

# SUPPLIER GLOBAL RESOURCE

## Chindia

Still scratching your head over "China" as Counselor's 2005 Person of the Year? Well, prepare yourself for the emergence of the powerful one-two punch of the manufacturing/technology dominance of China and India – the world's other growing super-power.

While few can dispute that China is dominating manufacturing, companies like Motorola, Hewlett-Packard, Cisco Systems and Google, among others, have recognized India's growth as the tech and service provider go-to country. Bill Gates, for example, has warned on numerous occasions that both China and India are outpacing the U.S. insofar as the sophistication level of their students in the areas of science and technology.

In a recent New York Times feature and BusinessWeek cover story, experts noted that the balance of economic power will shift to the East as China and India (or "Chindia" as it's sometimes called) evolve.

Consider this: In 2004, the U.S.'s percentage of the world gross domestic product was 28%, China's was 4% and India's was 2%. However, in the year 2050, it's estimated that China will be responsible for 28%, the U.S. for 26% and India for 17%.

What does this mean for the U.S. and for this industry? First, think about consumer buying: According to U.S. government statistics from as recently as July, 2005, the population of China is 1.3 billion (growing at a rate of 9.5% a year); in India, it's just over 1 billion (growing at a rate of 6% a year) and in the U.S. it's 296 million. Quite simply, we're going to need to go where the consumers are. Additionally, in India, high-quality items are being sold at incredibly low prices, such as cars for less than \$3,000.

Experts maintain that to stay competitive with China and India the U.S. must continue to create new, innovative services and items that the world wants (think the iPod) and it must close the education gap between U.S. students and those in China and India who consistently excel in the areas of science, math and technology.

**Michael Woody**, president of International Marketing Advantages Inc., a past Counselor International Person of the Year and a Supplier Global Resource editorial advisory board member, believes, too, that India's impact will be largely in the service sector for three reasons: English-speaking skills, proficiency with technology among the general population, and relatively low wage rates compared to the U.S. and Western Europe. "I would not consider India a 'technology giant,'" he says. "However, I do think India will leverage technology to become a 'services giant.' In spite of its burgeoning population, I don't see India as any threat to the manufacturing dominance of the Pacific Rim in terms of low-cost production. I think India will affect the space between the service provider and the supplier and the space between the service provider and the distributor. For example, there are already artwork services for this industry, marketed to suppliers and distributors, provided by sources in India."

Woody also says he can envision India touching the buyer in a situation such as a large fulfillment program that requires a lot of online or telephone communication. "I don't see India having much of an affect, if at all, on the industry's traditional 'drop-ship' business."

And while we are saying that the dual emergence of China and India are going to affect the U.S. in a multitude of ways, there are no plans to make India Counselor's Person of the Year anytime soon. This will make Dan Townes of Shelbyville Pencil happy, due to his suggestion – with tongue firmly planted in cheek – for next year's awards. "I'm nominating Tennessee."