

# Comparative Development Experience of India with its Neighbours Class 11 Notes Chapter 8 Indian Economic Development

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## Introduction

With the unfolding of the globalisation process, developing countries are keen to understand the developmental processes pursued by their neighbours as they face competition from developed nations as also amongst themselves.

## Foreign Direct

Investment It is much larger compared to India and Pakistan, and a much stronger driver of growth. SEZs (Special Economic Zones) policy of China is of central significance inducing FDI. SEZs are offering robust infrastructural facilities for FDI.

## Demographic Profile

Both for India and China, large size of population is a hindrance in the process of growth, as it requires a huge amount of 'maintenance investment'.

Human Development Some important parameters of human development are as these

- Life expectancy-higher the better.
- Adult literacy rate-higher the better.
- Infant mortality rate-lower the better.
- Maternal mortality rate-lower the better.
- Percentage of population having access to improved water sources-higher the better.
- Percentage of undernourished population-lower the better.

With a view to accelerating the pace of growth, different countries are forming regional and global economic grouping based on common agreements of bilateral relations. e.g., SAARC, EU, ASEAN, G-8, G-20.

Common Success Story of India and Pakistan

- A substantial rise in GDP per capita.
- Self-sufficiency in food production.
- Dualistic nature of the economy is gradually declining.
- Considerable reduction in the incidence of poverty.

Common Failures of India and Pakistan

- Relatively slow pace of GDP growth, compared with China.
- Poor performance in HDI ranking.
- Dismal Fiscal management.
- Political survival of a dominating issue rather than good governance.

Sex Ratio Sex ratio is found to be low in all three countries pointing to social backwardness, where people hold high preference for a son in the family.

This chapter will not be examined. Open Text Based Assessment (OTBA) will be based on this chapter.

Nations are also eager to know and understand about the developmental process pursued by their neighbouring nations. It allows them to comprehend their strengths and weaknesses. In the process of globalisation, it is essential for every nation to compete with developed countries.

In this chapter, we are comparing the developmental strategies pursued by India with its neighbouring economies-Pakistan and China. This will help in understanding where do we stand today in comparison to others.

### **Development Strategies of India, China and Pakistan**

India, China, Pakistan have many similarities in their development strategies which are as follows

- India, Pakistan and China have started towards their developmental path at the same time. India and Pakistan became independent nations in 1947. While Peoples Republic of China was established in 1949.
- All the three countries had started planning their development strategies in similar ways. India announced its Five Year Plan in 1951-56, while ' Pakistan announced its first Five Year Plan in 1956, which is called Medium Term plan. China announced its First Five Year Plan in 1953.
- 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.
- Economic reforms took place in all the three countries. Reforms started in India in 1991, in China in 1978 and in Pakistan in 1988.

### **Development Strategies of India**

Some of the prominent strategies of India are discussed below

1. Sound Trade System India was a country which had the history of closed trade. Because of this historical background; there is a critical challenge for India in order to make a new policy which can support the new open trade system. This new reform in economies of India has been introduced and accelerates the economic growth of India.
2. Reduction in Poverty India has adopted several poverty alleviation programmes to reduce poverty in India. -This would help in increasing per capita income, rise in nutrition level of poors and there is a subsequent fall in percentage of absolute poor in some states.
3. Rural Development Under this strategy, India adopted various measures for the development of areas that are lagging behind in the overall development of village economy.

4. **Employment Generation** Several economic reforms were initiated to generate employment in the country and their aim is to provide gainful self-employment and skilled wage employment opportunities.

### **Development Strategies of 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.

Certain development strategies of China are discussed below

- **Great Leap Forward (GLF)** This campaign initiated in 1958 aimed at industrialising the country on a massive scale. People were encouraged to set up industries in their backyards. In rural areas, communes were started. Under the commune system, people collectively cultivated lands.
- **Great Proletarian Cultural Revolution (1966-76)** In 1965, Mao Tse Tung started a cultural revolution on a large scale. In this revolution, students and professionals were sent to work and learn from the country side. Unlike GLF, the cultural revolution did not have an explicit economic rationale.
- **1978 Reforms** Since 1978, China began to introduce many reforms in phases. The reforms were initiated in agriculture, foreign trade and investment sector. In agriculture, lands were divided into small plots which were allocated to individual households. They were allowed to keep all income from the land after paying taxes. In later phase, reforms were initiated in industrial sector. All enterprises which were owned and operated by local collectives in particular, were allowed to produce goods.

At this stage, enterprises owned by government (known as State Board Enterprises – SOEs), in India we call them public sector enterprises were made to face competition. In reform, prices were fixed in two ways, i.e., 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 also increased. The goal of Chinese economic reforms was to generate sufficient surplus to finance the modernisation of the mainland Chinese economy. In order to attract foreign investors, Special Economic Zones (SEZs) were set up.

