INDIA AND CHINA: DEVELOPMENT POLICIES, CHALLENGES, AND STRATEGIES

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As the world’s fastest growing economies, India and China have significantly served as “engines of world economic growth”. At the same time, they are beset with gigantic internal socio-economic problems and are endeavoring hard to achieve economic growth with social justice for a greater “societal good”. Given their ideologically divergent political systems and varying historical and cultural experiences, however, India and China have pursued radically different development paths to achieve their respective socio-economic goals. This article addresses the dynamics of development within theoretical perspectives, deals with development policies, perspectives and strategies of India and China in the historical backdrop, and spells out their development challenges which need to be addressed to achieve social justice and inclusive growth.

Keywords: India’s development policy; China’s development policy; development challenges; implementation lag; accountability; economic reforms; development paradigms.

1. Introduction

India and China — the two major powers in Asia — are the fastest growing economies in the world, which have significantly served as “engines of world economic growth”. At the same time, they are faced with gigantic internal socio-economic problems, even though they are endeavoring hard to achieve economic growth with social justice for a greater “societal good”. Given the ideological differences in their political systems as well as varying historical and cultural experiences, India and China have pursued radically different development paths to achieve their respective socio-economic goals. The moot question is how both the countries can learn from each other’s experiences in respect of development policies and strategies to achieve the common goal.

It is a truism that India and China are emerging as economic powerhouses in the globalization process of economy, trade and investment. They share many commonalities in the context of socio-economic conditions. For
example, both of them embraced economic reforms as a pragmatic necessity, although China started off much earlier (1978) while India introduced economic reforms in 1991. Both have committed themselves to linking their respective development processes to “social good” of their people and achieving inclusive growth. Both India and China have “the largest pool” of poverty and aspire to achieve social progress through rapid economic growth and technological development. At the same time, both are faced with the gargantuan challenge of burgeoning populations; their combined population of 2.5 billion accounts for approximately 36% of the world population.

The article will first address the dynamics of development within theoretical perspectives. Second, it will deal with development policies, perspectives and strategies of India and China in the historical backdrop to better understand their perceptions and approaches to holistic development. The article will finally spell out the development challenges, facing both the countries, which need to be addressed in order to achieve socio-economic justice and inclusive growth.

2. Theoretical Perspectives

Neo-liberal theorists and corporate elites are profoundly engaged in a public discourse that the paradigm shift following the economic globalization, which is marked by interdependence, privatization and a minimalist state role in economic activities, would protect and promote the interests of developed and developing nations alike. Undoubtedly, economic globalization has brought about a dramatic transformation in the contours and contents of economic, trade and investment policies of both developed and developing countries. On the one hand, an increasing trend towards global economic integration offers enormous opportunities to the corporate world for a faster economic development and prosperity at home. On the other hand, it signals new, myriad challenges as to how to sustain the ethos of professional integrity and transparency. A host of questions do arise? How far is this logic defensible that benefits of free market economy would trickle down to the poor? Are corporate interests in tune with national interests?

The discourse on globalization has become a key referent to its “attendant poverty reduction rationale” among academia and policy makers. Thomas Friedman in his work titled *The World is Flat* (2005) has linked the state’s “economic performance to glocalization” within the cultural construct in order to show how changes are drastically taking place in various parts of the world, impacting upon the “life styles of the rich North (pp. 324–325).” (See also Sen, 2000 and Landes, 1998.) Friedman further elaborates: “The natural ability to glocalize has been one of strengths of Indian culture,
American culture, Japanese culture, and lately, Chinese culture” (p. 325). However, “intangible things”, according to Friedman, are the quality of “pulling together” and the “sense of sacrifice” essential for economic development. From this logical extension, the people of India and China have made tremendous sacrifices and have experienced unspeakable sufferings but how economic development in these countries has proved to be a palliative towards reducing their economic hardships still remains a riddle. To several political economists, people’s economic welfare is directly linked to the quality of governance rather than a simple economic performance. On the contrary, Jagdish Bhagwati (2004), a well-known economist, argues that poverty is a relative phenomenon depending upon how much one consumes. If someone is consuming more and is driving BMW and Mercedes, the others consuming less and deprived of compatible luxuries would feel poorer (see also Nayar and Paul, 2004).

