



*COMPARATIVE
DEVELOPMENT EXPERIENCES OF
INDIA AND ITS NEIGHBOURS*

Geography has made us neighbours. History has made us friends. Economics has made us partners, and necessity has made us allies. Those whom God has so joined together, let no man put asunder.



nations have been primarily trying to adopt various means which will strengthen their own domestic economies.

To this effect, they are forming regional and global economic groupings such as the SAARC, European Union, ASEAN, G-8, G-20 etc.





South
Asian
Association for
Regional
Cooperation

In the unfolding process of globalisation, this is particularly considered essential by developing countries as they face competition not only from developed nations but also amongst themselves in the relatively limited economic space enjoyed by the developing world.





**SUPER
STOCK**

In this chapter we will compare the developmental strategies pursued by **India** and the largest two of its neighbouring economies—**Pakistan** and **China**

bhphoto.com



lets look into the developmental path of these
three countries



DEVELOPMENTAL PATH— A SNAPSHOT VIEW

While India and Pakistan became independent nations in 1947,

People's Republic of China was established in 1949.



“these new and revolutionary changes in China and India, even though they differ in content, symbolise the new spirit of Asia and new vitality which is Finding expression in the countries in Asia.”

Jawaharlal Nehru





*All the three countries
had started planning
their developmental
strategies in similar
ways*

□ India announced its first Five Year Plan for 1951-56

□ Pakistan announced its first five year plan, called, the Medium Term Plan, in 1956.

□ China announced its First Five Year Plan in 1953.



Till 1998, Pakistan had eight five year plans whereas China's tenth five year period is 2001-06. The current planning in India is based on Tenth Five Year Plan (2002-07).



➤ India and Pakistan adopted similar strategies such as creating a large public sector and raising public expenditure on social development.

➤ *Till the 1980s, all the three countries had similar growth rates and per capita incomes.*

CHINA

After the establishment of People's Republic of China under one party rule, all the critical sectors of the economy, enterprises and lands owned and operated by individuals were brought under government control.





The Great Leap Forward (GLF) campaign initiated in 1958 aimed at industrializing the country on a massive scale.



In rural areas, communes were started. Under the Commune system, people collectively cultivated lands. In 1958, there were 26,000 communes covering almost all the farm population.

THEN

GLF campaign met with many problems.





COMUNES

- ***A severe drought caused havoc in China killing about 30 million people.***
- ***When Russia had conflicts with China, it withdrew its professionals who had earlier been sent to China to help in the industrialisation process.***



In 1965, Mao introduced the Great Proletarian Cultural Revolution (1966-76) under which students and professionals were sent to work and learn from the countryside.





MAO



coll. SRL

第一个五年计划的基本任务，根据毛泽东同志在《论十大关系》中提出的主要任务，集中主要力量进行以苏联帮助我国设计的一五六个建设单位为为中心的，由限额以上的六九四个建设单位组成的工业建设，建立我国的社会主义工业化的初步基础，同时部分集体所有制的农业生产合作社，发展手工业合作社，建立对于农业和手工业的社会主义改造的初步基础，基本上把资本主义工商业分别地纳入各种形式的国家资本主义的轨道，建立对于私营工商业的社会主义改造的基础。

（摘自《毛泽东同志在中央政治局扩大会议上的讲话——一九五五年七月》）

China's Great Proletarian Cultural Revolution

*Master Narratives and
Post-Mao Counterpartism*



Edited by
Wen-Li Chen



Waco Social Change

China introduced reforms in phases. In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors.



Agriculture

¥ Commune lands were divided into small plots which were allocated (for use not ownership) to individual households.

¥ They were allowed to keep all income from the land after paying stipulated taxes.

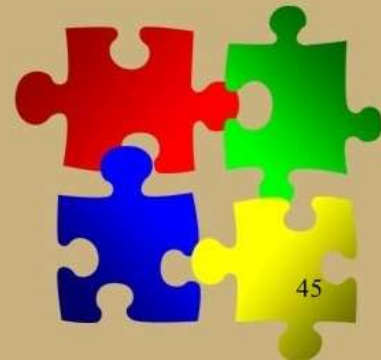


The reform process also involved dual pricing.

This means fixing the prices in two ways;

farmers and industrial units were required to buy and sell fixed quantities of inputs and outputs on the basis of prices fixed by the government and the rest were purchased and sold at market prices.

