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The next superpower 16 October 2011

Have you noticed how seldom we hear talk of New Zealand catching up with Australia these days? It was a bold notion in the first place given the gap that exists between our two nations, but it has become even more bold (or just hard) as a result of the Christchurch earthquakes and the global economic slowdown.

Some argued that it was a silly objective in the first place – instead of New Zealand comparing ourselves with Australia, we should just focus on doing better and beating our own track record.

Similar comparisons are frequently made between India and China, the two largest BRIC economies that qualify for superpower status and arguably hold the answer to world economic growth. A recent article in *The Economist* compared the two Asian superpowers to determine how far behind China the Indian economy is on various measures of development, and which will be the winner over time.

The conclusions were interesting and perhaps not as intuitive as you'd expect.

While many believe that India and China are both fast-growing economies on a broadly even playing field, it seems India is some years behind China and unlikely to catch up any time soon. They both have enormous populations and enormous economic potential as they evolve into developed nations. However, the *Economist* article highlighted significant discrepancies in areas such as GDP and income per person, the level of urbanisation (31% in India vs 50% in China), percentage of Internet users, higher education enrolments and the adult literacy rate.

The article highlighted other fundamental differences between India and China that mean India looks set to remain a distant third in the global pecking order behind China and America. India has a woeful infrastructure and worse disparities between urban and rural and the rich and poor than China, limiting their opportunity for sustained economic growth.

India's competitive strength is providing international services that benefit from English fluency, particularly in areas such as IT and communications. Whereas China's competitive strength lies in exporting manufactured goods. While China's manufacturing expertise cannot easily be replicated outside China, increasingly Indian people are being employed outside India to provide high quality services, boosting the economic performance of countries other than India.

There are obvious parallels with many of our brightest leaving for Australia, making it easier for our neighbours to stay a few steps ahead of us.

It seems that we should not regard the economic development of India and China as a race. They're both superpowers and both will indeed have a significant impact on world economic growth.



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Interestingly, China seems relatively less interested in India's performance and is content to run its own race – not against India but against the West at large. Whereas India still cares about its position relative to China.

Again there are parallels here – you get the sense that Australia does not consider itself a competitor to New Zealand, yet we continue to celebrate every little victory over the Ozzies. Perhaps it's time to follow China's example and focus instead on beating our personal best.