Discourse on Development Project (DDP) in developing countries, in the age of neo-liberalism, has necessitated an inevitable shift to the people-centric development for achieving the goal of socio-economic justice. No doubt, a host of development paradigms are in currency today, ranging from the neo-liberalist paradigm (Bhagwati 2004), emphasizing on economic growth and expansion of markets, to the self-indulgence versus social good paradigm (Simon Scama in Sivaramakrishnan and Agarwal, 2003), and the subsistence paradigm that aims at fulfilling people’s basic needs. The question as to which of the paradigms is more relevant for developing countries like India and China, will largely depend on a host of factors such as indigenous characteristics, internal socio-economic conditions, domestic structures, political leadership, economic infrastructure, and industrial set up. There is, however, a broad consensus that growth, development and social justice are intertwined with each other. In effect, it means that development enterprise in developing countries will have to be pro-poor and people-centric rather than confined to fostering economic growth.

Furthermore, since most of the Third World nations are not favorably placed in the global economic system, their vital economic, trade and commercial interests remain hostage to the protectionist policies of the rich North. It should be kept in mind that the World Trade Organization (WTO) has not been able to redress grievances of the poor South against economic and trade protectionism practiced by the rich and industrialized nations. That is why the Doha Development Round, initiated in 2001, has not been concluded yet. However, there is a shift in economic power towards emerging economies of Third World countries, notably India and China. The Economist writes, “This is returning the world of the sort of state that endured throughout most of its history. People forget that, until the late 19th century, China and India were the world’s two biggest
economies and today’s emerging economies accounted for the bulk of world production”.1

3. India’s Development Policies: An Overview

The Nehruvian model of development along the socialist trajectory until 1964 was in tune with India’s gnawing socio–economic conditions, mainly derived from the colonial past and feudal social order. However, the unintended results of the introduction of quota and license raj (regime) manifested in corruption in the state-owned enterprises and stagnation of economic growth, which came to be known as the “Hindu rate of growth.” Subsequently, Nehru’s daughter Prime Minister Indira Gandhi gave a populist slogan of garibi hatao (remove poverty) to woo India’s poor and rural populace as the Congress Party’s vote bank. Baldev Raj Nayar observes: “The period from 1969 to 1973 witnesses an intense radicalization of economic policy through large-scale nationalization of banking and industry and the further tightening of restrictions on the private sector in the name of curbing monopolies” (Nayar, 2006). He describes the period from 1975–1976 to 1990–1991 as the phase of “intermittent liberalization” that was still marked by “inward-oriented economic strategy” (p. 16). The period from 1991–1992 to the present has been hailed as a phase marking the paradigm shift in India’s economic liberalization policy, during which extensive liberalization occurred in the domains of trade, industry, foreign direct investment (FDI), foreign institutional investment (FII), and finance.

3.1. The politics of development

The replacement of the Congress-led one party rule by coalition politics at the Centre and at state levels brought about a fundamental shift in India’s development paradigm, as it came to be guided more by narrow regional political considerations than by national priorities. In May 2004, the Congress-led United Progressive Alliance (UPA) government replaced the BJP-led NDA (National Democratic Alliance) government, which had often been charged with courting the upper class at the cost of the poor and marginalized sections of society. As a commentator observes: “It was to underline the nonelitist, pluralist character of the United Progressive Alliance Government that the Congress and its allies drew up the national common minimum program with its strong secular-social thrust”.2 However, the compulsions of coalition politics further sharpened the caste divide in the country, as evident from the UPA government’s decision to reserve 27% of seats for Other Backward Castes (OBCs) in the institutions of higher learning, including Indian Institutes of

