Launch Event
China and India: Two Giants Shaping the Global Economy
November 14, 2024

The Global Economy and the Importance of China and India

- Alfred Schipke
- Director, East Asian Institute
- Professor of the Practice of International Finance, Lee Kuan Yew School of Public Policy
- National University of Singapore

Roadmap

I. **China-India: Global Economic Footprint**

II. **China-India: Important Global Partners**
   - E.g. Climate Change

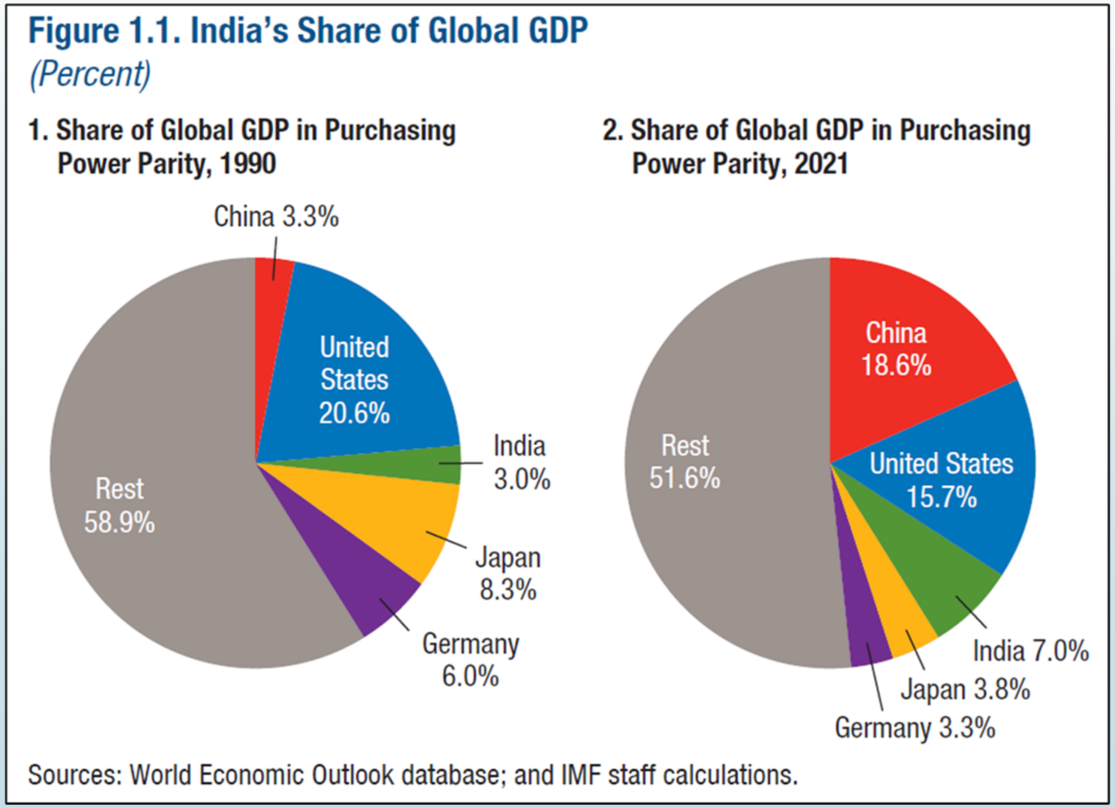
III. **Bilateral Economic Relations**

IV. **Financial System Similarities**
   - Role of Public Banks
   - Fintech and Digitalization

V. **Common Goals**
   - Changes in Global Economic Governance
   - Industrial Policy
   - Engagement with the Global South
   - Non-Paris Club Members

