



Economics Notes PDF

On

*Comparative Development Experiences of
India and its Neighbours*

(Class - 12)

INTRODUCTION

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

DEVELOPMENT PATH OF INDIA, PAKISTAN AND CHINA

- All three countries began their development journeys at the same time. India and Pakistan gained independence in 1947, and China established the People's Republic of China in 1949.
- All three countries had begun to plan their development strategies in a similar manner. India unveiled its first Five Year Plan in 1951, Pakistan in 1956, and China in 1953.
- India and Pakistan pursued similar strategies, such as establishing a large public sector and increasing government spending on social development.
- While India and Pakistan followed the 'mixed economy' model, China followed the 'command economy' model of economic growth.
- Prior to the 1980s, all three countries had comparable growth rates and per capita incomes.
- China implemented economic reforms in 1978, Pakistan in 1988, and India in 1991.

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 the 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 the percentage of absolute poverty 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

Certain development strategies of China are discussed below:

- 1. Giant Leap Forward:** Launched in 1958, this campaign aimed at massively industrializing the country. People were encouraged to establish large-scale industries in their own backyards.
- 2. Great Proletarian Cultural Revolution (1966-1976):** In 1965, Mao Se Tung launched a large-scale cultural revolution. During the revolution, students and professionals were sent to the countryside to work and learn.
- 3. 1978 Reforms:** Beginning in 1978, China began to implement many reforms in stages. These reforms have been implemented in the agricultural, foreign trade, and investment sectors. The goal of Chinese economic reforms was to generate enough surplus to finance the modernization of the Chinese economy on the mainland.

DEVELOPMENT STRATEGIES OF PAKISTAN

The development strategies of Pakistan are summarised below:

- 1. Mixed Economy:** Pakistan follows a mixed economy system where both public and private sectors co-existed.

2. 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.

3. Green Revolution: This was introduced to increase the productivity and self sufficiency in food. This increased the output of food grains. 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 the private sector got encouragement.

ECONOMIC DEVELOPMENT STRATEGY AFTER INDEPENDENCE

- Business activities were assigned to both the public and private sectors. Coal, mining, steel, power, roads, and other activities were assigned to the public sector. The private sector was given the authority to establish industries that would be subject to legal control and regulations.
- The government gave a big push to the public sector. The highest revenue was invested in this sector, which increased from Rs. 81.1 crore in the First Five-Year Plan (1951-56) to Rs 34,206 crores in the Ninth Five-Year Plan (1992-97).
- The public sector was prioritized in order to eliminate poverty, unemployment, and other social ills.
- The public sector aided in the industrialization of the economy. It also aided the Indian economy in achieving a high level of self-sufficiency.

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 a few decades there will be more elderly people in proportion to young people due to the one child norm.
- The fertility rate is low in China and very high in Pakistan.
- Urbanization is high in both Pakistan and China.

II. Gross Domestic Product (GDP) and Sectors:

- China had the world's second largest GDP (PPP) of 10.1 trillion in 2013, followed by India's GDP (PPP) of 1.86 trillion and Pakistan's GDP (PPP) of 0.47 trillion.
- On this path of development, China's average growth rate is approximately 9.5 percent, while India's and Pakistan's average growth rates are approximately 5.8 percent and 4.1 percent, respectively.
- In China in 2011, agriculture employed 37 percent of the workforce and contributed 9 percent to GDP (approximately). In India and Pakistan, the agricultural sector accounts for approximately 19% and 21% of GDP, respectively. In India, approximately 56% of people work in agriculture, whereas in Pakistan, approximately 45% work in agriculture.
- In China, manufacturing accounts for 47 percent of GDP, whereas in India and Pakistan, the service sector accounts for the majority of GDP (more than 50 percent of GDP).

- Unlike China, which followed the traditional development pattern of shifting from agriculture to manufacturing and then to services, India and Pakistan have moved directly from agriculture to the service sector.
- In the 1980s, the service sector employed 17, 12, and 27 percent of the workforce in India, China, and Pakistan, respectively. In 2011, it was 25 percent, 33 percent, and 35 percent, respectively (approximately).
- The manufacturing sector is primarily responsible for China's growth, whereas the service sector is emerging as a major player in development in both India and Pakistan.

III. Human Development Indicators:

- China has outperformed India and Pakistan in most areas of human development. This is true for many indicators, including per capita GDP and the proportion of the population living in poverty, as well as health indicators such as mortality rates, access to sanitation, literacy, life expectancy, and malnourishment.
- Pakistan is ahead of India in terms of reducing the proportion of people living in poverty, as well as its performance in shifting labor from the agricultural to the industrial sectors and access to water.
- In contrast, India outperforms Pakistan in the education and health-care sectors.
- India and Pakistan are ahead of China in terms of improved water sources.

CONCLUSION

A. India performed moderately, as is clear from:

- Agriculture continues to be the primary source of income for the vast majority of its people.
- Infrastructural facilities are insufficient in many parts of the country.
- It has yet to improve the standard of living for more than 22 percent of its population, which is below the poverty line.

B. Pakistan has had a poor performance:

The reasons for Pakistan's economy slowing growth and reemergence of poverty are as follows:

- Political insecurity.
- The agricultural sector's volatile performance.
- Excessive reliance on remittances.
- Increasing reliance on foreign loans on the one hand, and increasing difficulty in repaying the loans on the other.

C. China has performed comparatively the best, as is clear from:

- Achievement in raising the level of growth while also alleviating poverty.
- It used the market mechanism to generate additional social and economic opportunities without committing to any political action.
- By retaining collective land ownership and allowing individuals to cultivate land, China has ensured rural social security.
- In China, public intervention in the provision of social infrastructure has resulted in positive results in human development indicators.

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