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ABSTRACT
This article examines the current state of international entrepreneurship within the countries of China and India. Researchers and practitioners will be able to take this information and use it for their own agendas.

INTRODUCTION
The most recent definition of was defined by Oviatt and McDougall (2005) who define the concept as the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services. Research in the field of IE is in its infancy even though empirical articles go back to the 1980s. The field has been studied by a variety of leading researchers (see Autio, Sapienza, and Almeida, 2000; Baker, Gedajlovic, and Lubatkin, 2005; Minniti, Bygrave, and Autio 2005; Mitchell, Smith, Seawright, and Morse, 2000; Phillips, McDougall, and Oviatt, 2000; Raffit and Guillen, 2007; Shepherd and Katz, 2005; Steensma, Marino, Weaver, and Dickson, 2000; Zahra and George 2002; Zahra, Hitt, Ireland, and Gutierrez 2000; Zahra, Ireland, and Hitt, 2000).

There are two primary streams of research in the field of IE: (1) a focus on how, why, when and where firms internationalize their operations and (2) how and why business processes differ across national context and the implications of these differences.

ENTREPRENEURSHIP IN CHINA & INDIA
During the last 20 years, the Chinese economy has exploded. Evidence of this can be seen by the investment of one of the leading U.S. venture capital firms, Sequoia Capital. In the past Sequoia has backed Google, Cisco, and Apple. More recently the firm has been investing directly in China. The craze is driven by China’s rapidly expanding economy and helped by the tepid growth of the technology sector in the United States.

Unfortunately, few local firms have prospered as well as the country. The country’s private sector has few world-class companies to rival the big multinationals. Evidence of this can be seen at a company like Wal-Mart. Upon entering a Wal-Mart store, it is not surprising to see shelves bulging with Chinese-made goods (e.g., shoes, garments, toys, etc.). However, the “Made in China” label obscures an important point: indigenous Chinese companies make few of these products. In fact, one would be amazed to find a single homegrown Chinese firm that operates on a global market and sells its products abroad.
On the other hand, India has managed to spawn a number of companies that now compete internationally with the best companies in Europe and the United States. Moreover, many of these firms are in the most cutting-edge, knowledge-based industries—software giant Infosys and Wipro to name just a few.

Last year, the *Forbes 200*, an annual ranking of the world’s best small companies, included 13 Indian firms but just 4 from mainland China. India has also developed a much stronger infrastructure to support free enterprise. Its capital markets operate with greater efficiency and transparency than do China’s. Its legal system, while not without substantial flaws, is considerably more advanced. China and India are the world’s next major powers. They also offer competing models of development. The “Hindu rate of growth”—a pejorative phrase referring to India’s inability to match its economic growth with its population growth—may be a thing of the past, but when it comes to gross domestic product (GDP) figures and other headline numbers, India is still no match for China. However, the statistics tell only part of the story—the macroeconomic story.

At the micro level, things look quite different. India displays every bit as much dynamism as China. Indeed, by relying primarily on organic growth, India is making fuller use of its resources and has chosen a path that may well deliver more sustainable progress than China’s foreign direct investment-driven approach. The fact that India is increasingly building from the ground up while China is still pursuing a top-down approach reflects their contrasting political systems: India is a democracy, and China is not. But the different strategies are also a function of history.

China’s Communist Party came to power in 1949 intent on eradicating private ownership, which it quickly did. Although the country is now in its third decade of free-market reforms, it continues to struggle with the legacy of that period—witness the controversy surrounding the recent decision to officially allow capitalists to join the Communist Party.