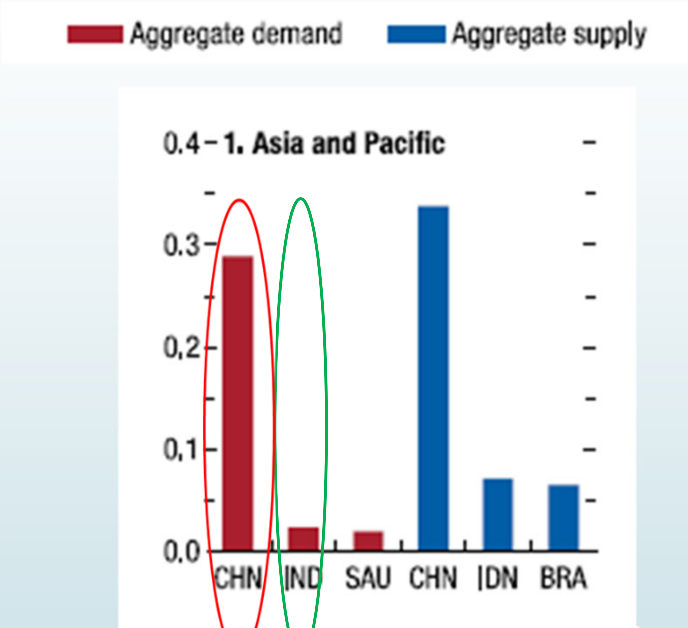
VI. **Takeaways**

I. China-India: Large Global Economic Footprint



I. China-India: Growth Forecasts and Linkages

	World	China	India
2023	3.3	5.2	8.2
2024	3.2	4.8	7.0
2025	3.2	4.5	6.5



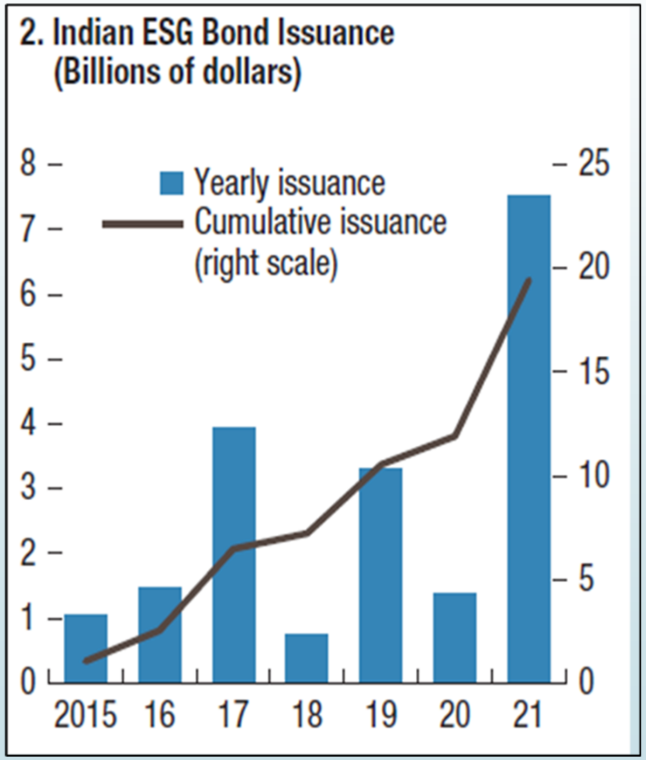
Source: IMF staff calculations.
Note: The charts show three-year-ahead cumulative impulse responses to 1 percentage point positive domestic aggregate demand and supply shocks in each G20 EM on recipient economies' output. Each panel reports the top three countries in terms of the size of their spillovers to the region. Reported results are cross-country aggregates using purchasing-power-parity GDP weights of impulse responses that are significant on the basis of 68 percent credible intervals. Data labels in the figure use International Organization for Standardization (ISO) country codes. See Figure 4.1 for a list of G20 EMs. EMs = emerging markets.

Source: IMF World Economic Outlook, October 2024, Washington D.C.

Source: IMF Regional Economic Outlook, Asia and the Pacific, April 2024, Washington D.C.