*Over the years, as production increased, the proportion of goods or inputs transacted in the market was also increased. In order to attract foreign investors, **special economic zones** were set up.*



Pakistan

o *Pakistan also follows the mixed economy model with co-existence of public and private sectors.*

In the late 1950s and 1960s, Pakistan introduced a variety of regulated policy framework for import substitution industrialisation)

IT COMBAINED

o *tariff protection for manufacturing of consumer goods together with direct import controls on competing imports.*



*The introduction of **Green Revolution** led to mechanisation and increase in public investment in infrastructure in select areas, which finally led to a rise in the production of food grains. This changed the agrarian structure dramatically.*

In the 1970s, nationalisation of capital goods industries took place.



Pakistan then shifted its policy orientation in the late 1970s and 1980s when the major thrust areas were **de-nationalisation** and encouragement to private sector.

During this period, Pakistan also received financial support from western nations and remittances from continuously.



EGLUG

گٹھ جو ایسٹبلیشمنٹ



DEMOGRAPHIC INDICATORS

- *Out of every six persons living in this world, one is an Indian and another Chinese.*
- *The population of Pakistan is very small and accounts for roughly about one-tenth of China or India.*
- *China is the largest nation and geographically occupies the largest area among the three nations*

Select Demographic Indicators, 2000-01

Country	Estimated Population (in millions)	Annual Growth of Population (1990-2003)	Density (per sq. km)	Sex Ratio	Fertility Rate	Urbanisation
India	1103.6	1.7	358	933	3.0	27.8
China	1303.7	1.0	138	937(*)	1.8	36.1
Pakistan	162.4	2.5	193	922	5.1	33.4

Note: (*) data exclude population of Hong Kong, Macao and Taiwan Provinces.

20172 2017

	population
india	1311
china	1371
pak	188

GROSS DOMESTIC PRODUCT AND SECTORS

- o **China has the second largest GDP (PPP) of \$7.2 trillion**
- o **India's GDP (PPP) is \$3.3 trillion**
- o **Pakistan's GDP is roughly about 10 per cent of India's GDP.**

Growth of Gross Domestic Product (%)

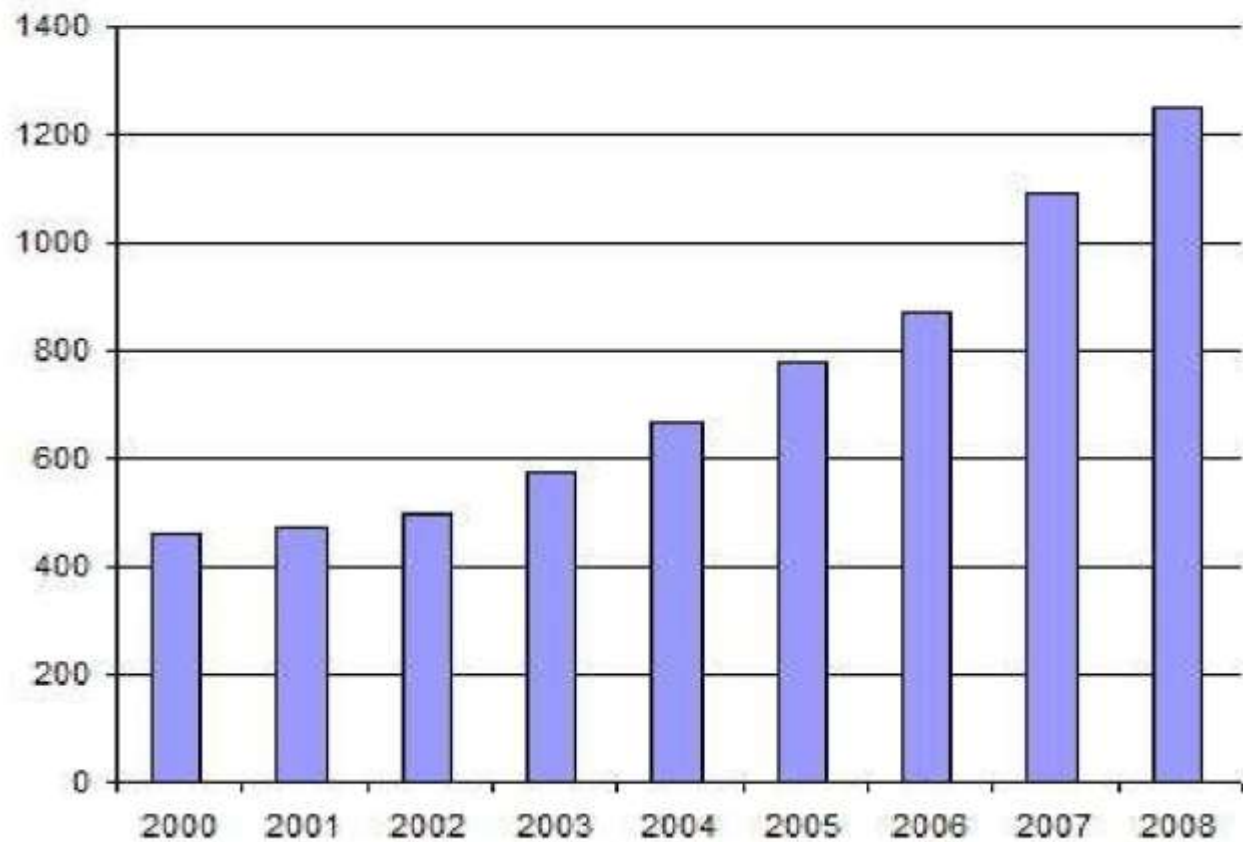
Country	1980-90	1990-2002/3
India	5.7	5.8
China	10.3	9.7
Pakistan	6.3	3.6

