



## A winning global strategy: focus on China and India

**Those who ignore the emergence of both China and India will do so at great peril, say the co-authors of the book 'Getting China and India Right'. In fact, Anil K. Gupta and Haiyan Wang are advocating a joint China and India strategy, instead of choosing one over the other.**

They believe that many of today's Western giants who do not have solid strategies for China and India will face severe threats to their very existence in as little as 10 years, because they will fall behind their competitors who are leveraging these two economies for global advantage.

"If you look at action in terms of where the sources of revenue will be, they're not going to be just in the US or Europe; increasingly they will be in China and India," Gupta, a Professor of Strategy and Organisation at the University of Maryland's Smith Business School, tells INSEAD Knowledge.

"Essentially, we see the emergence of a multi-polar world. Ten years back, what we had was economically, by and large, a world with the US and Europe as the two major poles."

"But over the next 15 years, we will see the unfolding of these two poles: China and India, and China is clearly ahead of India; these markets will be as big as an integrated Europe and the US."

He adds that China and India are currently the only two countries in the world where four compelling realities are playing out simultaneously. These are: rapidly growing mega-markets; platforms for global cost reduction; platforms for global innovation; and

springboards for the emergence of new fearsome competitors.

Though they have very divergent growth paths: China is strong in manufacturing and logistics, while India's strength lies in information technology and software services, a company that targets both markets, incidentally two of the fast-growing economies in the world, will see scale compensate for any potential negatives.

According to Haiyan Wang, co-author of 'Getting China and India Right' and managing partner of the China India Institute, another benefit of an integrated China+India strategy is intellectual property (IP) protection, which remains a salient issue, particularly in China. The advantage of operating in both markets, Wang says, is that multinationals can use diversification to reduce risks.

"If you concentrate a major R&D programme in one country, versus disaggregating one part in China and one part in India, clearly you reduce IP risk and political risk," Wang explains. In doing so, new designs cannot be as easily copied by competitors or allies in individual locations.

Furthermore, Wang feels that companies who let a

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speed bump like IP protection derail their China+India strategy are simply ‘copping out.’ Companies, she says, need to consider the bigger picture.

According to Wang, “what most people don’t realise is that economic integration between China and India in terms of the development of bilateral economic linkages, is one of the most powerful stories playing out today among the top 12 economies. China-India trade today is \$52 billion (in 2008) and, over the next 12 years, if it grows at even half the rate that it has grown for the last 10, China-India bilateral trade in 2020 could be larger than China-US trade today.”

Gupta, however, is quick to point out that this doesn’t mean that China and India are going to become the centre of the world, because “we will not be moving from one type of uni-polarity to another type of uni-polarity; it’ll be a multi-polar world.”

For although China and India make up 40 per cent of the world’s population, they only contribute to 10 per cent of the world’s GDP. Even 50 years from now, he predicts that more than half of the world’s GDP will still come from outside China or India. Even as China and India become global economic powers, Europe and the US will remain two of the world’s major economic poles at least for the next several decades.

Nevertheless the emergence of China and India will be impossible to ignore. “Over the next 15 years, 500 million more people in China will join the ranks of the middle class; 500 million more people in India will join the ranks of the middle class, so that’s where the big growth is. A lot of multinationals are not focused on that. Nine out of 10 companies haven’t thought through what this new market reality is, adequately.”

Because of that, Gupta believes some incumbent Fortune 500 companies will be forced out from the list, and taking its place will be a revised list comprising a more even mix of players from the United States, Europe, Japan, China and India.

The “companies that make it will be the ones that figure out how to deal with this new multi-polar, yet increasing integrated global economy.”

*Anil K. Gupta and Haiyan Wang co-authored ‘Getting China And India Right: Strategies For Leveraging the World’s Fastest-Growing Economies for Global Advantage’ (Jossey-Bass).*

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