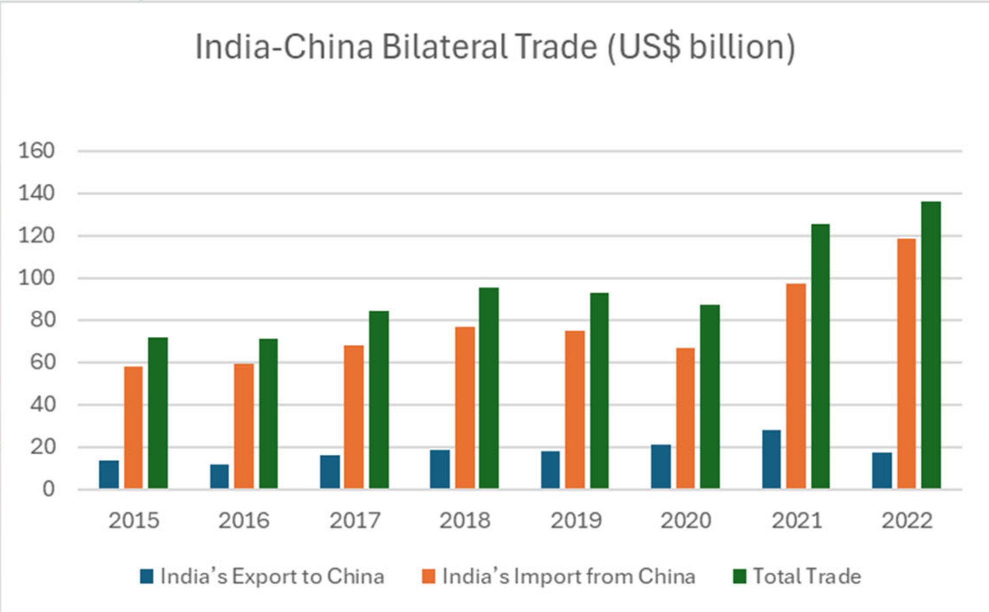
II. Important Global Partners: Addressing Global Climate Changes

- Vulnerable to climate change
- Carbon emissions: China 31 percent; India 7 percent
- Global climate solutions require China's and India's participation
- Commitment to reducing carbon intensity and achieving carbon neutrality by 2060 (China) 2070 (India)
- **China** largest green bond market in the world; **India's** ESG market surged sharply

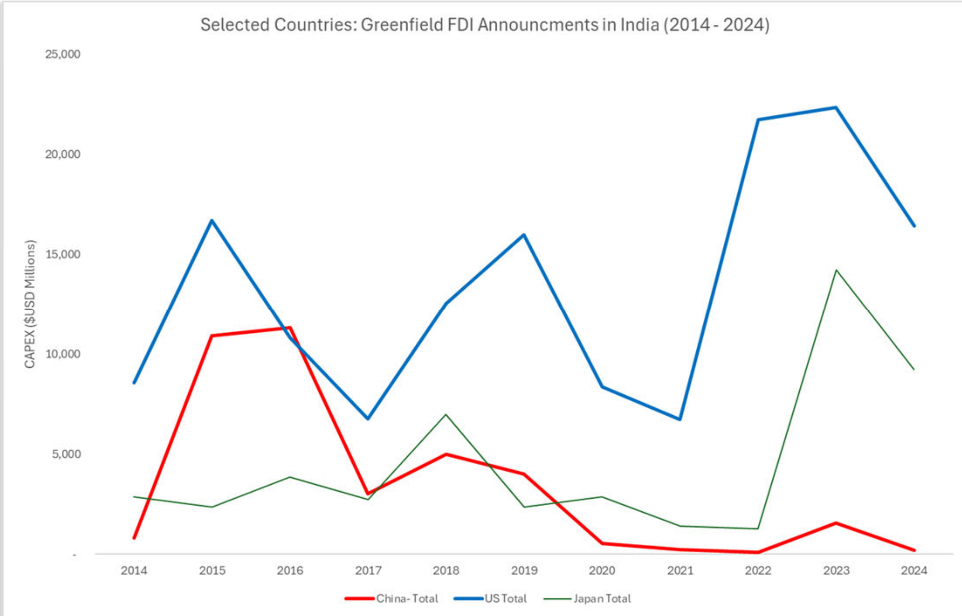


Source: Natalucci and Goel (2023)

III. Bilateral Economic Relationship: Trade and Investment



Source: General Administration of Customs, China
https://www.eoibeijing.gov.in/eoibejing_pages/MjQ



