

# ECONOMICS

( Indian Economic Development)

Chapter 10: Comparative Development Experience Of  
India With Its Neighbours



## COMPARATIVE DEVELOPMENT EXPERIENCE OF INDIA WITH ITS NEIGHBOURS

### Comparative Development Experience of India with its Neighbours:

Comparative Development Experience of India with its Neighbours refers to a situation in which an individual is unable to fulfill the basic necessities of life. In other words, it is the ability of an individual to fulfill the minimum requirement of life like food, clothing, shelter, education and health facilities etc.

In this chapter we will study about a comparative study between the 3 countries (India, Pakistan and China) and look after the outcomes of their policies after Independence.

All the 3 countries started their path of development at the same time, India and Pakistan got independence in 1947 whereas the republic of China (commonly known as China) was established in 1949.

All the 3 countries started their planning in similar ways. India has announced its first five year plan in 1951, China in 1953 and Pakistan in 1956.

India and Pakistan has adopted mixed economy whereas China has adopted 'Statism' (Public sector is assigned a key role in all the 3 economies).

Statism refers to a political system in which the state has substantial centralized control over social and economic affairs.

(also known as central planned economy)

### Development strategies:

#### China:

After the establishment of republic of china in 1949, China adopted these strategies to proceed in the path of development.

- **Government control:** The first and most important decision which builds the economy of china is to bring all the sectors of the economy, enterprises and lands owned and operated by the individuals under government control.
- **Great leap forward:** In 1958, Great leap forward campaign was launched by the government of china for the process of industrialization. This campaign aims at modernizing the economy by rapid industrialization. Peoples were encouraged to set up industries in the backward areas. This process of industrialization aids to the growth rate of the economy of china.
- **Great proletarian cultural revolution (by Mao tse tung):** In 1965, Mao tse tung the

chairman of the communist party of china has introduced Great proletarian cultural revolution (1966-76).According to this revolution, Students and profesesionalists were sent to work and learn from rural areas. This help the people of china to understand the basic problem of the economy and to help others in the path of development.

- **Reforms in Phases:**The government of china has introduced reforms in 2 different phases. In initial phase, reforms were initiated in agriculture, foreign trade and investment sectors. It includes allocation of land to general public who were allowed to keep all the income from the land after paying certain minimum taxed. In the later phase, reforms were initiated in industrial sector. Under this, private firms and village enterprises are allowed to produce goods.
- **Dual pricing system:**According to this system, the farmers and the industrial units are obliged to buy and sell fixed quantities on inputs at the price fixed by the government and rest were sold and purchase at market price.
- **Special economic zones (SEZs):**In order to attract foreign investors, special economic zones were set up. It refers to a region that has economic laws different from countries economic laws. **Example:** cheap labour, lower rate of tax, subsidized rate of electricity etc. These zones are set-up with the aim to increase foreign investment.

#### **Pakistan:**

India and Pakistan both gets its independence in 1947, the pathway of development of Pakistan after independence is as follows

- **Mixed economy:**As like Indian economy, Pakistan also adopted the concept of mixed economy for the path of development. It is a type of economy in which both private and public sector are participating in productive activities. The allocation of resources is made by the government for removing the central problem of economy with the help of private sector. Since, Private sector is guided for maximizing their profit.
- **Green revolution:**The green revolution was started in 1953 in Pakistan. Green revolution refers to the sudden and spectacular increase the production of food grains. Increase in public investment on infrastructure and green revolution gives rise to the production of food grains in Pakistan.
- **Development policies:**After independence, Pakistan introduced various policies to protect the domestic traders and to grow the economy. Pakistan introduced import substitution, tariff protecting for manufacturing of consumer goods and so on.
- **Role of private sector:** After 1987, Pakistan realized that private sector plays an important role in the development of any economy and hence in 1988 structural reforms were implemented. The thrust areas were denationalized and encouragement to private sector.
- **Financial support:**Pakistan received financial support from western nations and

remittances from emigrants to the middle countries. It boost the growth of the economy. Comparative study of India, Pakistan and China.

