Unit 10 – Development Experience of India

Name: ____________________

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Introduction

Over the last two decades or so, the economic transformation that is taking place in different countries across the world, partly because of the process of globalisation, has both short as well as long-term implications for each country, including India. In the post-Cold War world, 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

Development Path – 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 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. In 1958, there were 26,000 communes covering almost all the farm population. GLF campaign met with many problems. 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.

The present-day fast industrial growth in China can be traced back to the reforms introduced in 1978. China introduced reforms in phases. In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors. In agriculture, for instance, commune lands were divided into small plots which were allocated (for use not ownership) to individual households. They could keep all income from the land after paying stipulated taxes.

In the later phase, reforms were initiated in the industrial sector. Private sector firms, in general, and township and village enterprises, i.e. those enterprises which were owned and operated by local collectives could produce goods. At this stage, enterprises owned by government (known as State Owned Enterprises—SOEs), which we, in India, call public sector enterprises, were made to face competition.

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 based on 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. To attract foreign investors, special economic zones were set up.

Development Path – Pakistan

While looking at various economic policies that Pakistan adopted, you will notice many similarities with India. 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). The policy combined 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 foodgrains. 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 denationalisation and encouragement to private sector. During this period, Pakistan also received financial support from western nations and remittances from continuously increasing outflow of emigrants to the Middle-east. This helped the country in stimulating economic growth. The then government also offered incentives to the private sector. All this created a conducive climate for new investments. In 1988, reforms were initiated in the country.

Demographic Indicators

Though China is the largest nation among the three, its density is the lowest though geographically it occupies the largest area. Scholars point out the one-child norm introduced in China in the late 1970s as the major reason for low population growth. They also state that this measure led to a decline in the sex ratio, the proportion of females per 1000 males.

From the table, you will notice that the sex ratio is low and biased against females in all the three countries. Scholars cite son preference prevailing in all these countries as the reason. In recent times, all the three countries are adopting various measures to improve the situation. One-child norm and the resultant arrest in the growth of population also have other implications.

The fertility rate is also low in China and very high in Pakistan. Urbanisation is high in both Pakistan and China with India having 28 per cent of its people living in urban areas.

Select Demographic Indicators, 2000-01

Country	*Estimated Population (inmillions)*	*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.*

GDP and Sectors

One of the much-talked issues around the world about China is its growth of Gross Domestic Product. China has the second largest GDP (PPP) of $7.2 trillion whereas India's GDP (PPP) is $3.3 trillion and Pakistan's GDP is roughly about 10 per cent of India's GDP. When many developed countries were finding it difficult to maintain a growth rate of even 5 per cent, China was able to maintain near double-digit growth for more than two decades as can be seen from the table. Also notice that in the 1980s Pakistan was ahead of India; China was having double-digit growth and India was at the bottom.

Growth of Gross Domestic Product (%), 1980-2003

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

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.

Until the 1980s, more than 80 per cent of the people in China were 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 2000, with 54 per cent of its workforce engaged in agriculture, its contribution to GDP in China is 15 per cent.

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. 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.

In China, manufacturing contributes the highest to GDP at 53 per cent 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 per cent of GDP.

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 the1980s, Pakistan was faster in shifting its workforce to service sector than India and China.

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

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**

Indicators of Human Development

If we compare the indices given in the Table, you will find that 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 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. In China, for one lakh births, only 50 women die whereas in India and Pakistan, more than 500 women die. Surprisingly India and Pakistan are ahead of China in providing improved water sources.

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You will notice that for the proportion of people below the international poverty rate of $1 a day, both China and Pakistan are in similar positions whereas the proportion is almost two times higher for India.

These are all extremely important indicators; but these are not sufficient. Along with these, we also need what may be called 'liberty indicators'. One such indicator has been added as a measure of 'the extent of democratic participation in social and political decision making' but it has not been given any extra weight. 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.

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

Some Select Indicators of Human Development, 2003

Items	India	China	Pakistan
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*

Development Strategies – An Appraisal

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 decentralisation, 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.

Before the introduction of reforms, there had already been massive extension of basic health services in rural areas. Through the commune system, there was more equitable distribution of food grains. 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. For instance, when reforms were made in agriculture, as pointed out earlier by handing over plots of land to individuals for cultivation, it brought prosperity to a vast number of poor people.

Scholars argue that in Pakistan the reform process led to worsening of all the economic indicators. We have seen in an earlier section that compared to 1980s, the growth rate of GDP and its sectoral constituents have fallen in the 1990s.

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.

If a country can build up its foreign exchange earnings by sustainable export of manufactured goods, it need not worry. 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 on the one hand and increasing difficulty in paying back the loans on the other.

However, as stated in the 'One Year Performance of the (Pakistan) Government' for the year August 2004–2005, the Pakistan economy has been witnessing GDP growth at about 8 per cent for three consecutive years (2002–2005). All the three sectors, agriculture, manufacturing and service, have contributed to this trend. Besides facing high rates of inflation and rapid privatisation, the government is increasing the expenditure on various areas that can reduce poverty.