

COMPARATIVE DEVELOPMENT EXPERIENCE OF INDIA AND ITS NEIGHBOURS

A PRESENTATION BY -
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TOPICS

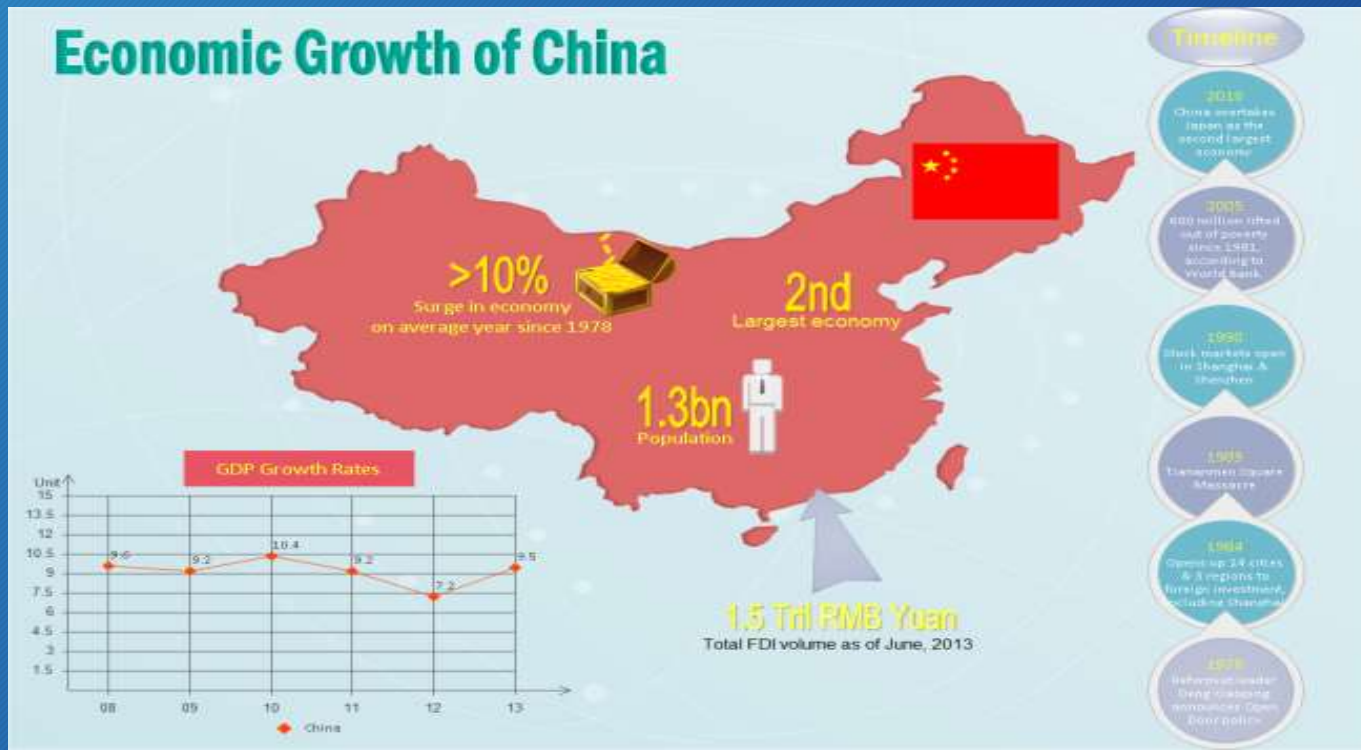
1. DEVELOPMENT PATH- A SNAPSHOT VIEW
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INTRODUCTION

India is an emerging economic powerhouse. Its wealth and strength has been rising over the last decade, averaging an annual growth rate of 7% and even outgrowing China in latest quarter of 2015. India was able to achieve this with various policies undertaken by the government. In this presentation we will learn about development strategies persuaded by India and two of its neighbouring economies- Pakistan and China .

DEVELOPMENT PATH -A SNAPSHOT VIEW

- In this slide we will learn about the various economic policies adopted by India and its neighbours mainly Pakistan and China.
- Also in this slide we will learn about the economic system adopted by these countries
- Also we will learn about the way these policies were implemented, Why they were implemented and overall result of these policies.
- This slide will give a brief view of the current economic situation of the three countries and the reasons behind the condition of the economies of these countries.



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 the 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 26,00 communes covering almost all the farm population.

RESULTS OF GLF CAMPAIGN

- The GLF campaign adopted by Chinese government wasn't a success as it met with many problems.
- The GLF campaign was a failure as a severe drought occurred in china killing about 30 million people
- Also, When Russia had conflicts with China, it withdrew its professional who had been earlier 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 country side

ECONOMIC REFORMS INTRODUCED BY CHINA IN 1978

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

INDUSTRIAL REFORMS OF 1978

- 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 are owned and operated by local collectives , in particular, were allowed to produce goods.
- At this stage, enterprises owned by government (known as State Owned Enterprises-SOEs).
- The reform process also involved dual pricing.
- This means fixing prices in two ways; farmers and industrial units were required to buy and sell fix quantities of inputs and outputs on the basis of prices fixed by government and rest were purchases by and sold at market prices.
- Over the years as production increased the proportion of goods or inputs transacted in the market also increased. In order to attract foreign investors Special Economic Zones were set up.