## Demographic indicators:

(Relating to the structure of the population)

- **Population:** China is regarded as the country with highest population in the world, India ranks at number 2 whereas Pakistan is far behind both of them.
- **Population growth rate:** Population growth rate is highest in Pakistan (2% per year) followed by India (1.1%) and China (0.6%). China has the lowest population growth rate among India and Pakistan due to the policy of Single child norm (One Child Policy) which was introduced in China in 1979.
- **Sex ratio:** It refers to the ratio of males to females in a population. In other words, Number of females over 100 males. All of the 3 countries has low sex ratio which represents the son prevailing mentality of the economy. It is estimated to be 940 in India, 950 in China and 952 in Pakistan.
- **Population density:** It refers to the number of people per unit of area, usually quoted per square kilometer or square mile. Due to huge area and single child norm the population density of China is very low (138 persons sq.km) in comparison to India (358 persons per sq.km) and Pakistan (193 persons per sq.km).

## Gross Domestic product and sectors:

- The average growth rate of China is about 9.5% which was highest in all the 3 countries, whereas the rate of growth in India is 5.8% and Pakistan is 4.1%.
- Agriculture contributes 9% in gross domestic product in China with 37% of its workforce engagement and in Pakistan it is 21% with engagement of 45% of population.
- After independence, 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 service sector.

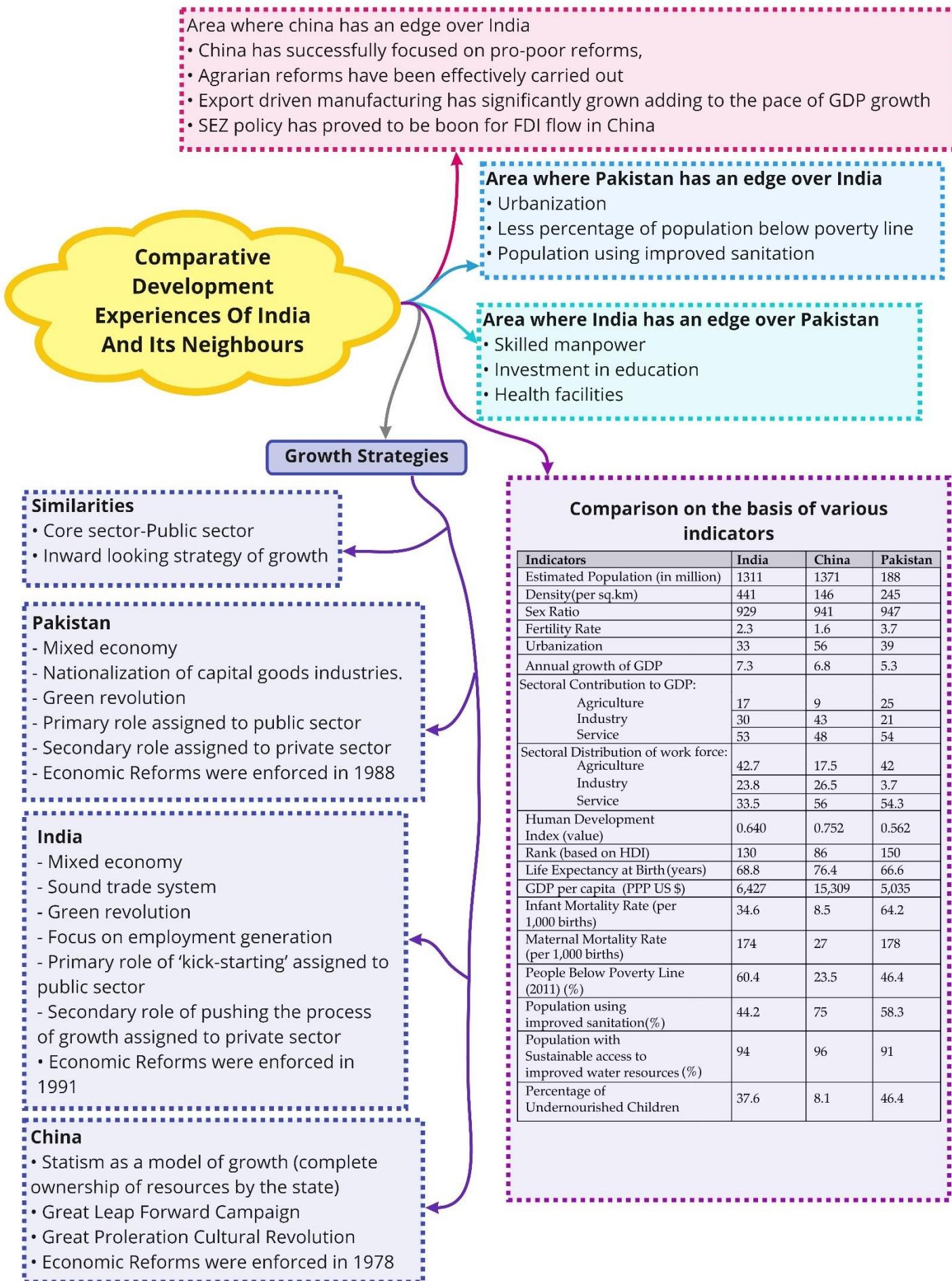
## Human development indicators:

- **Human development index (HDI) – higher is better:** It is a statistic composite index of life expectancy, education and per capital income indicators, which are used to rank countries into four tiers of human development. The HDI of China is 0.752 whereas India and Pakistan is estimated to be 0.64 and 0.562 respectively.
- **Infant mortality rate – lower is better:** Infant mortality rate refers to the number of infants dying before the age of 1 year per thousand live births annually. The IMR is lowest in China with 11.8 per thousand, followed by India with 37.8 per thousand and Pakistan with 50.4 per thousand.

- **Sanitation:** In context of sanitation, China has the best performance among all with 76% of its population has access to improved sanitation compared with 39.6% in India and 63.5% in Pakistan.
- **Undernourished population – lower is better:** An undernourished person is one who consumes less than the required minimum amount of nutritious foods necessary for health and development. The percentage of undernourished population in China is 11% which is lower than India and Pakistan (both at 20%). By going through the above discussion we can conclude that China has performed in much better way than the other 2 economies, it can be easily seen by growth rate and other indicators. After China the next economy which performed well the path of development is India, as the majority of people still depends upon agriculture and its rate of growth is increasing year after year. Moreover India has the maximum percentage of workforce in population across the globe which helps the economy to grow at much faster pace. At last, Pakistan won't be able to perform well after independence as the economy is primarily depends upon remittances and foreign loans moreover political instability also restricts its path of development.

## Summary:

- Development strategies
- China
- Pakistan
- India
- Comparative study of India, Pakistan and China
- Demographic indicators
- Population
- Population growth rate
- Sex ratio
- Population density
- Gross Domestic product and sectors
- Human Development indicators
- Human development index (HDI) – higher is better
- Infant mortality rate – lower is better
- Sanitation
- Undernourished population – lower is better



## Important Questions

### Multiple Choice questions-

1.Q1. Introduction of Economic Reform in Pakistan took place in .....

- (a) 1978
- (b) 1980
- (c) 1988
- (d) 1991

Q2. With which of the following concepts is the commune system associated?

- (a) Industrialisation
- (b) Human rights
- (c) SEZs
- (d) Equal distribution of land

Q3. Which of the following is not an indicator of human development?

- (a) Density of Population
- (b) GDP per capita
- (c) Literacy rate
- (d) Life expectancy at birth

Q4. Which of the following is a feature pertaining to the Indian economy?

- (a) One child norm
- (b) Growth due to manufacturing sector
- (c) High degree of urbanization
- (d) Growth due to service sector

Q5. When did China announce its first five-year plan?

- (a) 1951
- (b) 1956
- (c) 1953
- (d) 1961

Q6. Which of the following countries ranks first in the development experience?

- (a) India

(b) China

(c) Pakistan

(d) None of these

Q7. What was the fertility rate in Pakistan as in 2018?

(a) 1.6

(b) 2.6

(c) 3.6

(d) 3.6

Q8. Which of the following countries ranks first in the development experience?

(a) India

(b) China

(c) Pakistan

(d) None of these

Q9. What was the fertility rate in Pakistan as in 2018?

(a) 1.6

(b) 2.6

(c) 3.6

(d) 3.6

Q10. Which of the following countries has introduced the one-child norm?

(a) China

(b) India

(c) Pakistan

(d) Bangladesh

Q11. Which of the following countries was faster in shifting its workforce from agriculture to the service sector?