7,9%

4%

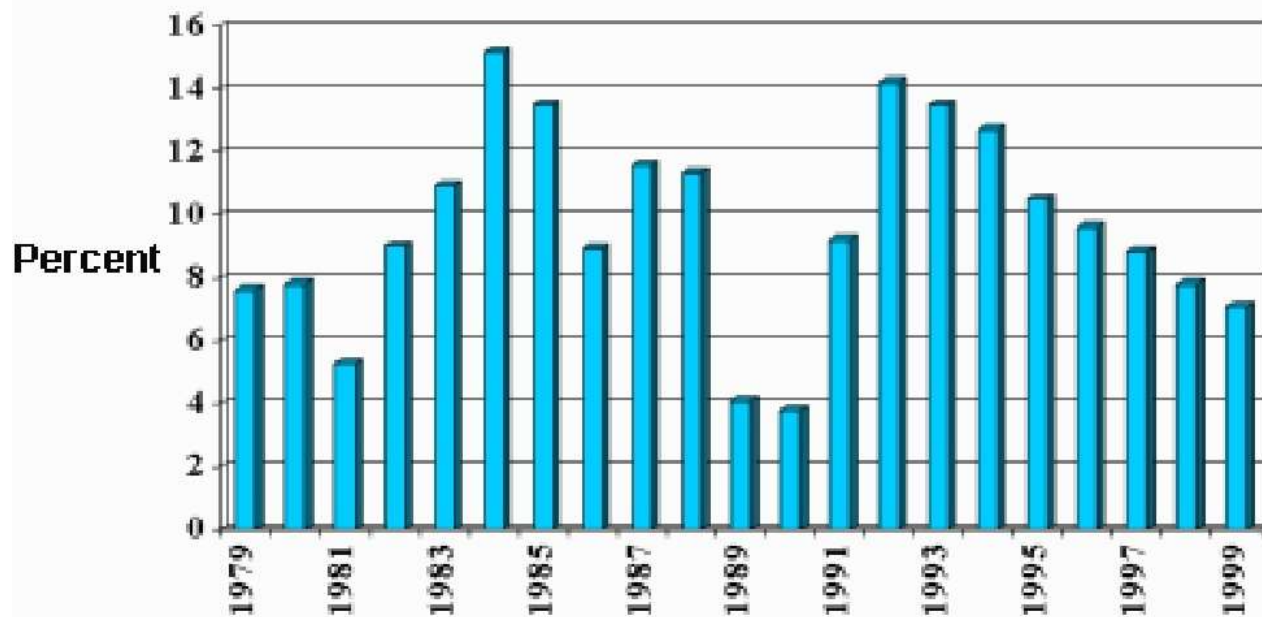
6,7%

India GDP, BLN by year



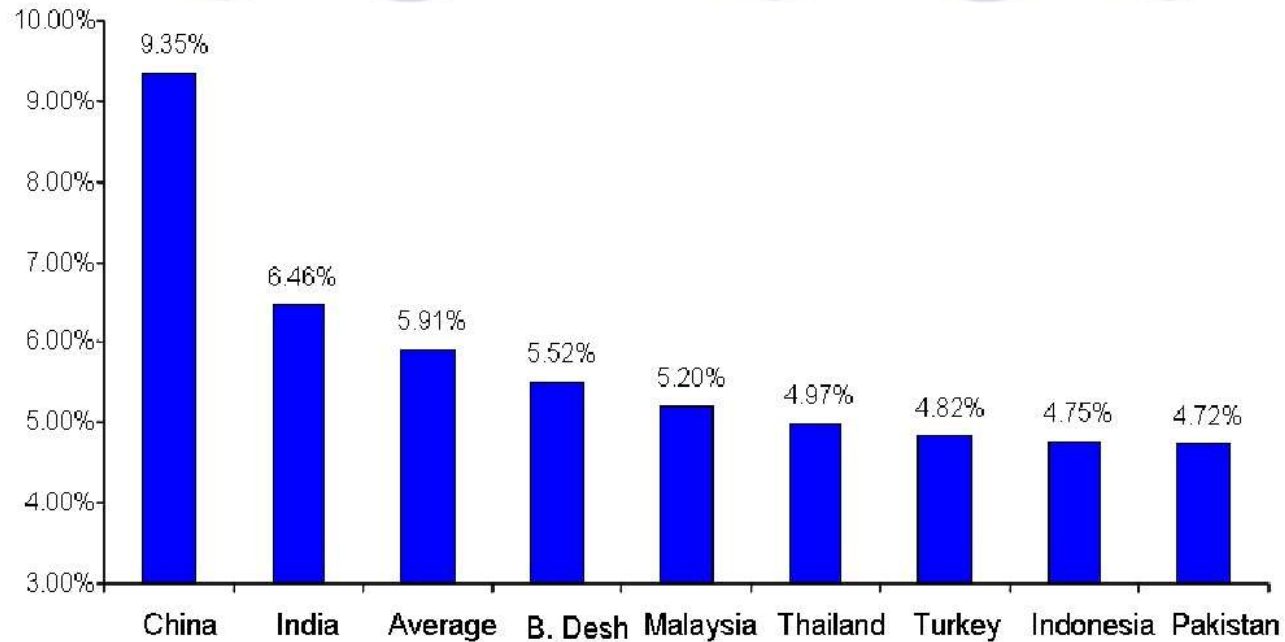
China's economy has grown at an impressive rate since the "reform and opening" policy began in 1978

CHINA'S GDP GROWTH RATE



SOURCE: CHINA STATISTICAL YEARBOOK, 1999

Pakistan versus Asia and Developing Countries Real GDP Growth on Purchasing Power Parity Basis (1999-2005)




Source: World Bank Development Indicators released on April 15, 2007

