Nimrana corridor is a major manufacturing belt for the national automobile industry; The Gurgaon-Delhi-Meerut area is far away from the mineral industry mainly as a light industrial development area etc. [8]. If we copy this specialized approach to the smaller countries, make countries like India as a regional specialization of production, the first is the resources condition not necessarily can meet, even if the meet will not get the benefits by India and China the large countries, because in fact only part of the mimic the specialization. To the extreme, Malaysia can be seen as a region that mimics India's specialization in tourism.

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