India, on the other hand, developed a softer brand of socialism, Fabian socialism, which aimed not to destroy capitalism but merely to mitigate the social ills it caused. However, that did not prevent entrepreneurship from flourishing where the long arm of the state could not reach. Developments at the microeconomic level in China reflect these historical and ideological differences. China has been far bolder with external reforms but has imposed substantial legal and regulatory constraints on indigenous, private firms. In fact, only four years ago, domestic companies were finally granted the same constitutional protections that foreign businesses have enjoyed since the early 1980s. As of the late 1990s, according to the International Finance Corporation, more than two dozen industries, including some of the most important and lucrative sectors of the economy—banking, telecommunications, highways, and railroads—were still off-limits to private local companies. These restrictions were designed not to keep Chinese entrepreneurs from competing with foreigners but to prevent private domestic businesses from challenging China’s state-owned enterprises (SOEs). This bias against homegrown firms is widely acknowledged. Foreign investors have been among the biggest beneficiaries of the constraints placed on local private businesses.

One indication of the large payoff they have reaped on the back of China’s phenomenal growth: In last years, the income accruing to foreign investors with equity stakes in Chinese firms was only $5.3 billion; today it totals more than $22 billion. (This money does not necessarily leave the country; it is often reinvested in China).

For democratic, postcolonial India, allowing foreign investors huge profits at the expense of indigenous firms is simply unfeasible. While China has created obstacles for its entrepreneurs, India has been making life easier for local businesses. During the last decade, New Delhi (India) has backed away from micromanaging the economy. Therefore, entrepreneurship and free enterprise are flourishing.
Tellingly, all of the Indian firms were wholly private initiatives, while most of the Chinese companies had significant state involvement. However, democracy, a tradition of entrepreneurship, and a decent legal system have given India the underpinnings necessary for free enterprise to flourish. Although India’s courts are notoriously inefficient, they at least comprise a functioning independent judiciary. Property rights are not fully secure, but the protection of private ownership is certainly far stronger than in China. The rule of law, a legacy of British rule, generally prevails. These traditions and institutions have proved an excellent springboard for the emergence and evolution of India’s capital markets. Distortions are still commonplace, but the stock and bond markets generally allow firms with solid prospects and reputations to obtain the capital they need to grow.

The advent of an investor class, coupled with the fact that capital providers, such as development banks, are themselves increasingly subject to market forces, has only bolstered the efficiency and credibility of India’s markets. Apart from providing the regulatory framework, the Indian government has taken a back seat to the private sector.

In China, by contrast, bureaucrats remain the gatekeepers, tightly controlling capital allocation and severely restricting the ability of private companies to obtain stock market listings and access the money they need to grow. Indeed, Beijing has used the financial markets mainly as a way of keeping the SOEs afloat. These policies have produced enormous distortions while preventing China’s markets from gaining depth and maturity. Compounding the problem are poor corporate governance and the absence of an independent judiciary.

India’s economic reforms only began in earnest in 1991, more than a decade after China began liberalizing, so there is a gap in the GDP and other benchmarks is still so wide even when India has so clearly surpassed China. In addition to the late start, India has had to make do with a national savings rate half that of China’s and 90 percent less FDI. Moreover, India is a sprawling, messy democracy driven by ethnic and religious tensions, and it had a longstanding, volatile dispute with Pakistan over Kashmir.

China, on the other hand, has enjoyed two decades of relative tranquility; apart from Tiananmen Square, it has been able to focus almost exclusively on economic development. India’s annual growth rate is only around 20 percent lower than China’s, a remarkable achievement. The speed with which India is catching up is due to its own efficient deployment of capital and China’s inefficiency, symbolized by all the money that has been frittered away on SOEs. Moreover, China’s misallocation of resources is likely to become a big drain on the economy in the years ahead.

Until now, the Indian diasporas have accounted for less than 10 percent of the foreign money flowing to India. With the welcome mat now laid out, direct investment from nonresident Indians is likely to increase. Moreover, while the Indian diasporas may not be able to match the Chinese diasporas as “hard” capital goes, Indians abroad have substantially more intellectual capital to contribute, which could prove even more valuable. The Indian Diaspora has famously distinguished itself in knowledge-based industries, (e.g., Silicon Valley).

Today, India is brightening prospects, as well as the changing the attitudes of those who have gone abroad. The country is luring many nonresident Indian engineers and scientists home. With the help of its diasporas, China has won the race to be the world’s factory. With the help of its diasporas, India could become the world’s new technology hub.
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