Xi Jinping
President of the People's Republic of China



Yusuf Raza Gilani
President of the Islamic Republic of Pakistan

China-Pakistan Economic Corridor

Opening way for further economic development for all peoples of Pakistan

CPEC is not just a mere infrastructure project but a symbol of growth, which would boost Pakistan's economic growth. It will connect China and Pakistan through the Gwadar Port, the Karakoram Highway, the China-Pakistan Economic Corridor, and the Gwadar Port. This is the largest project in CPEC. Industrial areas will be set up in the province. CPEC project is expected to complete by the end of 2018.

Key Features of CPEC

- It is a major infrastructure project.
- It will connect China and Pakistan through the Gwadar Port, the Karakoram Highway, the China-Pakistan Economic Corridor, and the Gwadar Port.
- It will boost Pakistan's economic growth.
- It will create jobs for the people of Pakistan.
- It will improve the living standards of the people of Pakistan.



Key Facts (2018 Agreement)

- Approved by the National Assembly of Pakistan.
- Approved by the National Assembly of China.
- Approved by the National Assembly of Pakistan.
- Approved by the National Assembly of China.

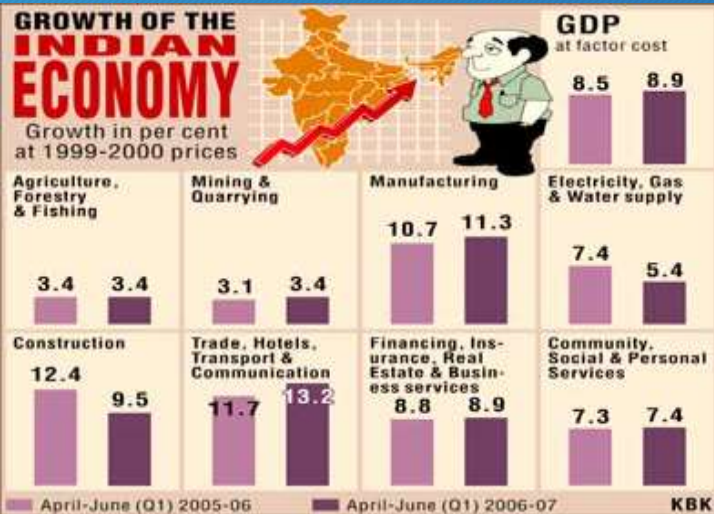
Strong Economy - Strong Pakistan

Planning Commission, Ministry of Planning, Economic & Revenue Development, Government of Pakistan

PAKISTAN

- FEATURES OF ECONOMIC POLICIES ADOPTED BY PAKISTAN-
- Economic policies adopted by Pakistan are similar to the economic policies adopted by 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 food grains.
- This changed the agrarian structure dramatically.

- In the 1970s, NATIONALISM 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.
- Having studied a brief outline of the developmental strategies of China and Pakistan , let us now compare some of the developmental indicators of India, China and Pakistan.



