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## NCERT Class 11 Economics Chapter 10: Comparative Development Experience of India and Its Neighbors YouTube Lecture Handouts

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Geography has made us neighbors. 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

Economic transformation taking place in India

Regional groups - SAARC, European Union, ASEAN, G-8, G-20, BRICS

India - the largest democracy of the world which is wedded to a secular and deeply liberal Constitution for more than half a century & militarist political power structure of Pakistan or command economy of China that has recently started moving towards a democratic system

### India, Pakistan, China – Similarities

- Development started at same time
- India & Pakistan got independent in 1947
- Republic of China established in 1949
- 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 2013, Pakistan is working on the basis of 11<sup>th</sup> Five Year
- Development Plan (2013 - 18) whereas China is now working on 13<sup>th</sup> Five Year Plan (2016 - 20) . The current planning in India is based on Twelfth Five Year Plan (2012 - 17)
- Similar growth rate and per capita income

### China

- One party rule – economy, enterprise and land operated by individual under government control
- 1958 – Great Leap Forward campaign for industrialization (set up industries in backyards)
- Commune System in rural areas (collective cultivated land) - were allowed to keep all income from the land after paying stipulated taxes
- 30 million killed in severe drought in China
- When Russia had conflicts with China it withdrew the professionals from there
- 1965 - Mao introduced the Great Proletarian Cultural Revolution
- 1978 – Reforms in China – 1<sup>st</sup> in agriculture, foreign trade and investment – private sector were allowed to produce goods
- State Owned Enterprise (SOE) or public sector enterprise were made to face competition
- Dual pricing - fixing the prices in two ways; farmers & 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
- SEZs were established to attract foreign investors

### Pakistan

- Mixed Economy Model – co-existence of public and private sectors
- Regulated policy framework (for import substitution-based industrialisation) - combined tariff protection for manufacturing of consumer goods together with direct import controls on competing imports
- Green revolution – mechanization and increase in public investment in infrastructure, changed agrarian structure
- 1970's – nationalization of capital goods industry
- 1970's-1980's – denationalization and encouragement of private sector
- Financial support from western nations
- Remittances from increasing outflow of emigrants to Middle East
- 1988- reforms were initiated

### Demographic Indicators (Comparison of 3 Nations)

- Of every 6 person in world – 1 is Indian, 1 is Chinese
- Population of Pakistan is 1/10<sup>th</sup> of India/China
- China – largest in population and area amongst the three but lowest in density
- Population growth is highest in Pakistan
- 1970's – one child norm in China
- China – decline in sex ratio due to one child norm
- Sex ratio is low in all three nations
- After few years, China will have more elderly population than young and it allowed two child
- Fertility rate is very high in Pakistan
- Urbanization in China is 59% while in India it is 33%

## GDP and Sectors

- China has the second largest GDP (PPP) of \$ 18.4 trillion whereas
- India's GDP (PPP) is \$ 7.5 trillion and Pakistan's GDP is \$ 0.89 trillion, roughly about 12% of India's GDP.
- China – double digit growth rate and Pakistan ahead of India in 1980's
- Pakistan growth rate declines by 4% in 2011 - 15 (due to political instability and reforms in 1988)
- China – arable area is small (only 10% of total land)
- Total cultivable area in China accounts for 40% of cultivable area in India
- Till 1980's – 80% people in China is dependent on farming.
- In 2013 – 28% in agriculture contributed to 9% GDP
- India – agriculture to GDP is 17% with 50% workforce while in Pakistan agriculture to GDP is 25% with 43% workforce
- China - manufacturing and service sectors contribute the highest to GDP at 43 and 48% while in India service sector is highest with more than 50%
- 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 maintained high industrial growth rate
- China is ahead in Human Development Indicators
- Pakistan was faster in shifting its workforce to service sector than India and China

### Trends in Output Growth in Different Sectors, 1980-2013

Country	1980-90			2011-2015		
	Agriculture	Industry	Service	Agriculture	Industry	Service
India	3.1	7.4	6.9	2.3	5	8.4
China	5.9	10.8	13.5	4.1	8.1	8.4
Pakistan	4	7.7	6.8	2.7	3.4	4.4

## Indicators of Human Development

- Pakistan is ahead of India in reducing proportion of people BPL & sanitation. But neither of these two countries have been able to save women from MMR
- MMR in China (27) is far less than India (178) and Pakistan (174)
- Improved drinking water in all 3 nations
- Proportion of people below the international poverty rate of \$ 3.10 a day, India has the largest share of poor among the three countries
- Liberty indicators – extent of democratic participation in social and political decision making

- Liberty indicators not introduced includes 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'

Some Selected Indicators of Human Development, 2015

Item	India	China	Pakistan
Human Development Index (Value)	0.609	0.727	0.538
Rank (based on HDI)	130	90	147
Life Expectancy at birth (years)	68.2	75.8	66.2
Adult Literacy Rate (% aged 15 and above)	72.2	96.4	56.4
GDP per capita (PPP US\$)	5730	13,572	4706
People below poverty line (at \$3.10 a day ppp)(%)(2011)	58	32	44
Infant Mortality Rate (per 1000 live births)	38	9	66
Maternal Mortality Rate (per 1 lakh births)	174	27	178
Population using improved sanitation (%)	40	77	64
Population with sustainable access to improved water source (%)	94	96	91
Percentage of Children undernourished	15	9	22

Source: Human Development Report 2014 and World Development Indicators ([www.worldbank.org](http://www.worldbank.org))

### Development Strategies – Appraisal

- Initiation of reforms as point of reference
- Reforms were initiated in China in 1978, Pakistan in 1988 and India in 1991.
- Achievements and failures in pre and post reform period
- Till 1970's all nations were performing low but later on to different levels

### China

- China has no compulsion as dictated by World Bank or IMF to India and Pakistan
- Under Maoist rule – slow growth and lack of modernization - economic development based on decentralization, self-sufficiency and shunning of foreign technology, goods and capital had failed
- Reforms - land reforms, collectivization, the Great Leap Forward
- Improvements post reform period - education and health, land reforms, long existence of decentralized planning and existence of small enterprises
- Reforms at smaller level and then at massive level – led to huge growth in rural industries

### Pakistan

- Reforms led to worsening of economic indicators
- Compared to 1980's, the growth rate of GDP and its sectoral constituents have fallen in the 1990's.
- The proportion of poor in 1960's was more than 40% which declined to 25% in 1980's and started rising again in 1990's.
- Agricultural growth was based on good harvest and not on institutionalized process of technical change
- 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.
- Pakistan has recovered its economic growth and has been sustaining.
- Slowdown reasons- political instability, over-dependence on remittances and foreign aid

### India

- 1/4<sup>th</sup> population lives BPL
- Mainly involved in agriculture
- India had to borrow from IMF and World Bank to set right the BoP crisis
- If a country is able to build up its foreign exchange earnings by sustainable export of manufactured goods, it need not worry.
- China succeeded because of market system without losing political commitment; 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.

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