56

Average = Average for all low income countries

in the 1980s Pakistan was ahead of India; China was having double-digit growth and India was at the bottom. In the 1990s, there is a marginal decline in India and China's growth rates whereas Pakistan met with drastic decline at 3.6 per cent.



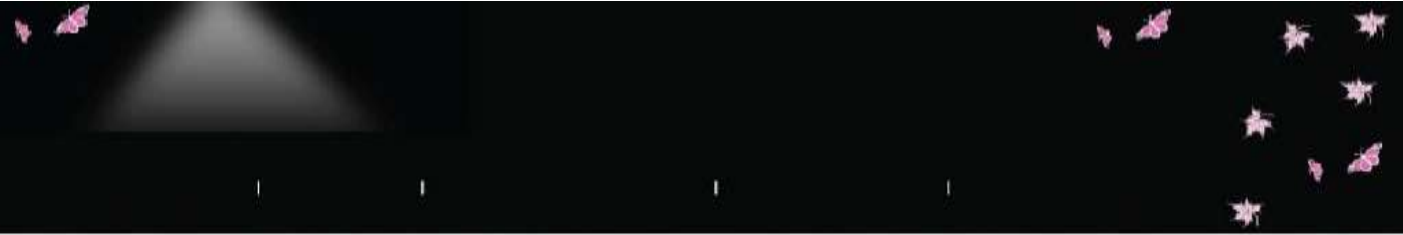
Some scholars hold the reform processes introduced in 1988 in Pakistan and political instability as the reason behind this trend.