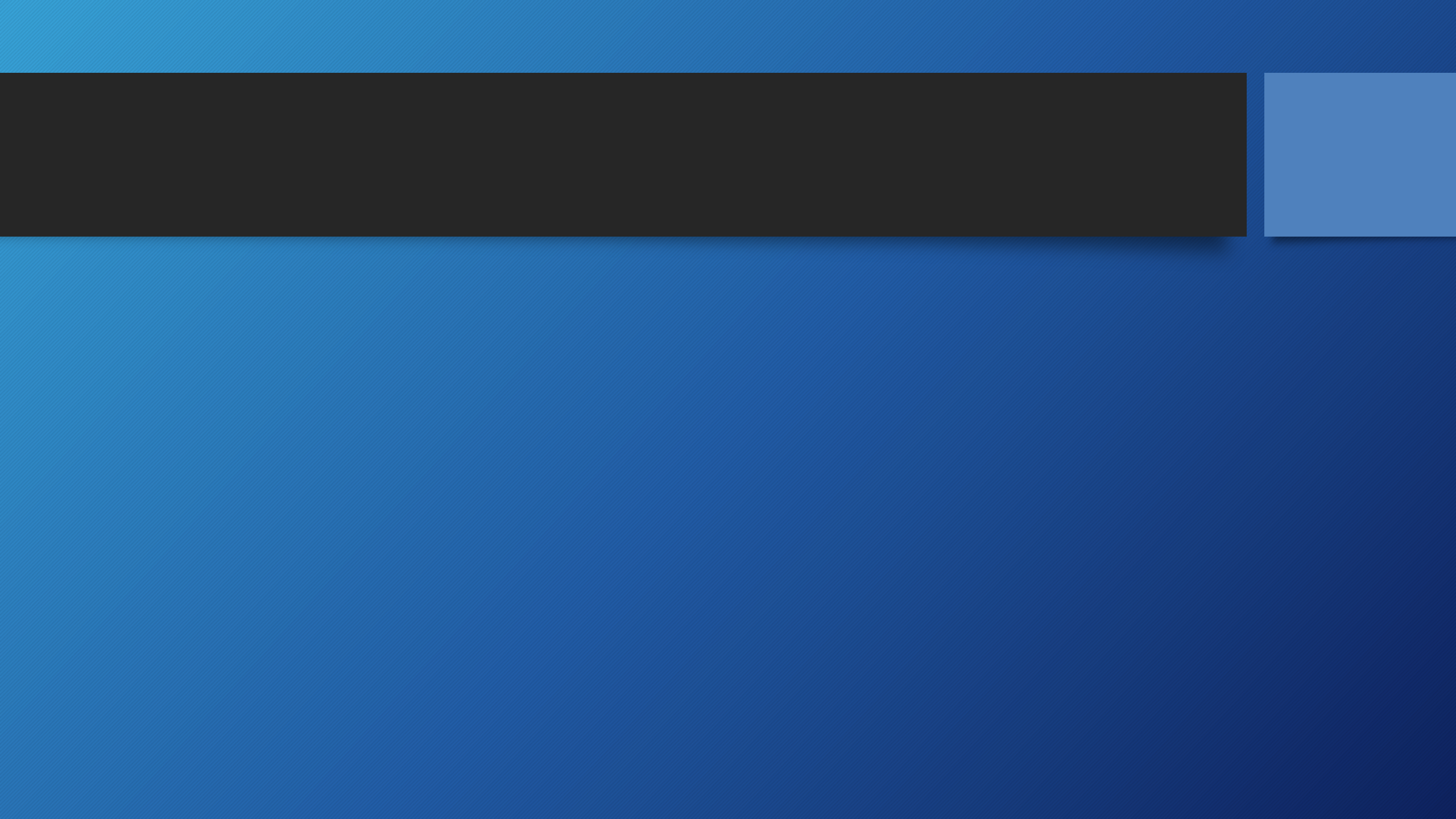
INDIA

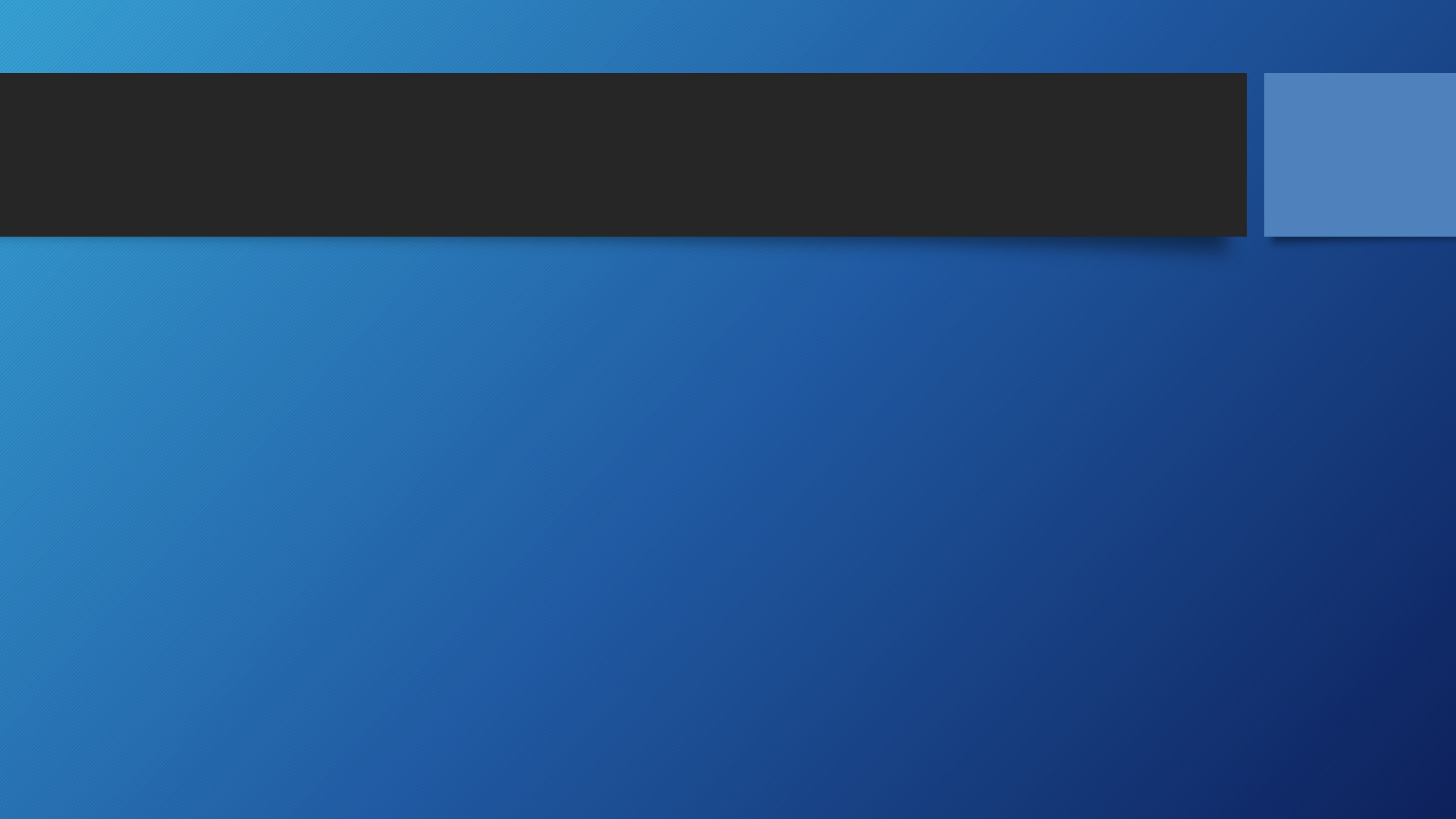
- The 67-years of independence have seen many changes in the socio-economic landscape of Asia's third largest economy.
- During the decades that followed the colonial rule, India's economy, in absolute terms, has expanded to Rs 57 lakh crore from mere Rs 2.7 lakh crore and the nation's foreign exchange reserves have crossed \$300 billion, giving the economy firepower to fight external shocks.
- India's food grain production has more than doubled over the decades that followed colonial rule to a record 264 million tonnes in the fiscal year 2014.
- India's imports have shot up at a faster pace than exports over the decades resulting in a widening gap in the trade balance. India's current account deficit widened to a record 4.8 percent of the GDP in the fiscal year 2013, before falling to 1.7 percent in fiscal year 2014 after the government clamped down on gold imports.