(a) India

(b) Pakistan

(c) China

(d) Both (a) and (b)

Q12. Which of the following is not an indicator of human development?

- (a) Density of population
- (b) GDP per capita
- (c) Life expectancy at birth
- (d) Literacy rate

Q13. With which of the following concepts is the commune system associated?

- (a) Industrialisation
- (b) Human rights
- (c) Equal distribution of land
- (d) Special Economic Zones

Q14. How many people died in the devastating earthquake that took place in Pakistan in 2005?

- (a) 45,000
- (b) 55,000
- (c) 65,000
- (d) 75,000

Q15. .... started their developmental program at the same time.

- (a) China and Pakistan
- (b) Pakistan, China and India
- (c) India and Pakistan
- (d) China and India

### Very Short:

Question 1. Name the largest democracy of the world.

Question 2. When did China announce its first Five Year Plan?

Question 3. What was the objective of the Great Proletarian Cultural Revolution introduced by Mao?

Question 4. What are the government-owned enterprises known in China?

Question 5. When were reforms initiated in Pakistan?

Question 6. Which country is the most populated in the world?

Question 7. Arrange India, China and Pakistan in terms of their HDI ranks.

Question 8. Which sector contributes the most in the India's GDP?

Question 9. What is the density of population in India, Pakistan and China?

Question 10. Which country has largest share of poor among India, China and Pakistan?

### Short Questions:

Question 1. Write a brief note on the commune system in China.

Question 2. State the factors which created a conducive environment for new investments in Pakistan.

Question 3. What were the problems faced by the Great Proletarian Cultural Revolution in China?

Question 4. What are special economic zones? Why were these established in China?

Question 5. Compare China with India and Pakistan on the basis of demographic trends.

Question 6. Compare the position of India with China and Pakistan on the basis of sectoral development?

Question 7. Critically assess pre and post-reform period in China.

Question 8. State the outcome of reforms in Pakistan.

Question 9. Discuss the sources of foreign exchange in Pakistan.

### Long Questions:

Question 1. Give a brief account of developmental path of India, China and Pakistan.

Question 2. Bring out the comparison between the economic growth of India, China and Pakistan.

Question 3. Assess the performance of India, China and Pakistan over the last three decades.

### Case Study Based Question-

1. Read the following hypothetical text and answer the given questions: -

The 1960s, Chinese Communist Party leader Mao Zedong came to feel that the current party leadership in China, as in the Soviet Union, was moving too far in a revisionist direction, with an emphasis on expertise rather than on ideological purity. Mao's own position in government had weakened after the failure of his "Great Leap Forward" (1958-60) and the economic crisis that followed. Chairman Mao Zedong gathered a group of radicals, including his wife Jiang Qing and defense minister.

Questions:

1. The Great Leap Forward (GLF) campaign initiated in \_\_\_\_.

2. Great Leap Forward (GLF) campaign:
  - (a) aimed at trading on a massive scale
  - (b) aimed at agriculture on a massive scale
  - (c) aimed at industrialising the country on a massive scale
  - (d) None of the above.
3. Who introduced the Great Proletarian Cultural Revolution?
4. In the Great Proletarian Cultural Revolution (1966–76) under which students and professionals were sent to work and learn from the countryside. (State whether true or false)

2. Read the following hypothetical text and answer the given questions: -

China has been the fastest growing economy in the world since the 1980s, with an average annual growth rate of 10% from 1978 to 2005, based on government statistics. Its GDP reached \$USD 2.286 trillion in 2005. Since the end of the Maoist period in 1978, China has been transitioning from a state dominated planned socialist economy to a mixed economy. This transformation required a complex number of reforms in China's fiscal, financial, enterprise, governance and legal systems and the ability for the government to be able to flexibly respond to the unintended consequences of these changes. This transformation has been accompanied by high levels of industrialization and urbanization, a process that has influenced every aspect of China's society, culture and economy.

