

## Chapter - 8

### DEVELOPMENT EXPERIENCE INDIA & NEIGHBOURS

- ✚ We already know that Globalization has impacted the economies of different countries across the world and India is no exception.
- ✚ There is also an increasing eagerness on the parts of various nations to try and understand the developmental processes followed by other countries and their neighbours.
- ✚ It allows them to better understand their own strengths and weaknesses vis-à-vis their neighbours.
- ✚ In this chapter we will compare the developmental strategies pursued by India and the largest two of its neighbouring economies—Pakistan and China.

1. **India** (largest democracy of the world)
2. **China**, which has recently started moving towards a more liberal restructuring of its command economy.
3. **Pakistan**, having an authoritarian militarist political power structure.

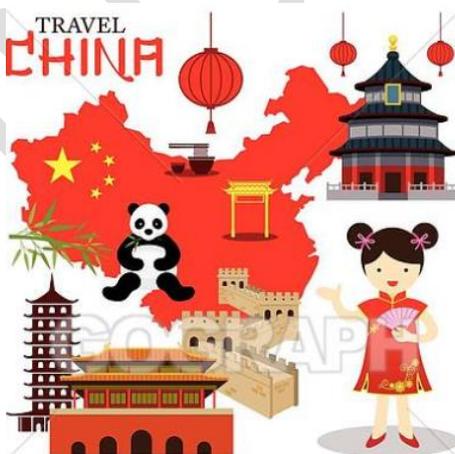


#### Developmental path—a snapshot view

India, Pakistan and China have many similarities in their developmental strategies.

1. India and Pakistan got independence in 1947 and People's Republic of China was established in 1949.
2. All the three countries had started planning their development strategies in similar ways.
3. India announced its first five year plan in 1951, Pakistan announced in 1956 and China in 1953.
4. Till 1980s, all the three countries had similar growth rates and per capita incomes.
5. After 1980s all the three countries have performed differently.
6. India and Pakistan have made slow and irregular progress as compared to China.

## **CHINA**



### **1. Establishment (1949) –**

After the establishment of People's Republic of China (1949) (under one – party rule) all the critical sectors of the economy, enterprises and lands owned and operated by individuals, were brought under government control.

### **2. Economic Planning (1953): -**

China announced its first five year plan in 1953.

### **3. Great Leap Forward (GLF) campaign (1958–60):**

In 1958, a programme named 'The Great Leap Forward (GLF)' campaign was initiated by Mao Zedong in Second Five Year Plan.

### **4. Great proletarian Cultural Revolution (1966–76):**

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

### **5. Economic Reforms Introduced in China (1978):**

China introduced reforms in 2 phases.

- In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors.
- In the later phase, reforms were initiated in the industrial sector.

### **6. Special Economic Zones (SEZ):**

In order to attract foreign investors, special economic zones were set.



**Q1. Explain the Great Leap Forward campaign of China as initiated in 1958. Also, state the problems which GLF campaign met with and its Success.**

**Ans.** The Great Leap Forward (GLF) campaign was initiated in China in 1958, which aimed at industrializing the country on a massive scale.

- People were encouraged to set up industries in their backyards.
- In rural areas, communes were started. In the Commune system, people collectively cultivated lands. In 1958, there were 26,000 communes covering almost all the farm population.

However, GLF campaign met with many problems:

1. A severe drought caused destruction in China killing about 30 million people.
2. Russia had conflicts with China, it withdrew its professionals who had earlier been sent to China to help in the industrialization process.

Success:

- Through the commune system, there was more equitable distribution of food grains.
- Massive extension of basic health services in rural areas.

**Q2. China did not have any compulsion to introduce reforms as dictated by the World Bank and International Monetary Fund to India and Pakistan. Why did China introduce structural reforms in 1978? Also, evaluate the various factors that led to the rapid growth in economic development in China in the post reform period.**

**Ans.** China introduced economic reforms in 1978 because of the following reasons:

1. The new leadership at that time in China was not happy with the slow pace of growth and lack of modernization in the Chinese economy under the Maoist rule. They felt that Maoist vision of economic development based on decentralization, self-sufficiency and avoid of foreign technology, goods and capital had failed.
2. Despite extensive land reforms, the Great Leap Forward (GLF) and other initiatives, per capita grain output in 1978 was the same as it was in the mid-1950s.

**Q3. Explain the strategy used by the CHINA in economics reforms during 1978.**

**Ans.**

1. Initial phase, reforms were initiated in agriculture, foreign trade and investment sectors:

In agriculture, commune lands were divided into small plots which were allocated (only for use and not as ownership) to the individual households.

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

2. Later phase, reforms were initiated in the industrial sector:

Private Sector firms and township and village enterprises (enterprises which were owned and opened and operated by local collectives) were allowed to produce goods.