Source: fDI Markets Database

IV. Financial Systems Similarities

China-India

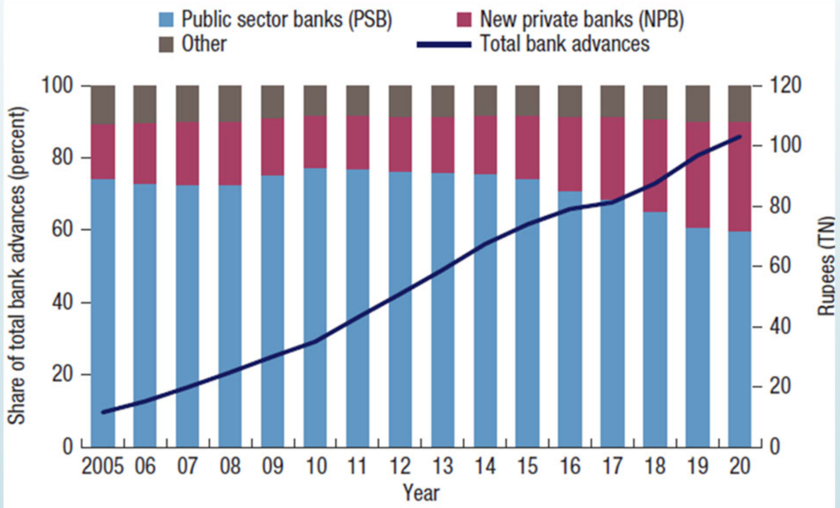
- Bank-based financial systems
- Importance of state-owned/public banks
- Directed lending
- Shadow-banking/non-bank financing companies triggered financial stress
- Role of capital markets critical going foreword

China:

- State-owned banks account for 45 percent of bank assets

India:

- Outstanding bank credit by bank ownership type

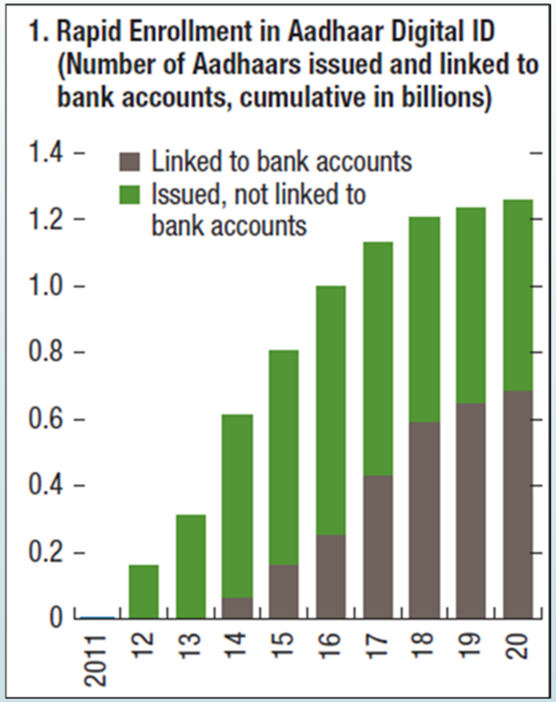


Sources: Reserve Bank of India; and authors' calculations.
Note: This figure shows the share of public sector banks, new private banks, and other banks in the total stock of advances outstanding by year (left-hand axis), as well as the total stock of advances (right-hand axis). TN = trillions.

Source: George (2023)

IV. At the Frontier: Fintech and Digitalization

- **China's** origin: mobile payments for emerging e-commerce firms to facilitate online transactions
  - **Alipay** and **WeChat Pay** account for 90 percent of the market; each serving over one billion customers in 2023
- **India's:** driven by a three-pronged approach (India stack)
  - Biometrical digital identification (Aadhar)
  - Debit cards linked to Aadhar
  - United Payment Interface (connecting various platforms)
- **China-India:** Large pilots with Central Bank Digital Currency (CBDC)