Technology (IITs) and Indian Institutes of Management (IIMs). This led to the countrywide demonstrations, boycotts and strikes. A large section of industrialists and elites of the state-of-art institutes’ vehemently opposed the policy of reservation on the ground that it would not only undermine the merit but also arrest the pace of economic development, which in turn might scuttle India’s emergence as a global economic player. For instance, Surjit Bhalla, an economist, opines that because of the resulting lack of qualified talent, investors “will not hesitate to go to China, Vietnam, or even to Bangladesh and Pakistan”.3

Undoubtedly, the Indian State is playing a partisan role in the development process. Its uneven-handed development policy has failed to address the poor’s basic needs of food, clothing, water, health, and housing. India’s so-called “bureaucratic state” is often charged with being insensitive to the poor, which rather serves the interests of ruling sections, influential lobbyists, and corporate tycoons who have been found involved in various scams and scandals. Quite recently, it was due to judicial activism that corrupt politicians, including central ministers, bureaucrats and entrepreneurs, were lodged in New Delhi’s Tihar jail for their direct involvement in scams such as 2G spectrum and Commonwealth Games. That is why the State, as a political community, is not seen by the people as a balancer between the dominant sections, usurping material resources and plundering public funds, and the dominated ones who are justifiably demanding a just and equitable distribution of resources. Echoing the similar view, N. C. Saxena (2011), former Secretary, Planning Commission, cites Rajiv Gandhi’s description of “public mal-administration” in the report titled *Administration and the People: Higher bureaucracy needs radical reforms*:

“We have government servants who do not serve but oppress the poor and the helpless, who do not uphold the law but connive with those who cheat the state and whole legions whose only concern is their private welfare at the cost of society. They have no work ethic, no feeling for the public cause, no involvement in the future of the nation, no comprehension of national goals, no commitment to the values of modern India. They have only a grasping mercenary outlook, devoid of competence, integrity and commitment.”

3.2. Implementation lag

There is an enormous gap between development planning and implementation. Though pompous and grandiose in designs, development schemes are not implemented within a reasonable timeframe. Growing hiatus between public rhetoric and socio-economic realities has resulted in a development

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fiasco. In the absence of reliable statistical data on various interdependent variables such as the suitability of site, social attitudes, demographic features, local needs, level of literacy, environment, geographical features, external and internal vulnerabilities, and societal pressures, it is a foolhardy exercise to waste the country’s scarce resources on development plans. Moreover, political meddling quite often puts inexplicable burden on the public exchequer. Needless to stress, populist policies of political parties reflect in their acquiescence to writing off agriculture loans worth 70,000 crore rupees and granting huge subsidies to domestic energy consumers, causing inestimably huge losses to the public exchequer. An editorial of *The New Indian Express* comments in this regard:

“Populism does not come alone. It comes with a price. This is clear from the steep increase in the fiscal deficit, which is now around 5.2% of the Gross Domestic Product (GDP), while the target was to keep it at 4.6%. The hope of reducing the deficit to the legally mandated 3% of the GDP will remain a pipedream, with the economy remaining in the throes of a slowdown. The reason for the rising deficit is not far to seek. The UPA government has been indulging in financial profligacy with a view to drawing political mileage out of it. In 2008, that is a year before the country went to the polls, it used the Budget to write off farm loans worth Rs 70,000 crore.”

Indian planners are good planners but bad implementers. All the well thought out plans have gone awry because of the two main reasons. First, the lack of professionalism in lower bureaucracy in terms of efficiency, work culture, accountability, and policy comprehension. In a survey, the Hong Kong-based Political & Economic Risk Consultancy Limited has rated Indian bureaucracy a 9.21 out of a 10 on the inefficiency scale, which is worse than for other Asian countries such as Vietnam, Malaysia and China.

