UNIT IV

DEVELOPMENT EXPERIENCES OF INDIA: A COMPARISON WITH NEIGHBOURS

In today's globalised world, where geographical boundaries are slowly becoming meaningless, it is important for neighbouring countries in the developing world to understand the development strategies being pursued by their neighbours. This is more so because they share the relatively limited economic space in world markets. In this unit, we will compare India's developmental experiences with two of its important and strategic neighbours — Pakistan and China.

10

11100CH10

Comparative Development Experiences of India and its Neighbours

After studying this chapter, the learners will

- figure out comparative trends in various economic and human development indicators of India and its neighbours, China and Pakistan
- assess the strategies that these countries have adopted to reach their present state of development.

> ***Geography has made us neighbours. History has made us friends. Economics has made us partners, and necessity has made us allies. Those whom God has so joined together, let no man put asunder.***
>
> ***John F. Kennedy***

10.1 Introduction

In the preceding units we studied the developmental experience of India in detail. We also studied the kind of policies India adopted, which had varying impacts in different sectors. 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. 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, BRICS** etc. In addition, there is also an increasing eagerness on the parts of various nations to try and understand the developmental processes pursued by their neighbouring nations as it allows them to better comprehend their own strengths and weaknesses vis-à-vis their neighbours. In the unfolding process of globalisation, this is particularly considered essential by developing countries as they face competition not only from developed nations but also amongst themselves in the relatively limited economic space enjoyed by the developing world. Besides, an understanding of the other economies in our neighbourhood is also required as all major common economic activities in the region impinge on overall human development in a shared environment.

In this chapter we will compare the developmental strategies pursued by India and the largest two of its neighbouring economies—Pakistan and China. It has to be remembered that despite being endowed with vast natural resources, there is little similarity between the political power setup of India – the largest democracy of the world which is wedded to a secular and deeply liberal Constitution for more than half a century, and the militarist political power structure of Pakistan or the command economy of China that has only recently started moving towards a democratic system and more liberal economic restructuring respectively.

10.2 Developmental Path—A Snapshot View

Do you know that India, Pakistan and China have many similarities in their developmental strategies? All the three nations have started towards their developmental path at the same time. While India and Pakistan became independent nations in 1947, People's Republic of China was established in 1949. In a speech at that time, Jawaharlal Nehru had said, "These new and revolutionary changes in China and India, even though they differ in content, symbolise the new spirit of Asia and new vitality which is finding expression in the countries in Asia."

All three countries had started planning their development strategies in similar ways. While India announced its first Five Year Plan for 1951–56, Pakistan announced its first five year plan, now called the Medium Term Development Plan, in 1956. China announced its First Five Year Plan in 1953. Since 2018, Pakistan is working on the basis of 12th Five Year Development Plan (2018–23), whereas, China is working on 14th Five Year Plan (2021–25). Until March 2017, India has been following Five Year Plan- based development model. 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. Where do they stand today in comparison to one another? Before we answer this question, let us trace the historical path of developmental policies in China and Pakistan. After studying the last three units, we already know what policies India has been adopting since its Independence.

China: After the establishment of People's Republic of China under one-party rule, all 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 were allowed to 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, in particular, were allowed to produce

Fig. 10.1 *Wagah Border is not only a tourist place but also used for trade between India and Pakistan*

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 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. In order to attract foreign investors, **special economic zones** were set up.

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-based 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 of 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.

10.3 Demographic Indicators

If we look at the global population, out of every six persons living in this world, one is an Indian and another a 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. Table 10.1 shows the population growth as being the highest in Pakistan, followed by India and China. 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. However, from the table, you will notice that the sex ratio is low and biased against females in all three countries. Scholars cite son preference prevailing in all these countries as the reason. In recent times, all 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. For instance, after a few decades, in China, there will be more elderly people in proportion to young people. This led China to allow couples to have two children.

The fertility rate is also low in China and very high in Pakistan. Urbanisation is high in China with India having 34 per cent of its people living in urban areas.

TABLE 10.1

Select Demographic Indicators, 2017-18

Country	*Estimated Population (in million)*	*Annual Growth of Population*	*Density (per sq. km)*	*Sex Ratio*	*Fertility Rate*	*Urbanisation*
India	1352	1.03	455	924	2.2	34
China	1393	0.46	148	949	1.7	59
Pakistan	212	2.05	275	943	3.6	37

Source: *World Development Indicators 2019, www.worldbank.org*

10.4 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 $22.5 trillion in the world, whereas, India's GDP (PPP) is $9.03 trillion and Pakistan's GDP is $ 0.94 trillion, roughly about 11 per cent of India's GDP. India's GDP is about 41 per cent of China's GDP.