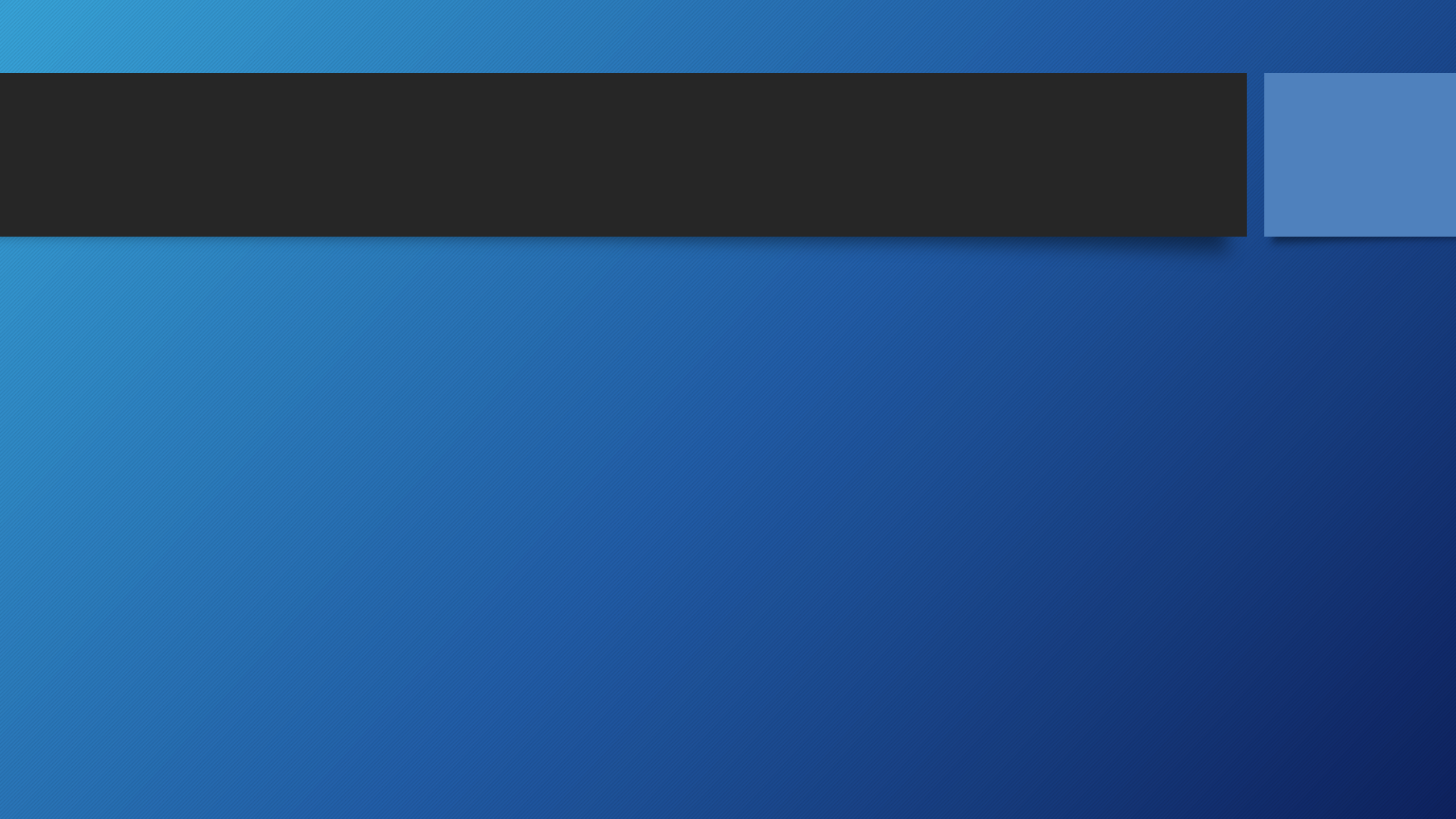
- The country's external debt has surged to \$440 billion in the fiscal year ending March 2014. The external debt, which comprises of government and non-government borrowings, has risen mainly because of increase in the non-government debt. At end March, 2014, total government debt stood at \$82 billion and that of non-government debt at \$359 billion.
- Economic growth surged to near double-digit levels between 2005-06 to 2007-08 compared with anaemic growth in the early years post independence. The growth has slowed to sub-5 percent levels in the last two financial years hit by slowdown in global and domestic economies and in the absence of much needed growth oriented reform

ECONOMIC POLICY ADOPTED BY INDIA (1956-1990)

- India at the time of independence was confused about the type of economic system that will help to solve its central problem that are “What to produce”, “How to produce”, “For whom to produce”
- The Capitalist form of economy wasn't liked by then Prime minister Jawaharlal Nehru as he thought that it will not be meant for collective good.
- Many kl