Enterprises owned by government (known as State owned Enterprises or soes), were made to face competition.

3. Dual Pricing in the Reforms Process:

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, For other transactions, the rest were purchased and sold at market prices

4. Social reforms in China used the market system without losing political commitment and succeeded in raising the level of growth along with alleviation of poverty. Retaining collective ownership of land and allowing individuals to cultivate lands. China has ensured social security in rural areas.

**Q4. Establishment of infrastructure in the areas of education and health, land reforms, long existence of decentralized planning and existence of small enterprises had helped positively in improving the social and income indicators in the post reform period.**

**COMMENT.**

**OR**

**“The present day fast industrial growth in China can be traced back to the reforms introduced in 1978.” COMMENT**

**Ans.** The various factors that led to the rapid growth in economic development in China in the post-reform period were as follows:

1. Land reforms:-

By retaining collective ownership of land and allowing individuals to cultivate lands, China has ensured social security in rural areas.

2. Long existence of decentralized planning: -

It used the market system without losing political commitment and succeeded in raising the level of growth along with alleviation of poverty.

3. Establishment of infrastructure in the areas of education and health.:-

Public investment in social infrastructure brought about positive results in human development indicators in China.

4. Special economy Zone:-

In order to attract foreign investors, special economic zones were set up.

**Strategy**

- ✓ Each reform measure was first implemented at a smaller level and then extended on a massive scale.
- ✓ The experimentation under decentralized government enabled to assess the economic, social and political costs of success or failure.
- ✓ Reforms were made in agriculture (by handing over plots of land to individuals for cultivation), it brought prosperity to a vast number of poor people.

**PAKISTAN**



## Historical Background

Pakistan, officially the Islamic Republic of Pakistan, gained independence on 14 August, 1947.

### Population and Language

It has second largest Muslim population in the world after Indonesia. The national language is Urdu, and English is the official language. Pakistan also started like India...

- 1) **Economic System**- Pakistan follows the mixed economy model with co-existence of public and private sectors.
- 2) **Introduction of economic Policies**- In the late 1950s and 1960s, Pakistan introduced a lot of regulated policy framework for growth of domestic industries.

- High import tariffs were levied to discourage imports and encourage domestic production of consumer goods
- Restrictions on imported goods to avoid competition.

- 3) **Green Revolution**- introduction of Green Revolution and increase in public investment in infrastructure led to a rise in the production of food-grains. There was a positive impact on the agriculture sector.

4) **Higher Importance to Private Sector in late 1970s**- In the late 1970s, there was a shift in the government policy, when it adopted the policy of denationalization. Government encouraged the private sector and also offered various incentives to them.

Financial Support during late 1970:-

- Pakistan received financial support from western nations.
- Remittances from emigrants to the Middle –east.

This helped the country in stimulating economic growth.

5) **To bring Economic Reforms**- In 1988, reforms were begin in the country.



**Q1. Describe the path of developmental initiatives taken by Pakistan for its economic development.**

**Ans.** Development initiatives taken by Pakistan:

1. In the late 1950s and 1960s, Pakistan introduced a variety of regulated policy framework (for import substitution-based industrialisation). The policy combined tariff protection and direct-import controls.
2. The introduction of Green Revolution led to mechanisation and increase in public investment in infrastructure, which led to a rise in the production of food grains.
3. In the 1970s, nationalisation of capital goods industries took place.
4. Pakistan then shifted its policy orientation in the late 1970s and 1980s when the major thrust areas were denationalisation and encouragement of private sector.
5. During this period, Pakistan received financial support from western nations and remittances from Pakistani workers in the middle-east. This helped the country in stimulating economic growth. The government also offered incentives to the private sector. All this created a conducive climate for new investments.
6. In 1988, economic reforms were initiated in Pakistan.

**Q2. In Pakistan the reform process led to worsening of all the economic indicators. However, during the last few years, Pakistan has recovered its economic growth and has been sustaining." Defend or refute the above statement.**

**Ans.** The given statement is correct.

1. Declining growth rate –

The reform process introduced in Pakistan led to declining growth rate in Pakistan.

2. Re-emergence of poverty –

The proportion of poor in 1980s was 25 per cent, which started rising again during 1990s.

The reasons for the slow-down of growth and re-emergence of poverty in Pakistan-

1. Unstable performance of agriculture sector –

Agricultural growth and food supply situation were based not on an institutionalized 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.

2. Over-dependence on remittances and foreign aid –

In Pakistan most foreign exchange earnings came from remittances from Pakistani workers in the middle-east and the exports of highly volatile agricultural products. There was also growing dependence on foreign loans, and increasing difficulty in paying back the loans.

3. Political instability over a long period of time-

However, during the last few years, Pakistan has recovered its economic growth. In 2015-16, the GDP registered a growth of 4.7 per cent, highest when compared to the previous eight years.