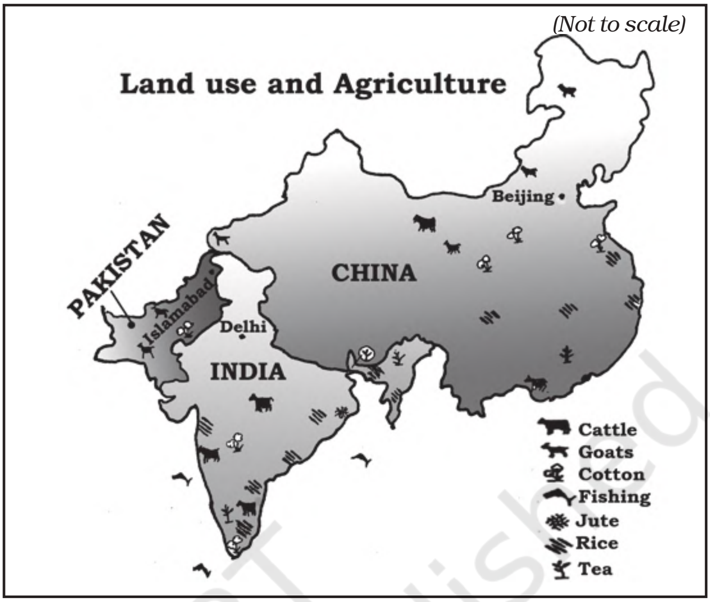


Fig. 10.2 *Land use and agriculture in India, China and Pakistan*

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 during 1980s 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 2015–17, there has been a decline in Pakistan

TABLE 10.2

Annual Growth of Gross Domestic Product (%), 1980–2017

Country	*1980–90*	*2015–2017*
India	5.7	7.3
China	10.3	6.8
Pakistan	6.3	5.3

Source: *Key Indicators for Asia and Pacific 2016, Asian Development Bank, Philippines; World Development Indicators 2018*

Work These Out

- Does India follow any population stabilisation measures? If so, collect the details and discuss in the classroom. You may refer to the latest Economic Survey, annual reports or website of the Ministry of Health and Family Welfare (http://mohfw.nic.in).
- Scholars find son preference as a common phenomenon in many developing countries, including India, China and Pakistan. Do you find this phenomenon in your family or neighbourhood? Why do people practise discrimination between male and female children? What do you think about it? Discuss it in the classroom.

Fig. 10.3 *Industry in India, China and Pakistan*

and China's growth rates, whereas, India met with moderate increase in growth rates. Some scholars hold the reform processes introduced in Pakistan and political instability over a long period as reasons behind the declining growth rate in Pakistan. We will study in a later section which sector contributed to different growth rates in these countries.

First, look at how people engaged in different sectors contribute to the Gross Domestic Product now called as Gross Value Added. It was pointed out in the previous section that China and Pakistan have more proportion of urban population than India. 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 2018–19, with 26 per cent of its workforce engaged in agriculture, its contribution to the GVA in China is 7 per cent (see Table 10.3).

In both India and Pakistan, the contribution of agriculture to GVA were 16 and 24 per cent, respectively, but the proportion of workforce that works in this sector is more in India. In Pakistan, about 41 per cent of people work in agriculture, whereas, in India, it is 43 per cent. Twenty four per cent of Pakistan workforce is engaged in industry but it produces 19 per cent of GVA. In India, industry workforce

TABLE 10.3

Sectoral Share of Employment and GVA (%) in 2018–2019

Sector	*Contribution to GVA*			*Distribution of Workforce*		
	India	*China*	*Pakistan*	*India*	*China*	*Pakistan*
Agriculture	16	7	24	43	26	41
Industry	30	41	19	25	28	24
Services	54	52	57	32	46	35
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: *Human Development Report 2019 ; Key Indicators of Asia and Pacific 2019.*

account for 25 per cent but produces goods worth 30 per cent of GVA. In China, industries contribute to GVA at 41, and employ 28 per cent of workforce. In all the three countries, service sector contributes highest share of GVA.

In the normal course of development, countries first shift their employment and output from agriculture to Industry and then to services. This is what is happening in China as can be seen from Table 10.3. The proportion of workforce engaged in industry in India and Pakistan were low at 25 per cent and 24 per cent respectively. The contribution of industries to GVA is at 30 per cent in India and 19 per cent in Pakistan. In these countries, the shift is taking place directly to the service sector.

Thus, in all the three countries the service sector is emerging as a major player of development. It contributes more to GVA 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. In the 1980s, India, China and Pakistan employed 17, 12 and 27 per cent of its workforce in the service sector respectively. In 2019, it has reached the level of 32, 46 and 35 per cent, respectively.

In the last five decades, the growth of agriculture sector, which employs the largest proportion of workforce in all the three countries, has declined. In the industrial sector, China has maintained a near double-digit growth rate in 1980s but began showing decline in recent years,

Work These Out

- Do you think it is necessary for India and Pakistan to concentrate on the manufacturing sector as China does? Why?
- Scholars argue that the service sector should not be considered as an engine of growth whereas India and Pakistan have raised their share of output mainly in this sector only. What do you think?