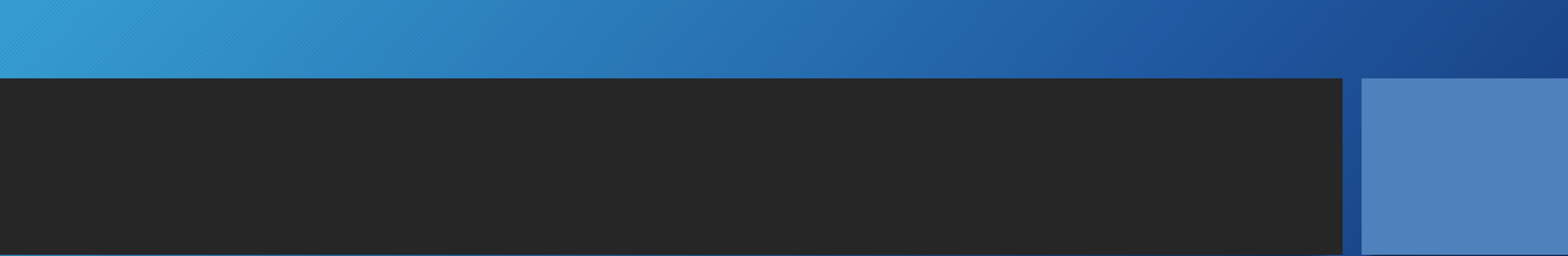




DEMOGRAPHIC INDICATORS

- If we look at the global population, out of every six persons living in this world, one is an Indian and another Chinese.
- 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.
- 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.
- Scholars cite son-preference prevailing in all these countries as the reason.

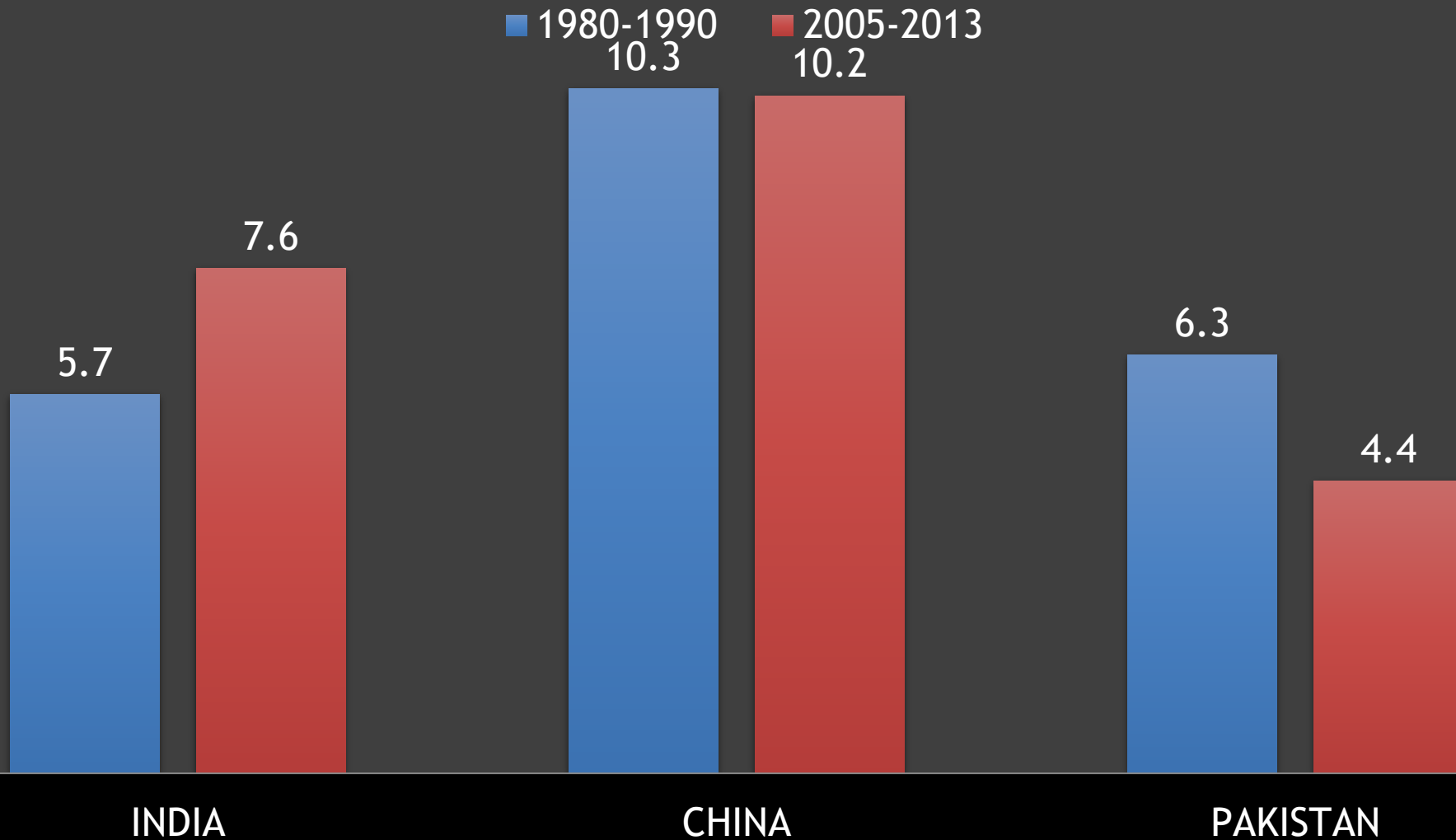
COUNTRY	ESTIMATED POPULATION (In Millions)	ANNUAL GROWTH OF POPULATION (2001-2010)	DENSITY (per sq.km)	SEX RATIO		
INDIA	1252	1.24	421	934	2.6	32
CHINA	1357	0.49	145	929	1.6	53
PAKISTAN	182	1.65	236	947	3.3	38