Second, the inbred helplessness of the higher rungs of bureaucracy at the central and state levels. Senior bureaucrats have to depend on babus’ (clerks’) notes and comments on files who are supposed to be adept at understanding and interpreting the official rules and regulations, the fear of violation of which makes them virtually subservient to lower bureaucracy. Resultantly, top bureaucrats are unable to push through implementation of development plans and policies. Unless the monopoly and idiocy of lower level of bureaucracy is properly addressed, it is well nigh impossible to expect better governance, better results and better management as well as proper implementation of schemes.

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3.3. Development through economic reforms

As a result of economic reforms introduced in June 1991, India’s foreign exchange reserves stood at US$306.84 billion at the end of November 2011; its exports have risen at approximately 25% a year over the last decade. Moreover, the GDP growth rate was in excess of 6% for three years in a row from 1992–1993 to 1995–1996, reaching 8.4% in 2005–2006, 9.2% in 2006–2007, and 8.5% in 2010–2011, coming down to 6.9% in the third quarter of 2011.

What constitutes a major challenge is to achieve inclusive growth and human development, and to step up and maintain growth rate while countering inflation that has affected the country’s food security. Chengal Reddy, co-chairman of the Indian Farmers and Industries Alliance, aptly notes: “Liber alization and reforms, which gave wings to the industrial and services sectors, has still not touched the farming sector. Even today, farmers do not have facilities to store, market, process and export most of their produce. That situation needs to change if India aims to improve its food security”. On account of implementation lag and rampant corruption, social welfare schemes have largely failed to achieve targeted goals. Examples of the schemes include: Indira Awas Yojna (housing scheme), Antyodaya Anna Yojana (food grain scheme for the poorest among the poor), Sampurna Gramin Rojgar Yojana (total rural employment scheme, SGRY), Pradhan Mantri Gram Sadak Yojana (prime minister rural road scheme), Social Security Scheme for Laborers of Unorganized Sector, National Food for Work Programme (NFWP), and National Rural Employment Guarantee Programme (NREGP). The SGRY and the NFWP have been subsumed under the NREGP. This apart, the Bharat Nirman (Build India) program was launched in 2005 with a view to creating rural infrastructure in six areas: Irrigation, electricity, housing, drinking water, roads, and telephone connectivity. According to the India Human Development Report 2011, “India’s Human Development Index (HDI) has registered impressive gains in the last decade as the index increased by 21% to 0.467 in 2007–2008, from 0.387 in 1999–2000. However, it noted that Chhattisgarh, Orissa, Madhya Pradesh, Uttar Pradesh, Jharkhand, Rajasthan and Assam are those states which continue to lag behind in HDI and remain below the national average of 0.4677.” This indicates regional imbalances in achieving human development. The report also cites health, nutrition and sanitation as the most serious human development challenges.


Taking cognizance of the ground realities, India’s Planning Commission in its Approach Paper to the 11th Five Year Plan, which commenced in 2007–2008, highlighted the need for urgently addressing corruption in all spheres, expressing concern over the “notorious delays in dispensing justice”, and called for achieving “faster and more inclusive growth”, bridging the rich–poor divide and accelerating the pace of poverty decline.

Apart from social infrastructure, India’s physical infrastructure needs massive upgrading. An article in *Businessweek* comments: “The infrastructure deficit is so critical that it could prevent India from achieving the prosperity that finally seems to be within its grasp. Without reliable power and water and a modern transportation network, the chasm between India’s moneyed elite and its 800 million poor will continue to widen, potentially destabilizing the country.”

In brief, the major challenge is to achieve the targeted goals with speedier government decision making, flow of necessary funds, and corruption-free implementation of schemes.

### 4. Accountability

Political and bureaucratic culture must be based on certain moral premises, on legal and constitutional obligations, and more significantly on people’s aspirations and expectations. Crucial to the ethical content of an administrative culture is accountability, which is missing from India’s democratic system. Given this, Indian courts, driven by judicial activism, have been passing stringent strictures against the state investigative agencies and top bureaucrats for their crass neglect of duties. The Supreme Court’s directives to state agencies to improve environmental degradation, to implement the projects lying dormant for decades, to look after the poor and destitute, and to correct social maladies and ensure people’s fundamental right to life against medical negligence are some of the evidences of gross negligence of duties on the part of state officials.