TABLE 10.4

Trends in Output Growth in Different Sectors, 1980–2015

Country	*1980–90*			*2014–18*		
	Agriculture	*Industry*	*Service*	*Agriculture*	*Industry*	*Service*
India	3.1	7.4	6.9	3.1	6.9	7.6
China	5.9	10.8	13.5	3.1	5.3	7.1
Pakistan	4	7.7	6.8	1.7	4.8	5.0

whereas, for India and Pakistan growth rate has declined. In case of service sector, China was able to maintain its rate of growth during 1980–1990,while there was a positive and increaring growth of India's service sector output. Thus, China's growth is contributed by the manufacturing and service sectors and India's growth by the service sector. During this period, Pakistan has shown deceleration in all three sectors.

10.5 Indicators of Human Development

You might have studied about the importance of human development indicators in the lower classes and the position of many developed and developing countries. Let us look how India, China and Pakistan have performed in some of the select indicators of human development. Look at Table 10.5.

TABLE 10.5

Some Selected Indicators of Human Development, 2017-2019

Item	*India*	*China*	*Pakistan*
Human Development Index (Value)	0.645	0.761	0.557
Rank (based on HDI)	130	87	154
Life Expectancy at Birth (years)	69.7	76.9	67.3
Mean years of Schooling (% aged 15 and above)	6.5	8.1	5.2
Gross National Income per capita (PPP US$)	6,681	16,057	5,005
Percentage of People living Below Poverty Line (National)	21.9*	1.7**	24.3*
Infant Mortality Rate (per 1000 live births)	29.9	7.4	57.2
Maternal Mortality Rate (per 1 lakh births)	133	29	140
Population using at least basic Sanitation (%)	60	75	60
Population using at least basic drinking Water Source (%)	93	96	91
Percentage of Undernourished Children	37.9	8.1	37.6

Note: * *for the year 2011; for the years 2015.*
Sources: *Human Development Report 2019 and 2020 and World Development Indicators (www.worldbank.org); Key indicators for Asia and the Pacific 2019, Asian Development Bank (ADB).*

Table 10.5 shows 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. China and Pakistan are ahead of India in reducing proportion of people below the poverty line and also their performance in sanitation. But India and Pakistan have not been able to save women from maternal mortality. In China, for one lakh births, only 29 women die whereas in India and Pakistan, about 133 and 140 women die respectively. Surprisingly all the three countries report providing improved drinking water sources for most of its population. China has the smallest share of poor among the three countries. Find out for yourself how these differences occur.

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. This occurs because 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 actually 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.

10.6 Development Strategies — an Appraisal

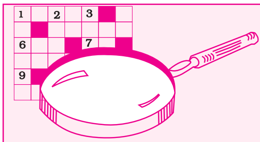
It is common to find developmental strategies of a country as a model to others for lessons and guidance for their own development. It is particularly evident after the introduction of the reform process in different parts of the world. In order to learn from economic performance of our neighbouring countries, it is necessary to have an understanding of the roots of their successes and failures. It is also necessary to distinguish between, and contrast, the different phases of their strategies. Though countries go through their development phases differently, let us take the initiation of reforms as a point of reference. We know that reforms were initiated in China in 1978, Pakistan in 1988 and India in 1991. Let us briefly assess their achievements and failures in pre- and post-reform periods.

Why did China introduce structural reforms in 1978? 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. It created conditions for the subsequent phenomenal growth in rural industries and built up a strong support base for more reforms. Scholars quote many such examples on how reform measures led to rapid growth in China.

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 not yet improved.

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 the recent decades. The reasons for the slow-down of growth and re-emergence of poverty in Pakistan's economy, as scholars put it, are agricultural growth and food supply situation were based not on an institutionalised process of technical change but on good harvest. When there was a good harvest, the economy was in good condition, when it was not, the economic indicators showed stagnation or negative trends. You will recall that India had to borrow from the IMF and World Bank to set right its balance of payments crisis; foreign exchange is an essential component for any country and it is



Work These Out

- While India has performed relatively well vis-à-vis other developing countries (including its Asian neighbours) in terms of economic growth, India is yet to show the world that there is considerable progress in terms of human development indicators. Where India went wrong? Why did we not take care of our human resources? Discuss in the classroom.

- There is a general perception going around in India that there is sudden increase in dumping of Chinese goods into India which have implications for manufacturing sector in India and also that we do not engage ourselves in trading with our neighbouring nations. Look at the following table, which shows exports from India to, and imports from, Pakistan and China. From newspapers and websites and listening to news, collect the details of goods and services transacted in trading with our neighbours. In order to get detailed information relating to international trade, you can log on to the website: http://dgft.gov.in.