**Questions:**

1. Reforms in China were introduced in the year \_\_\_\_\_.
2. Which type of economic system is followed in China?
  - (a) Mixed economy
  - (b) Socialist economy
  - (c) Capitalist economy
  - (d) None of these
3. Name the sectors where reforms were initiated in the initial phase in China.
4. In the late phase, enterprises owned by the government were made to face competition. (T/F)

**Assertion Reason Type Question-**

1. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
  - a. Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)

- b. Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
- c. Assertion (A) is True but Reason (R) is False
- d. Assertion (A) is False but Reason (R) is True

**Assertion:** the aim of the Great Leap Forward campaign initiated in China was to transform the agrarian economy into a modern economy through rapid industrialization.

**Reason:** Under the Great Leap Forward campaign, students and professionals were sent to work and learn from the countryside.

2. In these questions, a statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.
  - a. Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)
  - b. Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
  - c. Assertion (A) is True but Reason (R) is False
  - d. Assertion (A) is False but Reason (R) is True

**Assertion:** The major policy initiatives, i.e. land reforms and green revolution helped India to become self-sufficient in food grain production.

**Reason:** The proportion of people depending on agriculture did not decline as expected.

## Answers key

### MCQ answers:

1. Answer: (c) 1988
2. Answer : (d) Equal distribution of land
3. Answer : (a) Density of Population
4. (d) Growth due to service sector
5. (c) 1953
6. (b) China
7. (c) 3.6

8. (b) China
9. (c) 3.6
10. (a) China
11. (b) Pakistan
12. (a) Density of population
13. (c) Equal distribution of land
14. (d) 75,000
15. (b) Pakistan, China and India

### Very Short Answers:

1. Answer: India is the largest democracy of the world.
2. Answer: China announced its first Five Year Plan in 1953.
3. Answer: Under the Great Proletarian Cultural Revolution, students and professionals were sent to work and learn from the countryside.
4. Answer: The government owned enterprises are known as State Owned Enterprises SOEs in China.
5. Answer: Reforms were initiated in 1988 in Pakistan.
6. Answer: China is the most populated country in the world.
7. Answer: The three nations are arranged in terms of their HDI ranks
  - (i) China
  - (ii) India
  - (iii) Pakistan
8. Answer: Service sector contributes the most in India's GDP.
9. Answer: The density of population in India, Pakistan and China is 441, 245 and 146 persons per sq. km. respectively.
10. Answer: India has the largest share of poor among the three countries.

### Short Answers:

1. Answer: Commune system was started in the rural areas of China, under which people collectively cultivated lands. Commune lands were divided into small plots. These plots were allocated to individual households for cultivation, not ownership. Households were allowed to keep all income from the land after paying specified taxes. In 1958, there were 26,000 communes covering almost all the farm population. The commune system resulted in more equitable distribution of food

grains in China.

2. Following factors created conducive environment for new investments in Pakistan:

- Adoption of green revolution
- Shift of the orientation of nationalisation policy to denationalisation and encouragement to private sector
- Financial support from western nations
- Growing remittances from Pakistani workers in the Middle-east

3. GLF campaign faced many problems. These were:

- (i) A severe drought caused havoc in China, which killed around 30 million people.
- (ii) Russia had conflicts with China. As a result, Russia withdrew its professionals who were sent to China to help in the industrialisation process.

4. Special Economic Zones (SEZs) are regions that are granted special economic policies and flexible governmental measures. Such policies and measures provide special tax incentives to foreign investment institutions. SEZs were created by the People's Republic of China to attract and utilize foreign capital investments.

5. The table below shows the comparison of China with India and Pakistan on the basis of demographic trends (2015):

Country	Estimated Population (in million)	Annual Growth of Population (%)	Density (per sq. km)
India	1311	1.2	441
China	1371	0.5	146

Pakistan	188	2.1	245
----------	-----	-----	-----

It is clear from the table that although China ranks first in population in the world, its population growth rate is much less than that of India. Density of population in China is also less than India and Pakistan. That day is not far behind when India will overtake China in world population.

6. Sectoral comparison of India, China and Pakistan is shown in the table below:

Contribution to GDP (2015-17)			
Sector	India	China	Pakistan
Agriculture	17	9	25
Industry	30	43	21
Service	53	48	54
Total	100	100	100

Sectoral contribution of India and Pakistan stands on the same ground. Service sector contributes significantly towards India's and Pakistan's GDP, followed by industrial sector. On the contrary, the industrial and services sectors contribute nearly equally in China's GDP.