### **Development Strategies of Pakistan**

The development strategies of Pakistan are summarised below

- **Mixed Economy** Pakistan follows a mixed economy system where both public and private sectors co-existed.
- **Import Substitution** Pakistan adopted a regulatory policy framework in the late 1950s and 1960s for import industrialisation. The -policy combined tariff protection for manufacturing of consumer goods together with direct import controls on competing imports.

- **Green Revolution** This was introduced to increase the productivity and self sufficiency in food. This increased the output of foodgrains. This had changed the agrarian structure dramatically. In 1970's nationalisation of capital goods took place. Pakistan shifted its policy orientation in 1970's and 1980's when private sector got encouragement.

During this period, Pakistan received financial support from Western. This helped the country in stimulating economic growth. Government also offered incentives to private sector. This had a created climate for new investments. And in 1988 certain reforms were also initiated in the country.

### **Success and Failure of Strategies**

The development strategies brought structural reforms in China, India and Pakistan. Follow the description of their success and failure one by one.

#### **Success of Structural Reforms in China**

The success of structural reforms in China are

- There was existence of infrastructure in the areas of education and health and land reforms.
- There was decentralised planning and existence of small enterprise.
- Through the commune system, there was more equitable distribution of foodgrains.
- There was extension of basic health services in rural areas.

#### **Failures of Structural Reforms in China**

The failures of structural reforms in China are

- There was slow pace of growth and lack of modernisation in the Chinese economy under the Maoist rule.
- Maoist vision of economic development based on decentralisation, self sufficiency and shunning of foreign technology had failed.
- Despite of extensive land reforms, collectivisation, the great leap forward and other initiatives, the per capita gain output in 1978 was the same as it was in the mid-1950s.

#### **China has an Edge Over India**

The Chinese reform process began more comprehensively during the 80s, when India was in the mid-stream of slow growth process.

Rural poverty in China declined by 85% during the period 1978 to 1989. In India, it declined only by 50% during this period, Global exposure of the economy has been far more wider in China than in India. China's export-driven manufacturing has recorded on exponential growth, while India continues to be only a marginal player in the international markets.

#### **Common Success of Structural Reforms in India and Pakistan**

The common success of structural reforms in India and Pakistan are

- Both India and Pakistan have succeeded in more than doubling their per capita incomes inspite of high growth rate of population.
- The incidence of poverty has also been reduced significantly. However, the level of poverty is lower in Pakistan.
- Both the countries have achieved self-sufficiency in the production of food.
- Both the countries have succeeded in developing their service and industry sectors at a fast rate.
- The use of modern technology is improving in both the countries.

### **Common Failures of Structural Reforms in India and Pakistan**

The common failures of structural reforms in India and Pakistan are

- Growth rate of GDP and its sectoral constituents have fallen in 1990's.
- Poverty and unemployment are still areas of major concerns in both the countries.

### **Areas Where Pakistan has an Edge Over India**

Starting from almost the same level as India, Pakistan has achieved better results with regards to

- Migration of workforce from agriculture to industry,
- Migration of people from rural to urban areas.
- Access to improved water sources.
- Reduction in below poverty line population.

### **Areas where India has an Edge Over Pakistan**

There is little doubt that, in the area of skilled manpower and research and development institutions. India is better placed than Pakistan. Indian scientists excel in the areas of defence technology, space research, electronics and avionics, genetics, telecommunications, etc. The number of Ph.Ds produced by India in science and engineering every year (about 5000) is higher than the entire stock of Ph.Ds in Pakistan. Issues of health facilities in general and infant mortality in particular are better addressed in India.

### **Comparative Study**

With Respect to Demographic Indicators, GDP and HDI .

#### **I. Demographic Indicators**

We shall compare some demographic indicators of India, China and Pakistan

- The population of Pakistan is very small and accounts for roughly about one-tenth of China or India. Though China is the largest nation and geographically occupies the largest area among the three nations, its density is the lowest.
- One child norm was introduced in China in late 1970's to check the problem of population growth. This measure led to decline in the sex ratio. Although sex ratio is biased against females in all three countries, in recent times, all three countries are trying to adopt various measures to improve the situation.  
After few decades there will be more elderly people in proportion to young people due to one child norm.

- The fertility rate is low in China and very high in Pakistan.
- Urbanisation is high in both Pakistan and China.