Country	*Exports from India* (Rs in crore)			*Imports to India* (Rs in crore)		
	2004-2005	*2018-2019*	*Annual Rate of Growth (%)*	*2004-2005*	*2018-2019*	*Annual Rate of Growth (%)*
Pakistan	2,341	14,426	3.7	427	3476	5.1
China	25,232	1,17,289	2.6	31,892	4,92,079	10.3

- Calculate exports as a % of imports for both the years and discuss the probable reasons for the trend in the class.

important to know how it can be earned. If a country is able to 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, during the last few years, Pakistan has recovered its economic growth and has been sustaining. In 2017-18, the Annual Plan 2019-20 reports that, the GDP registered a growth of 5.5 per cent, highest when compared to the previous decade. While agriculture recorded growth rate far from satisfactory level, industrial and service sectors grew at 4.9 and 6.2 per cent respectively. Many macroeconomic indicators also began to show stable and positive trends.

10.7 Conclusion

What are we learning from the developmental experiences of our neighbours? India, China and Pakistan have travelled seven decades of developmental path with varied results. Till the late 1970s, all of them were maintaining the same level of low development. The last three decades have taken these countries to different levels. India, with democratic institutions, performed moderately, but a majority of its people still depend on agriculture. India has taken many initiatives to develop the infrastructure and improve the standard of living. Scholars are of the opinion that political instability, over-dependence on remittances and foreign aid along with volatile performance of agriculture sector are the reasons for the slowdown of the Pakistan economy. Yet, last five years, many macroeconomic indicators began showing positive and moderate growth rates reflecting the economic recovery. In China, the lack of political freedom and its implications for human rights are major concerns; yet, in the last four decades, it used the 'market system without losing political commitment' and succeeded in raising the level of growth alongwith alleviation of poverty. You will also notice that unlike India and Pakistan, which are attempting to privatise their public sector enterprises, China has used the market mechanism to 'create additional social and economic opportunities'. By retaining collective ownership of land and allowing individuals to cultivate lands, China has ensured social security in rural areas. Public intervention in providing social infrastructure even prior to reforms has brought about positive results in human development indicators in China.

Recap

- 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.
- India, Pakistan and China have similar physical endowments but totally different political systems.
- All the three countries follow the similar planned pattern of development. However, the structures established to implement developmental policies are quite different.
- Till the early 1980s, the developmental indicators of all the three countries, such as growth rates and sectoral contribution towards national income, were similar.
- Reforms were introduced in 1978 in China, in 1988 in Pakistan and in 1991 in India.
- China introduced structural reforms on its own initiative while they were forced upon India and Pakistan by international agencies.
- The impact of policy measures were different in these countries — for instance, one-child norm has arrested the population growth in China whereas in India and Pakistan, a major change is yet to take place.
- Even after seventy years of planned development, majority of the workforce in all the countries depends on agriculture. The dependency is greater in India.
- Though China has followed the classical development pattern of gradual shift from agriculture to manufacturing and then to services, India and Pakistan's shift has been directly from agriculture to service sector.
- China's industrial sector has maintained a high growth rate while it is not so in both India and Pakistan. This led to rapid increase of the GDP per capita in China than in India and Pakistan.
- China is ahead of India and Pakistan on many human development indicators. However these improvements were attributed not to the reform process but the strategies that China adopted in the pre-reform period.
- While assessing the developmental indicators, one also has to consider the liberty indicators.

EXERCISES

1. Why are regional and economic groupings formed?
2. What are the various means by which countries are trying to strengthen their own domestic economies?
3. What similar developmental strategies have India and Pakistan followed for their respective developmental paths?
4. Explain the Great Leap Forward campaign of China as initiated in 1958.
5. China's rapid industrial growth can be traced back to its reforms in 1978. Do you agree? Elucidate.
6. Describe the path of developmental initiatives taken by Pakistan for its economic development.
7. What is the important implication of the 'one child norm' in China?
8. Mention the salient demographic indicators of China, Pakistan and India.
9. Compare and contrast India and China's sectoral contribution towards GVA/GDP. What does it indicate?
10. Mention the various indicators of human development.
11. Define the liberty indicator. Give some examples of liberty indicators.
12. Evaluate the various factors that led to the rapid growth in economic development in China.
13. Group the following features pertaining to the economies of India, China and Pakistan under three heads
    - One-child norm
    - Low fertility rate
    - High degree of urbanisation
    - Mixed economy
    - Very high fertility rate
    - Large population
    - High density of population
    - Growth due to manufacturing sector
    - Growth due to service sector.

14. Give reasons for the slow growth and re-emergence of poverty in Pakistan.

15. Compare and contrast the development of India, China and Pakistan with respect to some salient human development indicators.

16. Comment on the growth rate trends witnessed in China and India in the last two decades.

17. Fill in the blanks
    (a) First Five Year Plan of ______________ commenced in the year 1956. (Pakistan/China)
    (b) Maternal mortality rate is high in ____________. (China/Pakistan)
    (c) Proportion of people below poverty line is more in _________. (India/Pakistan)
    (d) Reforms in ____________ were introduced in 1978. (China/Pakistan)

SUGGESTED ADDITIONAL ACTIVITIES

1. Organise a class debate on the issue of free trade between India and China and India and Pakistan.

2. You are aware that cheap Chinese goods are available in the market, for example, toys, electronic goods, clothes, batteries etc. Do you think that these products are comparable in quality and price with their Indian counterparts? Do they create a threat to our domestic producers? Discuss.