It has been observed that in a stereotyped hierarchical system, top officials pass the buck without owning their responsibility for their failures. Therefore, it is imperative that the accountability principle be given legal teeth and constitutional sanctity to ensure stringent punitive action against the erring officials. “The report also says that the civil service is a power centre in its

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own right and is too stubborn to allow change through reforms. It is a fact that the bureaucracy has an independent life of its own in the country and survives by its own rules. The regular bureaucrat has the security of legally guaranteed tenure, promotion in service and perks. He does not have to be accountable to people like his political masters. Unlike most other people in the country he enjoys the best of all worlds. Thus it is rather self-explanatory that he would not have any enthusiasm for reforms”. Furthermore, the principle of time-bound implementation of schemes and projects needs to be strictly observed as we witness in China’s case. Willy Shih, teaching at Harvard Business School, notes in the context of career progressions of local officials in China, which is tied to the implementation of the 12th Five-Year Plan targets: “Meeting targets for a city, region or province, for example, is the path to advancement for officials in the Party. Those who do a superlative job get chosen for prime leadership positions. Those who fail to meet those targets get sidetracked. So the motivation is really quite powerful.” (See U.S.-China Economic and Security Review Commission, 2011.) Moreover, Xinhua.net has reported that the 12th FYP’s new employment system will “break the decades long “iron rice bowl” which used to mean a guaranteed job for life in government, and civil servants in the Guangdong province will be paid according to their performance” (Zhao, 2011).

5. China’s Development Policy and Approach

Let us now discuss China’s development paradigm in light of its open door policy launched in 1978 under the visionary leadership of Deng Xiaoping and his lieutenants. While keeping in view China’s internal and external difficulties, Deng realized that without economic reforms China would be unable to develop as a strong nation, gripped by abject poverty, rural backwardness, poor infrastructure, and economic and trade isolation from the rest of the world, especially the United States and other western countries. He felt that China’s developing economy with poor infrastructure needed foreign investment not only to boost its economic development but also to make China competitive in economic and trade fields. He, therefore, sought to separate state ownership from ministerial control in the 1990s. Moreover, Deng advocated adoption of the free market economy approach under the development model of a ‘socialist system’ with Chinese characteristics to enhance and expand China’s global role strategically, economically and politically. His free market-based development model was carried forward by his successors.

11 FirstPost. 2012. op. cit.
If seen from hindsight, “agriculture first” strategy was adopted by China in the early 1960s in the wake of a continuous sharp fall in food production which had hit hard its rural people. The Beijing leadership invested a large part of its resources in agricultural development through the import of chemical fertilizers. Moreover, floods and droughts that became a regular feature further obliged China’s agricultural experts to achieve self-reliance in agricultural production. These experts suggested that self-reliance in agriculture could be achieved by producing “low quality” chemical fertilizers and making them available to every small farming house. As a consequence, the food situation in China has now considerably improved. Nevertheless, the strategy of food import has not been abandoned with a view to averting food crisis which might result from natural calamities as experienced by the Chinese in 1972. However, the short-term strategy of encouraging agricultural output through the application of local agricultural fertilizers did not succeed beyond a certain point (Jain, 1983). To address this problem, the Chinese government decided to set up modern industries of agriculture and contracted with Japan and Western countries for importing latest technology and chemical fertilizer plants. In a series of its attempts towards rapid and modern agricultural development, China went ahead with crash programs to guarantee maximization of agriculture. Though its traditional framework of agriculture development was not abandoned, it was modified to suit the exigencies and compulsions of the situation in the 1960s, 1970s and 1980s. The strategy at local levels was directed towards the maximum use of China’s land and labor. Simultaneously, it has tried to use indigenous fertilizers without totally depending upon external fertilizers available at a relatively much higher cost. Not only this, its agricultural output programs were also linked to canal system as a constituent of developmental strategy (Jain, 1983).