**Select Demographic Indicators, 2010**

Country	Estimated Population (in million)	Annual Growth of Population (2001–2010)	Density (per sq. km)	Sex Ratio (out of 100 persons)	Fertility Rate	Urbanisation
India	1170	1.34	394	48.4	2.7	30.1
China	1338	0.50	144	48.1	1.6	45
Pakistan	174	1.80	225	49.2	3.5	37

Source World Development Indicators [www.worldbank.org](http://www.worldbank.org)

## II. Gross Domestic Product and Sectors

According to the latest data available, we find

(i) China has the second largest GDP (PPP) of US\$ 10.1 trillion whereas, India's GDP (PPP) is US \$ 4.2 trillion and Pakistan's GDP (PPP) is 0.47 trillion US\$; roughly about 10% of India's GDP.

(ii) In 1980's, Pakistan was ahead of India, China was having double digit growth and India was at the bottom.

### Growth of Gross Domestic Product (%) 2000–10

Country	1980–90	2000–2010
India	5.7	7.4
China	10.3	10.3
Pakistan	6.3	4.7

Source Key indicators for Asia and Pacific 2011, Asian Development Bank, Philippines

(iii) In 2000-10 there is a marginal decline in India and China's growth rates whereas Pakistan met with drastic decline in 4.7%. The reform processes introduced in 1988 in Pakistan and political instability are reasons behind this trend.

(iv) China and Pakistan have more proportion of urban people than India.

(v) In China, due to topographic and climatic conditions, the area suitable for cultivation is relatively small-only about 10% of its total land area. The total cultivable area in China accounts for 40% of the cultivable area in India.

(vi) Until the 1980s, more than 80% of the people in China were dependent on farming as their sole source of livelihood.

(vii) The government encouraged people to leave their fields and pursue other activities such as handicrafts, commerce and transport.

(viii) In 2008, with 40% of its workforce engaged in agriculture, its contribution to GDP in China is 10%.



### Sectoral Share of Employment and GDP (%) 2008-10

Sector	Contribution to GDP			Distribution of Workforce		
	India	China	Pakistan	India	China	Pakistan
Agriculture	19	10	21	56	40	45
Industry	26	47	25	19	27	20
Service	55	43	54	25	33	35
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

(ix) In both India and Pakistan, the contribution of agriculture to GDP was at 19 and 21% respectively. But the proportion of workforce that works in this sector is more in India. In Pakistan, about 45% of people work in agriculture whereas in India it is 56%.

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

(xi) In China, manufacturing contributes the highest to GDP at 47% whereas in India and Pakistan, it is the service sector which contributes the highest. In both these countries, service sector accounts for more than 50% of GDP. In the normal course of development, countries first shift their employment and output from agriculture to manufacturing and then to services. This is what, is happening in China.

The proportion of workforce engaged in manufacturing in India and Pakistan were low at 49 and 20% respectively.

### Trends in Output Growth in Different Sectors, 1980-2010

Country	1980-90			2009-2010		
	Agriculture	Industry	Service	Agriculture	Industry	Service
India	3.1	7.4	6.9	2.7	12.4	9.4
China	5.9	10.8	13.5	4.3	7.9	9.3
Pakistan	4	7.7	6.8	0.6	8.3	2.9

(xii) 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.

(xiii) 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.

(xiv) In the 1980s India, China and Pakistan employed 17, 12 and 27% of its workforce in the service sector respectively. In 2008-10 it has reached the level of 25, 33 and 35% respectively.

### III. Human Development Indicator

India, China and Pakistan have performed in some of the selected indicators of human development.

Some Selected Indicators of Human Development, 2009-10

### Some Selected Indicators of Human Development, 2009–10

Items	India	China	Pakistan
Human Development Index (Value)	0.547	0.687	0.527
Rank (Based on HDI)	134	101	145
Life expectancy at birth (Years)	65.4	73.5	63.0
Adult literacy rate (% aged 15 and above)	62.8	94	55.5
GDP per capita (PPP US \$)	3296	6828	2609
People below poverty line (%) (2004–06)	37.2	2.8	22.3
Infant mortality rate (Per 1000 live births)	66	19	87
Maternal mortality rate (Per 1 lakh births)	230	38	260
Population with sustainable access to improved sanitation (%)	52	92	32
Population with sustainable access to an improved water source (%)	88	97	93
Percentage of children malnourished (<5)	43.5	4.5	NA

Source Human Development Report 2011 and World Development Indicators ([www.worldbank.org](http://www.worldbank.org))

### From the data we would be able to conclude

- China is moving ahead of both India and Pakistan in terms of indicators of human development.
- 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 that of India.
- In China, for one lakh births, only 38 women die whereas, in India 230 women die and in Pakistan 260 women die.
- India is in the worst scenario as compared to the other two countries with respect to access to improved sanitation and clean water.

### Human Development Index (HPI)

HDI includes quantitative aspects of per capital, GDP and the quality aspects of performance in health and education. It is an average of life expectancy index, education index and GDP index.