3. Do you think India can introduce the one-child norm like China to reduce population growth? Organise a debate on the policies that India can follow to reduce population growth.

4. China's growth is mainly contributed by the manufacturing sector and India's growth by the service sector—prepare a chart showing the relevance of this statement with respect to the structural changes in the last decade in the respective countries.

5. How is China able to lead in all the Human Development Indicators? Discuss in the classroom. Use Human Development Report of the latest year.

REFERENCES

Books

DREZE, JEAN AND AMARTYA SEN. 1996. *India: Economic Development and Social Opportunity.* Oxford University Press, New Delhi.

Articles

RAY, ALOK. 2002. 'The Chinese Economic Miracle: Lessons to be Learnt.' *Economic and Political Weekly,* September 14, pp. 3835-3848.

ZAIDI, S. AKBAR. 1999. 'Is Poverty now a Permanent Phenomenon in Pakistan?' *Economic and Political Weekly,* October 9, pp. 2943-2951.

Government Reports

Annual Plan 2016-17, Ministry of Planning, Development & Reform, Government of Pakistan accessed from http://pc.gov.pk on 02 January 2017.

Economic Survey, Ministry of Finance, Government of India (for various years).

Human Development Report 2005, United Nations Development Programme, Oxford University Press, Oxford.

Labour Market Indicators, 3rd Edition, International Labour Organisation, Geneva.

Pakistan: National Human Development Report 2003, United Nations Development Programme, Second Impression 2004.

World Development Report 2005, The World Bank, Oxford University Press, New York.

World Development Indicators for various years, World Bank Washington.

Human Development Report for various years, United Nations Development Programme Geneva.

Key Indicators of Asia and Pacific 2016, Asian Development Bank, Philippines.

Websites

www.stats.gov.cn
www.statpak.gov.pk
www.un.org
www.ilo.org
www.planningcommission.nic.in
www.dgft.delhi.nic.in

GLOSSARY

The Association of South-East Asian Nations (ASEAN) : It is a political, economic, and cultural organisation of countries located in South-east Asia—Thailand, Indonesia, Malaysia, Singapore, the Philippines, Brunei Darussalam, Cambodia, Laos, Myanmar and Vietnam.

Balance of Payments (BOP) : It is a statistical statement summarising all the external transactions (receipts and payments) on current and capital account in which a country is involved over a period of time, say, a year. As the BOP shows the total assets and obligations over a time-period, it always balances.

Barriers to Entry : This refers to the factors which make it disadvantageous for new entrants to enter an industry as compared with the firms already established within the industry.

Better Compliance : Obeying or complying with the Government regulation. It is referred to usually in case of payment of taxes and dues to the Government.

Bilateral Trade Agreements : The agreements relating to exchange of commodities or services between two countries.

Brundtland Commission : A Commission established by United Nations Organisation in 1983 to study the world's environmental problems and propose agenda for addressing them. It came out with a report. The definition provided by the Commission for the term, 'sustainable development', is very popular and widely cited all over the world.

Budgetary Deficit : A situation when the government's income and tax receipts fail to cover its expenditures.

Bureau of Energy Efficiency (BEE) : It is a government organisation that aims to develop policies and strategies with a thrust on self regulation and market principles. It promotes energy conservation in different sectors of the economy and undertakes measures against the wasteful uses of electricity.

Business Process Outsourcing (BPO) : Outsourcing of business processes (activities constituting a service) by companies to other companies. This term is frequently associated with outsourcing of such activities (e.g. receiving and making calls on behalf of other companies popularly known as call centres), by foreign companies to Indian companies in the field of IT-enabled services.

Carrying Capacity : It is the measure of habitat to indefinitely sustain a population at a particular density. A more technical definition for carrying capacity is the largest size of a density-dependent population for which the population growth rate is zero. Hence, below carrying capacity, populations will tend to increase, while they will decrease above carrying capacity. Population size decreases above carrying capacity due to either reduced survivorship (e.g. due to insufficient space or food) or reproductive success (e.g. due to insufficient food, or behavioural interactions), or both. The carrying capacity of an environment will vary for different species in different habitats, and can change over time due to a variety factors, including trends in food availability, environmental conditions and space.

Cascading Effect : When tax imposition leads to a disproportionate rise in prices, i.e. by an extent more than the rise in the tax, it is known as cascading effect.

Cash Reserve Ratio (CRR) : A proportion of the total deposits and reserves of the commercial banks that is to be kept with the central bank (RBI) in liquid form. It is used as a measure of control of RBI over the commercial banks.

Casual Wage Labourer : A person who is casually engaged in others' farm or non-farm enterprises and, in return, receives wages according to the terms of the daily or periodic work contract.