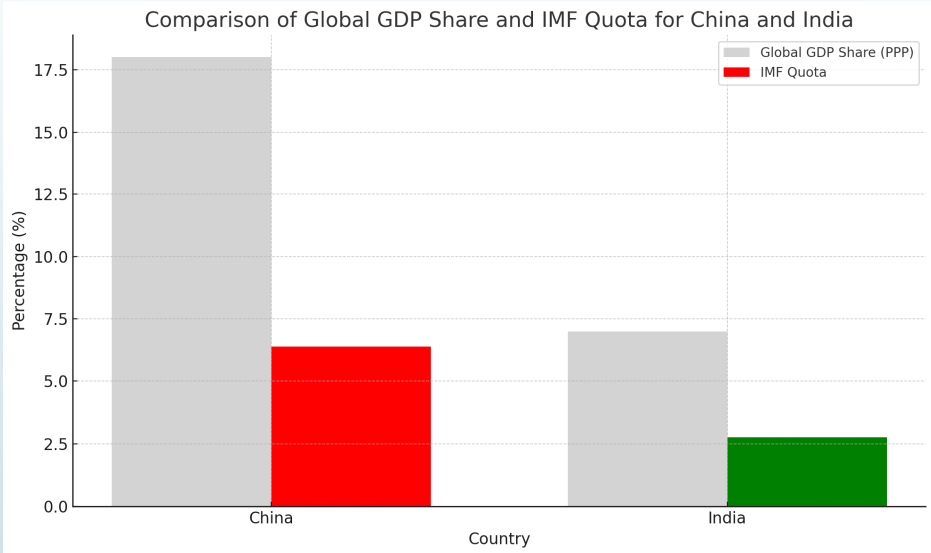
Source: Purva (2023)

V. Similar Objectives: Industrial Policy and Global South

- **Engagement with the Global South**
- **Industrial policies:**
  - **China (e.g):** Made in China 2025; Dual Circulation, and China Standards 2035
    - High-tech industry innovation and technological self-reliance.
    - Reducing foreign dependency and setting of global technology standards
  - **India (e.g.): Production Linked Incentive (PLI) Scheme**; **Atmanirbhar Bharat Initiative**
    - Strengthening India's manufacturing capabilities by providing financial incentives for specific sectors like electronics, pharmaceuticals, and automotive components.
    - Self-reliance by boosting domestic manufacturing, reducing import dependency, and encouraging local production across sectors

V. Common Goals: Changes in Global Economic Governance

- G-20 Members: Presidency (India 2023; China 2016)
- More representation in international financial institutions
- Alternative governance structures (BRICS, New Development Bank)
- Sovereign debt restructurings: non-Paris Club members (e.g. Sri Lanka)



Source: IMF World Economic Outlook Database and [IMF Members' Quotas and Voting Power, and IMF Board of Governors]

VI. Takeaways

- China and India are increasingly **shaping the global economy**
- Many of the global challenges, including climate change cannot be addressed without China-India as **global partners**
- **Bilateral trade** relations remained strong; **China's foreign direct investment** likely to increase going forward
- Despite different economic structures and level of development, China and India share a number of **similarities, including being at the cutting edge in Fintech and the digital economy**
- In many areas, China and India have similar objectives, including changing the **global economic governance, using industrial policy to foster development and self-reliance, and engaging with the Global South**

Thank you!

References

- IMF (2024), World Economic Outlook, October 2024, Washington, D.C.
- IMF (2024), Regional Economic Outlook for Asia and the Pacific, April 2024, Washington, D.C.
- George, Siddarth and others (2023), Banks: Lending to Productive Firms? in: Schipke, Alfred and others, India's Financial System: Building the Foundation for Strong and Sustainable Growth, IMF Washington, D.C. (2023)
- Natalucci, Fabio and Rohit Goel (2023), Development of Environment, Social, and Governance Financial Markets, in: Schipke, Alfred and others, India's Financial System: Building the Foundation for Strong and Sustainable Growth, IMF Washington, D.C. (2023)
- Purva, Kera (2023), Digital Financial Services and Inclusion, in: Schipke, Alfred and others, India's Financial System: Building the Foundation for Strong and Sustainable Growth, IMF Washington, D.C. (2023)