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- In recent times, all the three countries are adopting various measures to improve the situation.
 - One-child norm and the resultant population also have other implications.
 - For instance, after a few decades, in China, there will be more elderly people in proportion to young people.
 - This will force China to take steps to provide social security measures with fewer workers.
 - The fertility rate is also low in China and very high in Pakistan.
 - Urbanisation is high in both Pakistan and China with India having 32 percent of its people living in urban areas.

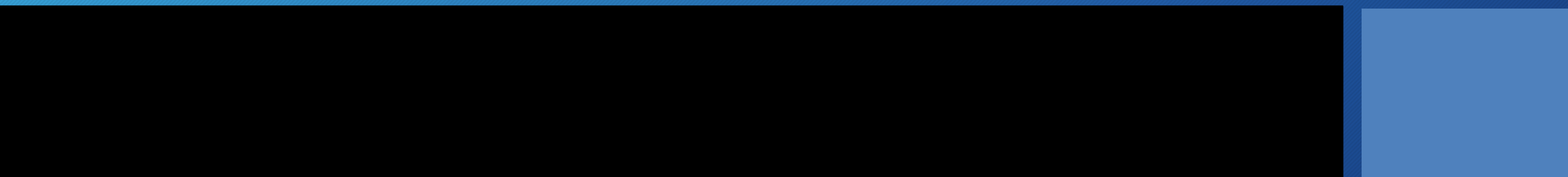
GROSS DOMESTIC PRODUCT AND SECTORS

- 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 \$6.6 trillion and Pakistan's GDP is \$0.83 trillion, roughly about 13 percent of India's GDP.
- When many developed countries were finding it difficult to maintain a growth rate of even 5 percent, China was able to maintain near double-digit growth for more than two decades as can be seen from table 10.2.
- Also notice that in the 1980s Pakistan was ahead of India; China was having double-digit growth and India was at the bottom.
- In 2005-2013, there is a marginal decline in India and china's growth rates whereas Pakistan met with drastic decline at 4.4 percent.
- Some scholars hold the reform processes introduced in 1988 in Pakistan and political instability as reasons behind this trend.

ANNUAL GROWTH OF GROSS DOMESTIC PRODUCT(GDP) (%), 1980-1990



- First, look at how people engaged in different sectors contribute to Gross Domestic Product.
- It was pointed out in the previous section that China and Pakistan have more proportion of urban people than India.
- In China, due to topographic and climatic conditions, the area suitable for cultivation is relatively small- only about 10 percent of its total land area.
- The total cultivable area in China accounts for 40 percent of the cultivable area in India.
- Until the 1980s, more than 80 percent 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, commerce and transport.
- In 2013, with 30 percent of its workforce engaged in agriculture, its contribution to GDP in China is 10 per cent.

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- In both India and Pakistan, the contribution of agriculture to GDP were at 18% and 25%, respectively, but the proportion of workforce that works in this sector is more in India.
 - In Pakistan , about 44% of people work in agriculture whereas in India it is 47%.
 - 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 and service sectors contribute the highest to GDP at 44% and 46% respectively whereas in India and Pakistan, it is the service sector which contributes the highest by more than 50% to GDP.

- In normal course of development countries first shift their employment and output from agriculture to manufacturing and then to services.
- This what is happening in China as can be seen in the table in next slide.
- The proportion of workforce working in manufacturing in India and Pakistan were low at 25% and 14% respectively.
- The contribution of industries to GDP is also just equal to or with small difference in output from agriculture.
- In India and Pakistan, the shift is taking place directly to the service sector.