Colonialism : The practice of acquiring colonies by conquest or other means and making them dependent. It also means extending power, control or rule by a country over the political and economic life of areas outside its borders. The main feature of colonialism is exploitation.

Commercialisation of Agriculture : It implies production of crops for the market rather than for self-consumption i.e. family consumption. During the British rule, the commercialisation of agriculture acquired a different meaning—it became basically commercialisation of crops. The British started offering higher price to farmers for producing cash crops rather than for food crops. They used these cash crops as raw materials for industries in Britain.

Communes : Known as people's communes, or *renmin gongshe* in China, were formerly the highest of three administrative levels in rural areas in the period from 1958 to 1982-85, when they were replaced by townships. Communes, the largest collective units, were divided in turn into production brigades and production teams. The communes had governmental, political, and economic functions.

Consumption Basket : Group of goods and services consumed by a household. In order to estimate the consumption pattern of people, statistical agencies identify such items. For instance NSSO has identied 19 groups of items in the consumption basket. Some of them are (i) cereals (ii) pulses

(iii) milk and milk products (iv) edible oil (v) vegetables (vi) fuel and light and (vii) clothing.

Default : Failure to make repayment of the principal and interest on a debt e.g. sovereign debt (loan obtained by the government) to the lenders, say, international financial institutions, on the scheduled date, causing loss of credibility as a debtor.

Deficit Financing : A situation where the expenditure of the government exceeds its revenue.

Demographic Transition : It is a concept developed by demographer Frank Notestein in 1945 to describe the typical pattern of falling death and birth rates in response to better living conditions associated with economic development. Notestein identified three phases of demographic transition, pre-industrial, developing and modern industrialised societies. Later another phase, post-industrial was also included.

Dereservation : Allowing an individual or group of enterprises to produce goods and services which were hitherto produced by a particular individual or group of enterprises. In India, it refers to allowing large-scale industries to produce goods and services which were produced only by the small-scale industries.

Devaluation : A fall in the exchange rate which reduces the value of a currency in terms of other currencies.

Disinvestment : A deliberate sale of a part of the capital stock of a company to raise resources and change the equity and/or management structure of a company.

Employers : Those self-employed workers who by and large, run their enterprises by hiring labourers.

Enterprise : An undertaking owned and operated by an individual or by group of individuals to produce and/or distribute goods and/or services mainly for the purpose of sale, whether fully or partly.

Equities : Shares in the paid up capital or stock of a company whose holders are considered as owners of the company with voting rights and dividends in the profit.

Establishment : An enterprise which has got at least one hired worker for major part of the period of operation in a year.

European Union : It is a union of twenty-five independent states founded to enhance political, economic and social cooperation within the European continent. The member countries of European Union are Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom, Malta, Poland, Slovakia and Slovenia.

Export Duties : Taxes imposed on goods exported from a country.

Export Promotion : A set of measures (including fiscal and commercial support measures and steps aimed at removal of trade barriers) taken by a government to promote the export of goods with a view to achieve higher economic growth and accumulation of foreign exchange earnings.

Export-Import Policy : The economic policies of the government relating to its exports and imports.

Family labour/worker : A member who works without receiving wages in cash or in kind in a farm, an industry, business or trade conducted by the members of the family.

Financial Institutions : Institutions that engage in mobilisation and allocation of savings. They include commercial banks, cooperative banks, developmental banks and investment institutions.

Fiscal Management : The use of taxation and government expenditure to regulate the economic activities.

Fiscal Policy : All the planned actions of a government in mobilising financial resources for meeting its expenditure and regulating the economic activities in a country.

Foreign Direct Investment : Investment of foreign assets into domestic structures, equipment and organisations. It does not include foreign investment into the stock markets. Foreign direct investment is thought to be more useful to a country than investments in the equity of its companies because equity investments are potentially 'hot money' which can leave at the first sign of trouble, whereas FDI is durable and generally useful whether things go well or badly.

Foreign Exchange : Currency or bonds of another country.

Foreign Exchange Markets : A market in which currencies are bought and sold at rates of exchange fixed now, for delivery at specified dates in the future.

Foreign Institutional Investment : Foreign investments which come in the form of stocks, bonds, or other financial assets. This form of investment does not entail active management or control over the firms or investors.

Foreign Institutional Investors (FIIs) : Banking and non-banking financial institutions of foreign origin e.g. commercial banks, investment banks, mutual funds, pension funds or other such institutional investors (as distinct from the domestic financial institutions investing) whose investment in stocks and bonds in the country through stock markets have significant influence.

Formal Sector Establishments : All the public sector establishments and those private sector establishments which employ 10 or more hired workers.

G-20 : A forum of countries that intents to promote global economic stability and sustainable growth. This forum brings together finance ministers and central bank governors from 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, The Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, The United Kingdom, The United States of America. The European Union is also a member of G-20 and is represented by the President of the European Council and by Head of the European Central Bank.