## **COMPARATIVE STUDY – INDIA, CHINA AND PAKISTAN**

### **❖ Demographic Indicators**

#### **1. Population:**

- China is the most populous country in the world with 1,303.7 million people
- India is the second most populated country with 1,103.6 million people.
- Pakistan is very less (162.4 million people)

#### **2. Growth rate of Population:**

- China annual growth rate of population is the lowest (1 per cent)
- India (1.7 per cent)
- Pakistan (2.5 per cent).

- Reason for the low growth of population in China: - is the 'One – Child policy' introduced in the late 1970s.
- However, this policy has some other implications also. For instance, after a few decades, there will be more elderly people in proportion to young people in China. This led China to allow couples to have two children.

**GDP growth rate is considered as the single most important indicator of an economy during the period.**

1. China GDP 7.2 dollar trillion.
2. India's GDP is 3.3 dollar trillion
3. Pakistan's GDP is 0.94 trillion

### **CONCLUSIONS**

- China was having double –digit growth of 10.3 % for one decade but fall in 2015–17 to 6.8
- Pakistan met with a drastic decline in growth rate from 6.3 % to 5.3 % due to reform processes introduced in 1988 and political instability.
- India recorded a moderate increase from 5.7 % to 7.3 per cent.

### **Annual Growth of Gross Domestic Product (%), 1980–2017**

India	5.7	7.3
China	10.3	6.8
Pakistan	6.3	5.3

### **❖ Agriculture (Primary Sector)**

#### **In China**

- Due to topographic and climatic conditions, the area suitable for cultivation is just 10 %
- Till 1980, more than 80 % of its population was dependent on farming as their sole source of livelihood.
- Since then, the government encouraged people to leave their fields and pursue other activities, such as handicrafts, commerce and transport.

- In 2015–17, with 18 % of its workforce engaged in agriculture, its contribution to the GDP in China is 9 % In India
- The contribution of agriculture to GDP was 17 %. The proportion of workforce engaged in agriculture was 43 %.

#### In Pakistan

- The contribution of agriculture to GDP was 25% but proportion of workforce engaged in agriculture was 42%

#### ❖ **Industry (Secondary Sector)**

##### Contribution to GDP

- Secondary sector contributed the highest to China's GDP at 43 %.
- In India, the share of secondary sector was 26 %.
- In Pakistan, the share of secondary sector 23 %.

##### Proportion of Workforce

- China has been shifting employment and output from agriculture to manufacturing and then to services.
- In India and Pakistan, the shift is taking place directly to the service sector.

#### ❖ **Service (Tertiary Sector)**

##### Contribution to GDP

- India and Pakistan, the service sector is emerging as a major player of development.
- Service sector contributes the highest to their GDP, with contribution of 51 % in case of India and 54 % in Pakistan.
- The contribution of service sector to the GDP in China was 32 per cent.

##### Proportion of Workforce

- Pakistan was faster in shifting its workforce to service sector than India and China.
- The proportion of workforce engaged in service sector in 1980 for India, China and Pakistan were 17 percent, 12 % and 27 per cent.

## CONCLUSIONS

In the last two decades, the contribution of agriculture sector to GDP, 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.

In the case of service sector, India has been able to raise of growth in the 1990s, while-

- China and Pakistan reduced their service sector growth.
- China’s growth is mainly contributed by the manufacturing sector whereas, India’s growth by service sector.

**Human development Index (HDI):** HDI is an important indicator to study the human development. Higher value of HDI shows the higher level of growth and development of a country.

### Income indicator-

- GDP per capita,
- proportion of population below poverty line

### Health indicators -

- Mortality rates,
- Access to sanitation
- Literacy,
- Life Expectancy
- Malnourishment

## CONCLUSIONS

1. Pakistan is ahead of India in reducing proportion of people below the poverty line and also its performance in sanitation.
2. All the three countries report providing improved drinking water sources for most of its population.
3. India has the largest share of poor among the three countries.
4. China is moving ahead of India and Pakistan. This is true for many indicators.



**Q-Mention the salient demographic indicators of China, Pakistan and India.**

**Ans.** Demographic indicators of India, China and Pakistan:

1. Population: The population of China is the highest followed by India. Out of every six persons living in this world, one is an Indian and another a Chinese. The population of Pakistan is very small.

2. Annual growth of population: The population growth is the highest in Pakistan, whereas it is the lowest in China. One Child norm introduced in China in the late 1970s is the major reason for low population growth in China.

3. Child sex ratio: The child sex ratio is low and biased against females in all three countries. Preference for son may be the major reason for this.

4. Amongst the three countries, India has most skewed data sex ratio (929 females per 1,000 males). This is one of the major concerns for the demographers in India.