It merits attention that China’s economic strategists were aware that Chinese rural economy could not be transformed into a modern one unless mechanization of the complete cycle of production was introduced. This included improvement of soil, fertilizers, irrigation facilities and a system of efficient management. For improvements in the supply of water, irrigation facilities were extended so that agriculturists could increase the output of wheat and cotton. China further undertook such programs as construction of dams and upgradation of irrigation canal systems.

Thus, under the leadership of Hua Guofeng and Deng Xiaoping, China’s economic policy was aimed at achieving rapid agricultural and industrial modernization. Hua’s report to the fifth National People’s Congress on February 26, 1978 was an important policy document on the modalities of promoting fast economic development. The Sixth Five-year Plan (1981–1985) reflected the strategy of expanding, improving and strengthening the
infrastructure of both the sectors. Agricultural output, as targeted, was raised from 4–5% every year. According to Ha Kang, Vice Minister of Agriculture, China decided to “produce 400 million tons of food grains annually”\textsuperscript{12} by 1985.

The Master Plan under the Chairmanship of Hua Guofeng was aimed at bringing the “farm land under electrification, mechanization and to have general use of chemical fertilizers and pesticides.”\textsuperscript{13} In order to boost the agricultural economy, China purchased 63 sets of “modern agricultural machines”. For a systematic growth of agriculture, China decided “to import some sophisticated farm machinery from Yugoslavia and Japan for trial use in the northwest and the rice paddies of the South”.\textsuperscript{14} Subsequently, for achieving the goal of rapid economic development, Premier Zhao Ziyang evolved “ten principles” which called for “speeding up the development of agriculture through the application of correct policies and scientific farming”.\textsuperscript{15}

This apart, foreign investment and technology were accommodated by creating Special Economic Zones (SEZs) under the liberalization period between 1978 and 1983. Roselyn Hsueh notes that since 1978, economic reforms in China can be organized into “overlapping periods of liberalization and reregulation”. Accordingly, the reregulation period between 1984 and 1991 witnessed the following key reforms: The de facto recognition of town and village enterprises and other quasi-state-quasi-private enterprises; opening of 14 coastal cities and island of Hainan to FDI; and the Law on Sino-Foreign Cooperative Joint Ventures (Hsueh, 2011). In the subsequent years until 1997, the government undertook liberalization measures by “separating state ownership from ministerial control, and corporatizing state-owned enterprises under the 1994 Company Law” (Hsueh, 2011, p. 26). In December 2001, China became a member of the World Trade Organization (WTO), leading to its integration with the world economy. Despite accession to the WTO, however, China has cautiously crafted its economic policy toward defending and advancing Chinese economic interests. Roselyn is of the view that China has adopted a bifurcated strategy of state control based on the strategic value logic according to which state control has been reinforced in strategic sectors such as financial services, energy, and automotives, while decentralization of state control has taken place in nonstrategic sectors such as consumer electronics, foodstuffs and paper. She writes: “The state adopts a

\textsuperscript{12} China’s Foreign Trade, Beijing No. 4, 1979, p. 3.
\textsuperscript{13} Ibid.
\textsuperscript{14} Ibid., p. 4.
\textsuperscript{15} China Reconstructs, June 1982, p. 37.
deliberate orientation to introduce market competition in ways that reinforce the state’s control of industries to national security, which contribute to the national technology base, and where domestic companies are less competitive. The state may have permitted foreign capital to penetrate these industries, but it has done so to achieve industrial goals and strategically utilize FDI to benefit the development of the domestic industrial base” (Hsueh, 2011, p. 254). Tables 1 and 2 demonstrate this bifurcated strategy in relation to strategic and nonstrategic sectors.