G-8 : The Group of Eight (G-8) consists of Canada, France, Germany, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland, the United States of America, and Russian Federation. The hallmark of the G-8 is an annual economic and political summit meeting of the heads of government with international officials, though there are numerous subsidiary meetings and policy research.The Presidency of the group rotates every year. For the year 2006 it was held by Russia.

Goods and Services Tax : It is a single indirect tax on the supply of goods and services. It was introduced in July 2017 by abolishing a variety of taxes, such as sales tax and excise that prevailed in India. Under GST, tax is imposed on the basis of value addition at each stage of the movement of goods and services. Different slabs of tax rates, such as 0 per cent, 5 per cent, 12 per cent, 18 per cent and 28 per cent, are imposed on almost all goods and services. This slab is same throughout the country.

Gratuity : An amount of money given by the employer to the employee at the time of retirement for services rendered by the employee.

Gross Domestic Product : The total value of final goods and services produced within a country's borders in a year, regardless of ownership. It is used as one of many indicators of the standard of living in a country, but there are limitations with this view.

Gross Value Added: The sum of a country's GDP and net of subsidies and taxes in the economy (GVA=GDP+Subsidies–indirect taxes).

Household : A group of persons normally living together and taking food from a common kitchen. The word 'normally' means that temporary visitors are excluded and those who temporarily staying away are included.

Import Licensing : Permission required from the government to import goods into a country.

Import Substitution : A policy of the state for development of economy in which import of goods is generally substituted by domestic production (through import controls, tariffs and other restrictions) with a view to encourage domestic industry on grounds of self-sufficiency and domestic employment.

Infant Mortality Rate : It is the number of deaths of infants before reaching the age of one, in a particular year, per 1,000 live births during that year.

Inflation : A sustained rise in the general price level.

Informal Sector Enterprises : Those private sector enterprises, which employ less than 10 workers on a regular basis.

Integration of Domestic Economy : A situation where the policies of government facilitate free trade and investment with other countries making the domestic economy work together with other economies in an efficient and mutually interdependent way.

Invisibles : Various items enter in the current account of the balance of payments, some of which are not visible goods. Invisibles are mainly services, like tourism, transport by shipping or by airways, and financial services such as insurance and banking. They also include gifts sent abroad or received from abroad and private transfer of funds, government grants and interests, profits and dividends.

Labour Laws : All the rules and regulations framed by the government to protect the interests of the workers.

Land/Revenue Settlement : With the British acquiring territorial rights in different parts of India, administration of territories was formulated on the basis of survey of land. It was decided in the interests of government in terms of revenues to be collected from each parcel of land in possession of either a *ryot* (means peasant) or a *mahal* (revenue village) or a *zamindar* (a proprietary land holder). Decision in each of these cases was meant for the rights of the latter over land for the purposes of either ownership of land or rights to cultivation. This system is known as land/revenue settlement. There were different land settlements formulated in India. They are (i) system of permanent settlement, which is also known as the zamindari system (ii) *ryotwari* system (a system of revenue settlement entered into by the government with individual tenants) (iii) *mahalwari* system (a system of revenue settlement entered into by the government with a *mahal*).

Life Expectancy at Birth (years) : The number of years a newborn infant would live if prevailing patterns of age-specific mortality rates at the time of birth were to stay the same throughout the child's life.

Maternal Mortality Rate : It is the relationship between the number of maternal deaths due to childbearing by the number of live births or by the sum of live births and foetal deaths in a given year.

Merchant Bankers : Banks or financial institutions, also known as investment bankers, that specialise in advising the companies and managing their equity and debt requirement (often referred to as portfolio management) through floatation and sale/purchase of stocks and bonds.

Morbidity : It is the propensity to fall ill. It affects a person's work by making him or her temporarily disabled. Prolonged morbidity may lead to mortality.

2022-23

In our country, acute respiratory infections and diarrhoea are two major causes of morbidity.

Mortality rate : The word 'mortality' comes from 'mortal' which originates from the Latin word *mors* (meaning death). It is the annual number of deaths (from a disease or in general) per 1,000 people. It is distinct from morbidity rate, which refers to the number of people who have a disease compared to the total number of people in a population.

MRTP Act : An Act (Monopolies Restrictive Trade Practices Act) framed to prevent monopolistic practices and regulate the conduct or business practices of firms that are not in public interest.

Multilateral Trade Agreements : Trade agreements made by a country with more than two nations to exchange goods and services.

National Product/Income : Total value of goods and services produced in a country plus income from abroad.

Nationalisation : Transfer of ownership from private sector to public sector. This involves take over of companies owned by individuals or group of individuals by either state or central government. In some contexts, it also involves transfer of ownership from state government to central government.

New Economic Policy : A term used to describe the policies adopted in India since 1991.

Non-renewable Resources : Resources that cannot be renewed. They have a finite, even if large, stock. Some examples are fossils fuels such as oil and coal and mineral resources—iron, lead, aluminum, uranium.