In China, due to topographic and climatic conditions, the area suitable for cultivation is relatively small — only about 10 per cent of its total land area. The total cultivable area in China accounts for 40 per cent of the cultivable area in India.

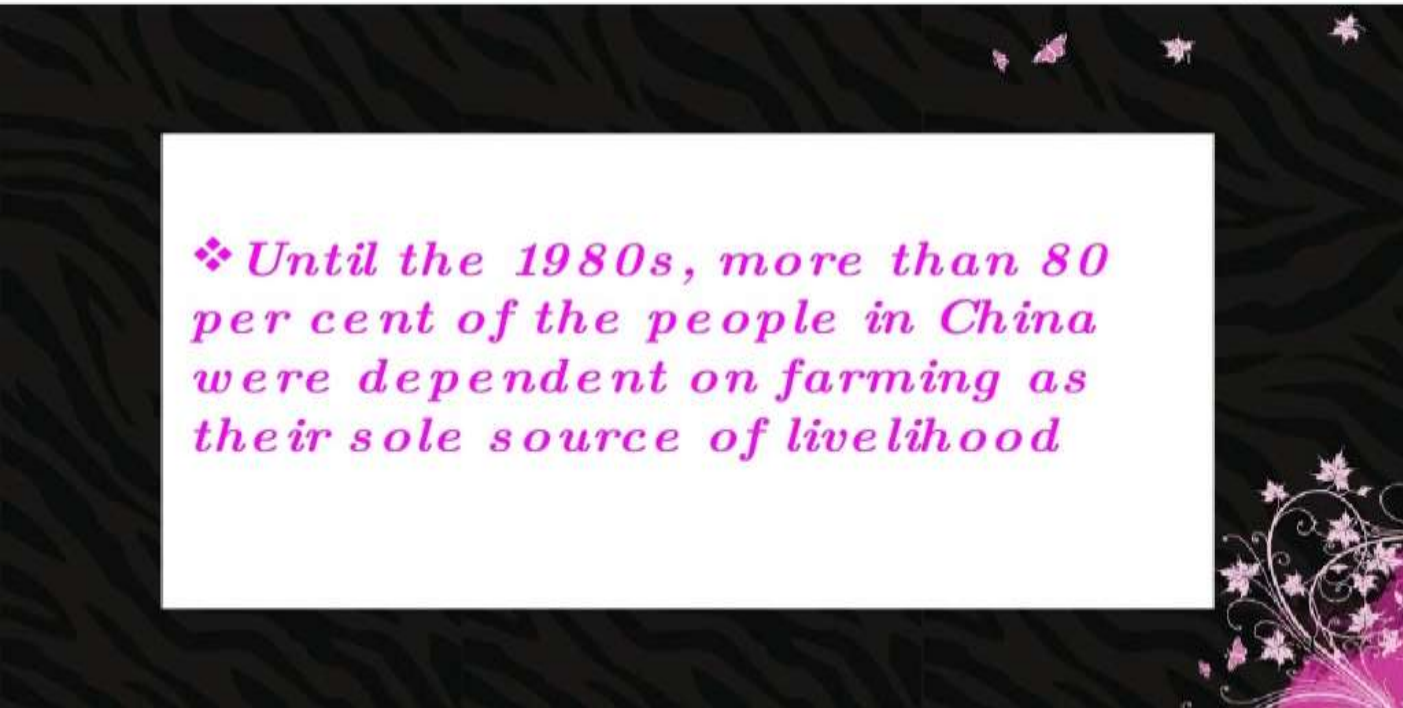
bhphoto.com



Fig. 10.2 Land use and agriculture in India, China and Pakistan



❖ Until the 1980s, more than 80 per cent of the people in China were dependent on farming as their sole source of livelihood





In both India and Pakistan, the contribution of agriculture to GDP is the same, at 23 per cent, but the proportion of workforce that works in this sector is more in India

In Pakistan, about 49 per cent of people work in agriculture whereas in India it is 60 per cent

Sectoral Share of Employment and GDP (%)

Sector	Contribution to GDP (2003)			Distribution of Workforce		
	India	China	Pakistan	India (2000)	China (1997)	Pakistan (2000)
Agriculture	23	15	23	60	54	49
Industry	26	53	23	16	27	18
Service	51	32	54	24	19	37
Total	100	100	100	100	100	100

The sectoral share of output and employment also shows that in all the three economies, the industry and service sectors have less proportion of workforce but contribute more in terms of output.