The process of economic growth has led to a tremendous shift in the sectoral share of output and employment. All three nations have undergone structural transformation from primary to industrial and service sectors.

7. Pre-reform period

- (i) There was massive establishment of infrastructure in the areas of education and health
- (ii) Extensive land reforms were introduced to bring about changes in the ownership of land holdings and encourage equity.
- (iii) Development of small enterprises was promoted on a large scale.

### Post-reform period

- (i) Reforms in agriculture brought about prosperity to a vast number of poor people.
- (ii) Reforms created conditions for the subsequent phenomenal growth in rural industries.
- (iii) Strong support base was built up for more reforms.

8. The reform process led to worsening of all the economic indicators as stated below:
  - (i) The growth rate of GDP and its sectoral constituents have fallen in the 1990s compared to 1980s.
  - (ii) The official data of Pakistan indicates that the proportion of poor in 1960s was more than 40 per cent. It declined to 25 per cent in 1980s, which again started rising in 1990s.
9. The sources of foreign exchange in Pakistan include:
  - remittances from Pakistani workers in the Middle-east;
  - payment in exchange for exports of highly volatile agricultural products; and
  - loans from foreign countries.

### Long Answers:

1. Answer: India, Pakistan and China have followed almost similar path for development. All the three nations started towards their developmental path at the same time. India and Pakistan became independent nations in 1947 while People's Republic of China was established in 1949. India announced its first Five Year Plan for 1951-56, Pakistan announced its first five year plan in 1956 and 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. China was the first among the three nations to adopt reforms in its agricultural and industrial sectors. All the three countries had similar growth rates and per capita incomes till the 1980s.
2. Answer: The comparison between the economic growth of India, China and Pakistan is discussed below:
  - (i) **National Income:** The national income of China in 2017 was \$12,206.5 billion. The national income of India in the same year was \$2,597.5 billion and that of Pakistan

was only \$321.6 billion. Thus, in terms of national income, China's position is much better than India and Pakistan. In this context, we can say that India's position in comparison with Pakistan is much better.

(ii) **Gross National Income in PPP (Purchasing Power Parity):** GNI of China in PPP in the year 2017 (Comparative Development Experiences of India and Its Neighbours) was \$23,241.5 billion. The GNI of India in PPP in the same year was \$9,448.7 billion and that of Pakistan was only \$1,148.4 billion. Thus, in terms of GNI in PPP also, China's position is much better than India and Pakistan.

(iii) **Per Capita Income:** Human Development Report, 2018 depicts that the per capita income of China is \$ 15,309 while that of India and Pakistan are \$6,427 and \$5,035 respectively. Although India and Pakistan are at par in terms of per capita income, China is far ahead of both of these countries.

(iv) **Percentage Growth of GDP per Capita:** In the year 2017, percentage growth of GDP per capita in China was about 6.3 per cent per annum. In India, it was about 5.4 per cent while that in Pakistan it is only 3.7 per cent. China's position in terms of per capita growth is much better than India and Pakistan.

3. The last three decades, have taken India, China and Pakistan to different levels.

(i) **India:** India's performance has been moderate with its democratic institutions. However, a majority of India's population is still dependent on agriculture. Infrastructure lacks in many parts of the country. More than one-fourth of its population lives below the poverty line. The level of living is yet to be raised

(ii) **Pakistan:** The Pakistan economy has slowed down due to political instability, over-dependence on remittances and foreign aid along with volatile performance of the agriculture sector. The devastating earthquake of 2005 resulted in an enormous loss to life and property. Recovering from this calamity was a great challenge for Pakistan. However, it is making efforts to improve the situation by maintaining high rates of GDP growth.

(iii) **China:** China has been successful in raising the level of growth along with alleviation of poverty. China has used the market system to create additional social and economic opportunities for its people. However, lack of political freedom and its implications for human rights are still major concerns in China.

## Case Study Answer-

1. Answer:

1. 1958
2. c) aimed at industrialising the country on a massive scale
3. In 1965 – Mao
4. True

2. Answer:

1. True
2. service
3. Topographic and Climatic condition
4. 1978

### Assertion Reason Answer-

1. c) Assertion (A) is True but Reason (R) is False
2. b) Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)