Non-tariff Barriers : All the restrictions on imports by a government in the form other than taxes. They mainly include restrictions on quantity and quality of goods imported.

Opportunity Cost : It is defined with respect to a particular value or action and is equal to the value of the foregone alternative choice or action.

Pension : A monthly payment to a worker who has retired from work.

Per Capita Income : Total national income of a country divided by its population in a specific period.

Permit License Raj : A term used to denote the rules and regulations framed by the government to start, run and operate an enterprise for production of goods and services in India.

Planning Commission : An organisation set up by the Government of India. It is responsible for making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective and balanced utilisation of resources and determining priorities.

Poverty Line : The per capita expenditure on certain minimum needs of a person including food intake of a daily average of 2,400 calories in rural areas and 2,100 calories in urban areas.

Private Sector Establishments : All those establishments, which are owned and operated by individuals or group of individuals.

Productivity : Output per unit of input employed. Increase in the efficiency on the part of capital or labour leads to increase in productivity. This term is generally used to refer to productivity increase in labour inputs.

Provident Fund : A savings fund in which both employer and employee contribute regularly in the interest of the employee. It is maintained by the government and given to the employee when he or she resigns or retires from work.

Public Sector Establishments : All those establishments which are owned and operated by the government. They may be run either by local government, state government or by central government independently or jointly.

Quantitative Restrictions : Restrictions in the form of total quantities or quotas imposed on imports to reduce balance of payments (BOP) deficit and protect domestic industry.

Regular Salaried/Wage Employee : Persons who work in others' farm or non-farm enterprises and, in return, receive salary or wages on a regular basis (i.e. not on the basis of daily or periodic renewal of work contract). They include not only persons getting time wage but also persons receiving piece wage or salary and paid apprentices, both full time and part-time.

Renewable Resources : Resources that can be renewed through natural processes if they are used wisely. Forests, animals and fishes, if not over-exploited, get easily renewed. Water is also in that category.

South Asian Association for Regional Cooperation (SAARC) : It is an association of eight countries of South Asia — Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka and Afghanistan. SAARC provides a platform for the peoples of South Asia to work together in a spirit of friendship, trust and understanding. It aims to accelerate the process of economic and social development in member countries.

Self-employed : Those who operate their own farm or non-farm enterprises or are engaged independently in a profession or trade with one or a few partners. They have freedom to decide how, where and when to produce and sell or carry out their operation. Their earning is determined wholly or mainly by sales or profits from their enterprises.

Social Security : A government or privately established system of measures, which ensures material security for the elderly, disabled, destitute, widows and children. It includes pension, gratuity, provident fund, maternal benefits, health care etc.

Special Economic Zone (SEZ) : It is a geographical region that has economic laws different from a country's typical economic laws. Usually the goal is to increase foreign investment. Special Economic Zones have been established in several countries, including the People's Republic of China, India, Jordan, Poland, Kazakhstan, the Philippines and Russia.

Stabilisation Measures : Fiscal and monetary measures adopted to control fluctuations in the balance of payments and high rate of inflation.

State Electricity Boards (SEBs) : These are part of the state administration that generate, transmit and distribute electricity in different states.

Statutory Liquidity Ratio (SLR) : A minimum proportion of the total deposits and reserves to be maintained by the banks in liquid form as per the regulations of the central bank (RBI). Maintenance of SLR, in addition to the Cash Reserve Ratio (CRR), is an obligation of the banks.

Stock Exchange : A market in which the securities of governments and public companies are traded. It provides the facilities for stock brokers to trade company stocks and other securities.

Stock Market : An institution where stocks and shares are traded.

Structural Reform Policies : Long-term measures like liberalisation, deregulation and privatisation aimed to improve the efficiency and competitiveness of the economy.

Tariff : A tax on imports, which can be levied either on physical units, e.g. per tonne (specific) or on value. Tariffs may be imposed for a variety of reasons including: to raise government revenue, to protect domestic industry from subsidised or low-wage imports, to boost domestic employment, or to ease a deficit on the balance of payments. Apart from the revenue that they raise tariffs achieve little good—they reduce the volume of trade and increase the price of the imported commodity to consumers.

Tariff Barriers : All the restrictions on imports by a government in the form of taxes.

Trade Union : An organisation of workers formed for the purpose of addressing its members' interests in respect of wages, benefits, and working conditions.

Unemployment : A situation in which all those who, owing to lack of work, are not working but either seek work through employment exchanges, intermediaries, friends or relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing condition of work and remunerations.

Urbanisation : Expansion of a metropolitan area, namely the proportion of total population or area in urban localities or areas (cities and towns), or the increase of this proportion over time. It can thus represent a level of urban population relative to total population of the area, or the rate at which the urban proportion is increasing. Both can be expressed in percentage terms, the rate of change expressed as a percentage per year, decade or period between censuses.

Worker-Population Ratio : Total number of workers divided by the population. It is expressed in percentage.