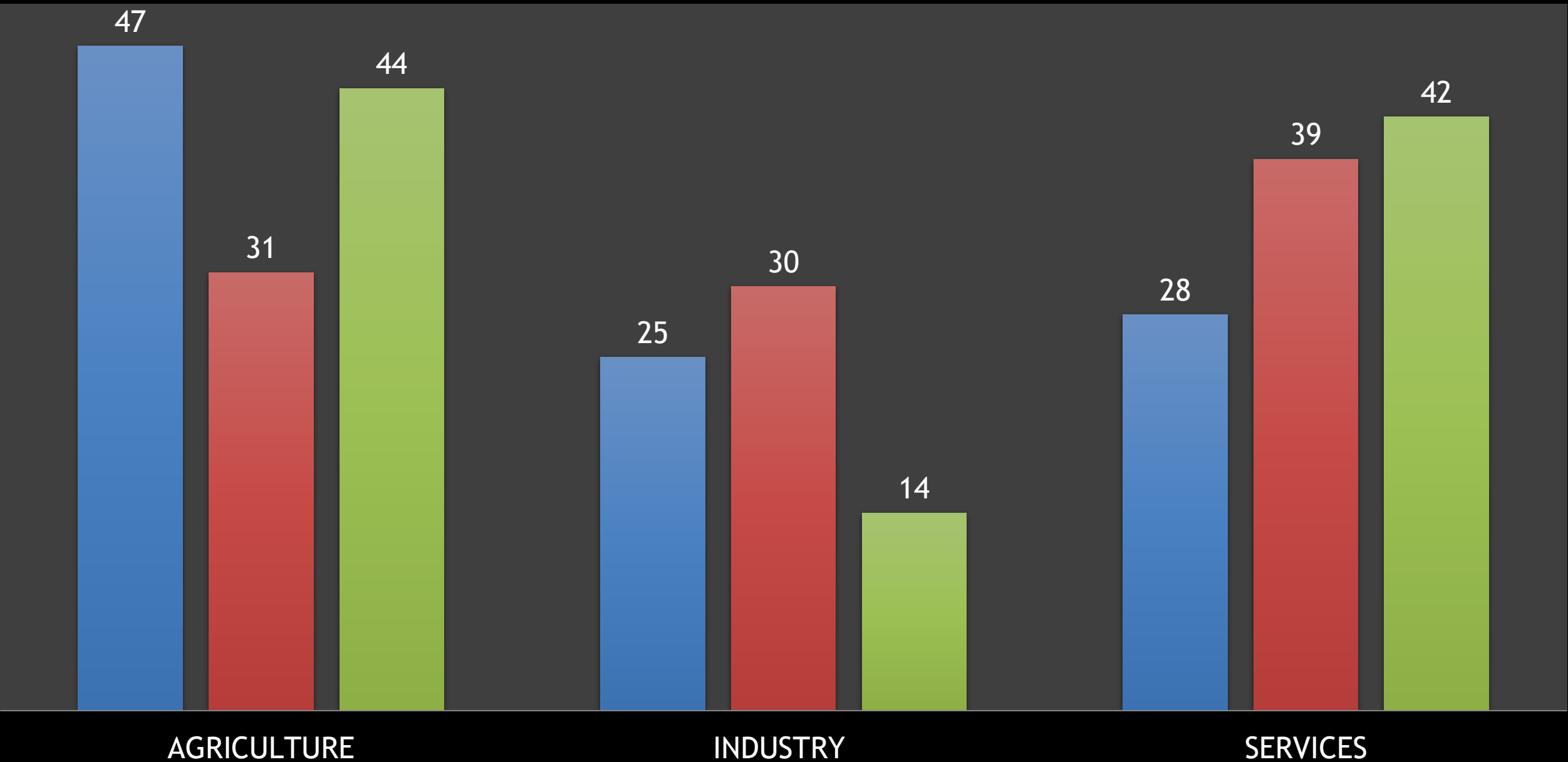
- Thus in both India and Pakistan the service sector is emerging as a major player of development.
- It contributes more to GDP and at the same time emerges as a prospective employer.
- If we look at the proportion of work force in 1980s Pakistan was faster in shifting its workforce to service sector than India and China.
- In 1980s India, China and Pakistan employed 17,12 ,27% of its workforce in the service respectively. In 2013 it has reached the level of 28,39,42% respectively.
- In the last two decade the growth of agriculture sector which employs largest proportion of workforce in all three countries, has declined.
- In the industrial sector China has maintained a double digit growth rate whereas India and Pakistan growth rate declined.

CONCLUSION OF GDP AND SECTORS

- In the last two decade the growth of agriculture sector which employs largest proportion of workforce in all three countries, has declined.
- In the industrial sector China has maintained a double digit growth rate whereas India and Pakistan growth rate declined.
- In the case of service sector China and India were able to raise its rate of growth during 1980-2013 while Pakistan stagnated with its service sector growth.
- Thus, China growth is mainly contributed by the manufacturing sector and India's growth by service sector.
- During this period Pakistan has shown deceleration in all the three sectors.

