UPSC

NCERT Summary

India’s Economic Interaction with the World- 1

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-20 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 neighboring nations as it allows them to better comprehend their own strengths and weaknesses vis-a-vis their neighbors. In the unfolding process of globalization, this is particularly considered essential by developing countries as they face competition not only form 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 neighborhood is also required as all major common economic activities in the region impinge on overall human development in a shared environment.

Here we will compare the developmental strategies in pursued by India and the largest two of its neighboring economies - Pakistan and China. It has to be remembered, however, that apart from the similarities in their physical endowment, there is little in wedded to a secular and deeply liberal constitution for over half a century, and the authoritarian militarist political power structure of Pakistan or the command economy of China that has only recently started moving towards a more liberal restructuring.

DEVELOPMENTAL PATH - A SNAPSHOT VIEW

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 become 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, symbolize the new spirit of the Asia and new vitality which is finding expression in the countries in Asia."

All the three countries had started planning their development strategies in similar ways. While India announced its first five Year Plan for1951-56, Pakistan announced its first five year plan, called. The Medium Term Plan, in 1956 China announced its five Year Plan in 1953 till current planning in India is based on Tenth

Five Year Plan (2002-07). 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.

China: After the establishment of People's Republic of china under one party rule, all the critical sector of the economy, enterprises and lands owned and operated by individuals were brought under government control. The Great Leap Forward (GLF) campaigned to set up industries in their backyards. In rule areas, communes were started. Under the Commune system, people collectively cultivated lands. 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 professional who had earlier been sent to help in the industrialisation process. In 1965, mao introduced the Great Proletarian
Cultural Revolution (1966-76) under which students and professional were sent to work learn form the countryside. The present- day fast industrial growth in China can be traced beck to the reforms introduced in 1978. China introduced reforms in phases. In the initial phase, reforms were initiated in agriculture, foreign trade and investment sector. In the initial phase, reforms were initiated in 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 good. At this stage, enterprises owned by government (know as State Owned Enterprises-SOEs), which we, in India, call public sector enterprises, were made to face competition. The reform process also involved pricing. This means fixing the prices in two ways, formers 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 year, as production increased, the proportion of good or inputs transacted in the market was 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 late1950s and 1960s. Pakistan introduced a variety of regulated policy framework (for import substitution industrialization). The policy combined tariff protection for manufacturing of consumer goods together with direct import and increase on competing imports. The introduction of Green Revolution led to mechanization and increase in competing import. The infrastructure in select areas, which finally led to a rice in the increase in the production of food grains. This changed the agrarian structure dramatically. In the 1970s, nationalization of capital goods industries took place areas were denationalization and encouragement to private Sector. During this period, Pakistan also received financial support form western nations and remittances form continuously increasing outflow of emigrants to the middle-east. This helped the country in stimulating economic growth The then government also offered incentives to the private sector. All this created a conducive climate for new investments. In 1988, reforms were initiated in the country.

DEMOGRAPHIC INDICATORS

If we look at the global population, out of every six persons living in this world, one is an India and another Chinese we shall compare some demographic indicators of India, China and Pakistan The population of Pakistan is very small and accounts for roughly about one-tenth of China or India. Though China is the largest nation among the three, its density is the lowest though geographically it occupies the largest area. Population growth as being 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 this measure let to decline in the sex ratio, the proportion of females per 1000 males. Scholars cite son preference prevailing in all these countries as the reason. In recent time, the resultant arrests in the growth of population also have other implication. For instance, after a few decades, in China there will be more elderly people in proportion to young people This will force China to take Steps to provide social security measures with fewer workers.

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