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<th>Dominant Pattern of State Control</th>
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<td>State goals</td>
<td>Enhance state control of money supply and modernize and diversify financial services</td>
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<td>State goals</td>
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<td>Modernize energy infrastructure and control the utilization and management of raw material resources</td>
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<td>State goals</td>
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<td>Create indigenous automotive industry and promote domestic manufacturing capacity</td>
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<td>State methods</td>
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Though sound and ingenious in design, the bifurcated strategy has not delivered in terms of inclusive growth and sustainable development (Hsueh, 2011, pp. 253–270). Let us first spell out China’s major accomplishments resulting from its economic liberalization before highlighting its development.
challenges:

—Increase in GDP from $1.73 trillion in 2001 to $6.29 trillion in 2010, with average annual growth of more than 10%.
—Emergence as the world’s second largest importing nation and the biggest exporting nation.
—Receiving $759.5 billion in aggregate foreign direct investment, ranking first among developing countries.
—Making $68.8 billion in overseas investment in 2010, ranking fifth in the world.
—Drop in China’s tariff level from 15.3% to 9.8% (Lan, 2011).

At the same time, the Chinese leadership has realized that China’s impressive economic growth rate alone cannot alleviate poverty and improve living standards of the people unless it is linked to people’s needs and concerns. President Hu Jintao, in his speech at the APEC, CEO Summit in Bangkok in October 2003, underlined China’s strategy of developing the country through science and education and through the strategy of coordinated development of different regions to improve the quality and efficiency of eco-development. Jintao further stated that efforts had been intensified to develop public health, education and culture, to develop a social security system, to promote social justice while simultaneously acknowledging mounting pressure on unemployment and social security. Furthermore, with the Chinese government’s revision of the official poverty line in 2011, “128 million Chinese in rural areas qualify as poor, 100 million more than under the previous standard, resulting in the increase of funding for poverty relief by more than 20% in 2011 to 27bn yuan ($4.2bn)”.17

Similarly, Chinese ambassador Zhang Yan, while making a speech at the conference on “India–China Economic Relations and Performance in the 21st Century” in New Delhi on 25 March 2011, highlighted the core challenges before China. He underlined the fact that despite China’s excellent economic performance and remarkable improvements in people’s living standards, China is still a developing country in many senses. He stated: “Although China’s GDP is ranking the 2nd in the world, but in per capital terms, it is lagging far behind. Furthermore, China’s development is not quite balanced in terms of economic structure. Challenges such as energy, resources, and environment constraints will not go away easily. It is true that China is a leading producer of many products, but it remains at the lower

end of the global industrial chain. We still heavily depend on the core technologies from developed countries”.  

Michael Chibba (2011), founder of the Toronto-based International Centre for Development Effectiveness and Poverty Reduction, opines: “For China to address its internal developmental issues — especially with respect to poverty, inequality, urban–rural bias and inclusiveness — its paradigm needs to be revisited, strengthened and supplemented with a holistic perspective that includes a modicum of democratic governance systems to support economic, social and institutional objectives.”

China’s 12th Five-Year Plan (2011–2015) for National Economic and Social Development was endorsed at the Fourth Session of the 11th National People’s Congress (NPC) in Beijing, March 4–5, 2011. The Plan aims at boosting the country’s scientific development and speeding up the transformation of its economic development pattern (based on Chinese characteristics). “Scientific development is, in essence, a euphemism that Chinese leaders use for economic growth that takes into consideration the welfare of disadvantaged people and regions as well as environmental concerns” (Casey and Koleski, 2011). The 11th NPC set up a target of 7% annual average growth of GDP over the next five years, while underscoring the criticality of job creation: “We will make increasing employment the foremost objective of economic and social development, create equitable job opportunities for the entire work force, and create an extra 45 million urban job opportunities over the next five years.” Commenting on the significance of the 12th FYP, economist Stephen Roach (2011) writes: “It is likely to go down in history as one of China’s boldest strategic initiatives. In essence, it will change the character of China’s economic model — moving from the export — and investment-led structure of the past 30 years toward a pattern of growth that is driven increasingly by Chinese consumers. This shift will have profound implications for China, the rest of Asia, and the broader global economy.”