Manufacturing contributes the highest to GDP at 53 per cent whereas in India and Pakistan, it is the service sector which contributes the highest.

Background design
by skMEDA.com

In both these countries, service sector accounts for more than 50 per cent of GDP.



¥In the normal course of development, countries first shift their employment and output from agriculture to manufacturing and then to services.

¥The proportion of workforce engaged in manufacturing in India and Pakistan were low at 16 and 18 per cent respectively.



¥The contribution of industries to GDP is also just equal to or marginally higher than the output from agriculture.

¥In India and Pakistan, the shift is taking place directly to the service sector

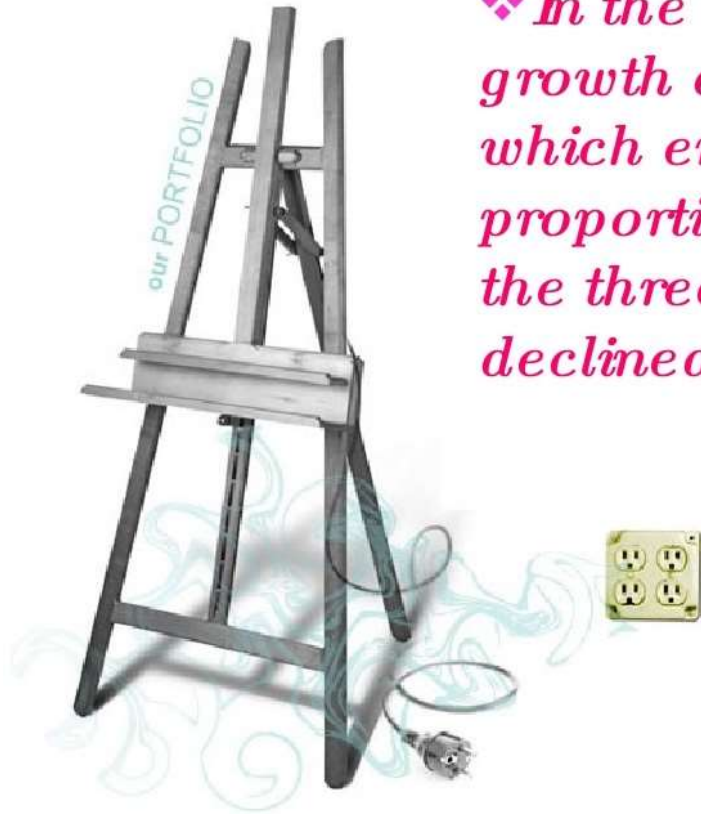
Trends in Output Growth
in Different Sectors,
1980-2003

Country	1980-90			1990-2002/03		
	Agriculture	Industry	Service	Agriculture	Industry	Service
India	3.1	7.4	6.9	2.7	6.6	7.9
China	5.9	10.8	13.5	3.9	11.8	8.8
Pakistan	4	7.7	6.8	3.7	3.9	4.3

*Thus, in both India and Pakistan,
the service sector is emerging as a
major player of development.*

*It contributes more to GDP and, at the
same time, emerges as a prospective
employer.*

*If we look at the proportion
of workforce in the 1980s, Pakistan
was faster in shifting its workforce to
service sector than India and China.*



❖ *In the last two decades, the growth of agriculture sector, which employs the largest proportion of workforce in all the three countries, has declined.*

❖ *In the industrial sector, China has maintained a double-digit growth rate whereas for India and Pakistan growth rate has declined.*

❖ *China's growth is mainly contributed by the manufacturing sector and India's growth by service sector*



INDICATORS OF HUMAN DEVELOPMENT

*Let us look how India, China and
Pakistan have performed in some of
the select indicators of human
development.*




Some Select Indicators of Human Development, 2003


<i>Items</i>	<i>India</i>	<i>China</i>	<i>Pakistan</i>
Human Development Index (Value)	0.602	0.755	0.527
Rank	127	85	135
Life expectancy at birth (Years)	63.3	71.6	63.0
Adult literacy rate (% aged 15 and above)	61.0	90.9	48.7
GDP per capita (PPP US\$)	2,892	5,003	2,097
People below poverty line	34.7	16.6	13.4
Infant Mortality Rate	63	30	81
Maternal Mortality Rate	540	56	500
Population with sustainable access to improved sanitation (%)	30	44	54
Population with sustainable access to an improved water source (%)	86	77	90
Population undernourished (% of total)	21	11	20

Source: Human Development Report 2005

China is moving ahead of India and Pakistan. This is true for many indicators - income indicator such as GDP per capita, or proportion of population below poverty line or health indicators such as mortality rates, access to sanitation, literacy, life expectancy or malnourishment.