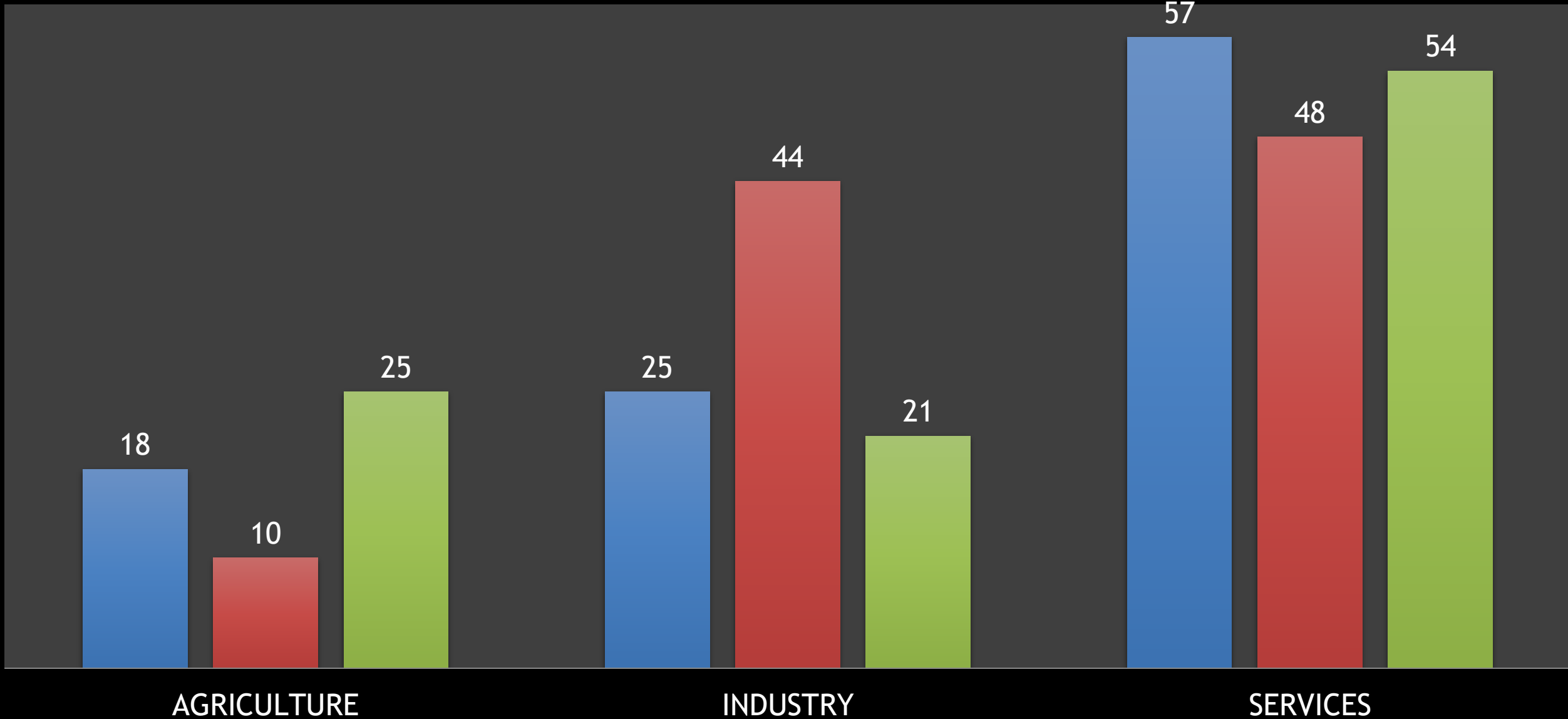
DISTRIBUTION OF WORKFORCE IN EACH SECTOR.

■ INDIA ■ CHINA ■ PAKISTAN



CONTRIBUTION TO GDP BY EACH SECTOR IN EACH COUNTRY.

■ INDIA ■ CHINA ■ PAKISTAN



INDICATORS OF HUMAN DEVELOPMENT

ITEMS	INDIA	CHINA	PAKISTAN
• HUMAN DEVELOPMENT INDEX	0.586	0.719	0.537
• RANK (BASED ON HDI)	135	91	146
• LIFE EXPECTANCY AT BIRTH	66.2	75.2	66.4
• ADULT LITERACY RATE	62.8	95.1	54.7
• GDP PER CAPITA(PPPUS\$)	5238	11524	4549
• PEOPLE BELOW POVERTY(AT\$2 A DAY PPP)(%)	61	19	51
• INFANT MORTALITY RATE(PER 1000 LIVE BIRTHS)	41	11	69
• MATERNAL MORTALITY RATE(PER 1 LAKH BIRTHS)	190	32	170
• POPULATION USING IMPROVISED SANITATION(%)	36	65	48
• POPULATION WITH SUUSTAINABLE ACCESS TO IMPROVED WATER SOURCE (%)	93	92	91
• PERCENTAGE OF CHILDREN MALNOURISHED(<5)	43.5	3.4	31

- The table shows that China is moving ahead of India and Pakistan.
- This true for many indicators- income indicator such as GDP per capita, or proportion of population below poverty line or health indicators such as mortality rate, access to sanitation, literacy, life expectancy or malnourishment.
- Pakistan is ahead of India in reducing proportion of people below 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.
- In China, for one lakh births, only 32 die whereas in India and Pakistan, about 190 and 170 women die respectively.
- Surprisingly all the three countries report providing improved water drinking sources for most of its population

- It can be noticed that the proportion of people below international poverty of \$2 a day, India has largest share of poor among three countries.
- In dealing with or making judgements on such questions, however, we should also note a problem while using the human development indicators given above with conviction.
- Along with these, we also need what may be we also need what may be '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 given any extra weight,
- Some obvious 'liberty indicators' like measures of extent of constitutional protection given rights of citizens have not been introduced so far.

- Without including these and giving them overriding importance in the list, the construction of a human development index can be said to be incomplete and its usefulness limited

DEVELOPMENT STRATEGIES- APPRAISAL

- It is common to find development strategies of a country as a model others for lessons and guidance for their own development.
- It is particular evident after the introduction of reform process in different parts of the world.
- In order to learn from economic performances of our neighbour countries, it is necessary to distinguish between, and contrast, the different phases of the strategies.
- Though countries through their development phase differently, let us take initiation as a point of reference.
- We know that reforms were initiated in China in 1978, Pakistan in 1988 and in India in 1991.

REASON BEHIND CHINA ADOPTING STRUCTURAL REFORMS

- China didn't have any compulsion to introduce reforms as dedicated by the World Bank and International Monetary Fund to India and Pakistan.
- The new leadership at the time in China was not happy with 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 gain output in 1978 was as same as it was in mid 1950s.
- It was found out that establishment of infrastructure in the area 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.

Project Summary

Optional statement