Pakistan is ahead of India in reducing proportion of people below the poverty line and also its performance in education, sanitation and access to water is better than India. But neither of these two countries have been able to save women from maternal mortality.





Surprisingly India and Pakistan are ahead of China in providing improved water sources.

Some obvious 'liberty indicators' like measures of 'the extent of Constitutional protection given to rights of citizens' or 'the extent of constitutional protection of the Independence of the Judiciary and the Rule of Law' have not even been introduced so far.





DEVELOPMENT STRATEGIES — AN APPRAISAL



It is common to find developmental strategies of a country as a model to others for lessons and guidance for their own development.



Without including these (and perhaps some more) and giving them overriding importance in the list, the construction of a human development index may be said to be incomplete and its usefulness limited.



In order to learn from economic performance of our neighbouring countries, it is necessary to have an understanding of the roots of their successes and failures.

- ✓ reforms were initiated in China in 1978,
- ✓ reforms were initiated in Pakistan in 1988
- ✓ reforms were initiated in India in 1991

- *China did not have any compulsion to introduce reforms as dictated by the World Bank and International Monetary Fund to India and Pakistan.*
- *The new leadership at that time in China was not happy with the slow pace of growth and lack of modernisation in the Chinese economy under the Maoist rule.*

□ *They felt that Maoist vision of economic development based on decentralization, self sufficiency and shunning of foreign technology, goods and capital had failed. Despite extensive land reforms, collectivisation, the Great Leap Forward and other initiatives, the per capita grain output in 1978 was the same as it was in the mid-1950s.*

It was found that establishment of infrastructure in the areas of education and health, land reforms, long existence of decentralised planning and existence of small enterprises had helped positively in improving the social and income indicators in the post reform period.

Experts also point out that each reform measure was first implemented at a smaller level and then extended on a massive scale.

The experimentation under decentralised government enabled to assess the economic, social and political costs of success or failure.




Though the data on international poverty line for Pakistan is quite healthy, scholars using the official data of Pakistan indicate rising poverty there. The proportion of poor in 1960s was more than 40 per cent which declined to 25 per cent in 1980s and started rising again in 1990s. The reasons for the slow-down of growth and re-emergence of poverty in Pakistan's economy, as scholars put it, are (i) agricultural growth and food supply situation were based not on an institutionalised process of technical change but on good harvest.



When there was a good harvest, the economy was in good condition, when it was not, the economic indicators showed stagnation or negative trends .



A photograph of Indian Prime Minister Narendra Modi and Chinese President Xi Jinping shaking hands. They are standing in front of a backdrop of several national flags, including the Indian tricolor, the European Union flag, and the Chinese national flag. Both leaders are dressed in dark suits. The text is overlaid on the image in a light blue color.

India, with democratic institutions, performed moderately, but the majority of its people still depend on agriculture. Infrastructure is lacking in many parts of the country. It is yet to raise the Standard of living of more than one-fourth of its population that lives below the poverty line.

On the other hand, the lack of political freedom and its implications in China are the major concern in the last two decades. The country used the market system without losing political commitment and succeeded in raising the level of growth along with poverty alleviation. China used the market mechanism to create additional social and economic opportunities. The country has also ensured social security in the rural areas by retaining collective farming known as Commune System. Public intervention in social infrastructure prior to the introduction of the economic reforms has brought positive results in the human development indicators of China.

Conclusion: India & Pakistan

A. India-India performed moderately as is clear from

a. A majority of its people still depend on agriculture.

b. Infrastructure is lacking in many parts of the country.

c. It is yet to raise the level of living of more than 22% of its population that lives below the poverty line.

B. Pakistan-Pakistan has performed poorly. The reasons for the slowdown of growth and re-emergence of poverty in Pakistan's economy are:

(i) Political instability.

(ii) Volatile performance of agriculture sector.

(iii) Over dependence on remittances.

(iv) Growing dependence on foreign loans on the one hand and increasing difficulty in paying back the loans on the other.