6. India and China: A Comparison

Unlike China, India is a dynamic and resilient democracy with a huge domestic market and growing capabilities in high-tech services (Hsueh, 2011). China has, however, an in-built political advantage over India under which the state has the power and authority to regulate different sectors of development in accordance with its political philosophy. On the contrary, India does not enjoy this advantage in a cobweb of coalition politics. This was

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recently manifested from the reversal of the UPA government’s decision to invite Wal-mart into India’s retail sector on account of a vociferous opposition from all mainstream political parties.

Notwithstanding the nature of India’s coalition-based politics, the corrupt and unaccountable politico–bureaucratic system is mainly responsible for the impeded socio–economic development. Consequently, India lags behind China in the human development domain as well. According to the UNDP Human Development Index, 2011, India ranks 134th, while China ranks 101st. On the FDI front, China has surpassed India because of its better investment climate, improved infrastructure, less bureaucratic hassles, and special incentives to foreign investors such as indirect tax sops. According to the World Bank survey “Doing Business in 2004”, although there are more procedures in China than India to start a business “the time taken to start a business is 46 days against India’s 88. For enforcing a contract, it takes 365 days in India compared to 180 in China” (Majumdar, 2011). China outshines India in infrastructure as well. An article in Businessweek comments: “India today is about where China was a decade ago. Back then, China’s economy was shifting into overdrive, but its roads and power grid were not up to the task. So Beijing launched a massive upgrade initiative, building more than 25,000 miles of expressways that now crisscross the country and are as good as the best roads in the U.S. or Europe. India, by contrast, has just 3,700 miles of such highways. It is no wonder that when foreign companies weigh putting new plants in China versus India to produce global exports, China more often wins out”.21 Charle Kaye, Co-President of Warburg Pincus, comments on their contrasting infrastructure scenarios: “The two nations offer a study in contrast: China is rich in physical infrastructure — including cities full of skyscrapers, roads, and dams; while India is rich in “soft infrastructure”, including a wealth of human and social capital” (Srinivasan and Kamath, 2012).22

India does have an edge over China in several domains. First, contrary to China’s aging society, 30% of India’s population is under 15 years of age. Vijay Govindrajan, a leading expert on strategy and innovation, remarks: “India’s demography will provide more productive workforce apart from future consumers...If India were a company, I’ll buy its stock” (Srinivasan and Kamath, 2012). It may be added, however, that the benefits of the demographic advantage can be reaped only if human development is ensured. Second, contrary to the judiciary in China, India’s independent and robust judiciary wields power and authority to hold the administration accountable for its acts of omission and commission. Third, India’s banking system is more

21 Businessweek. 2007. Ibid.
transparent and better regulated than China’s. In respect of regulation of credit growth, Fitch Ratings finds that India is better placed compared to China; “India’s regulatory environment has remained focused on controlling credit growth while China’s growth has largely been funded by bank credit”.

7. Conclusion

The major development goal of both India and China is to achieve inclusive growth with social justice. Both have registered noteworthy progress in terms of poverty decline; the percentage of Indian population living on less than USD 1.25 a day declined to 41.6% in 2005 from 51.3% in 1990, which is likely to decline further to 22.4% in 2015. In the case of China, it is likely to reduce to 4.8% by 2015. Both the countries, however, need to register substantial progress and go beyond this parameter of poverty decline. The formidable challenge facing both is to relate their “market-friendly policies” with employment and job creation.

Moreover, China will need to translate its much-talked about “human-centered approach” into reality by undertaking and implementing social security system for health, employment and free education. The Chinese leadership will also need to address the challenges to implementation of the 12th five year plan as well as addressing the resulting complexities. For example, the focus on consumption-driven economic model might produce unintended results such as inflationary pressures; thus, countering inflation while driving consumption would be a challenge. Also, implementation of the plan would require proper coordination with local governments as well as the comprehension of the plan and its targets by local officials (Casey and Koleski, 2011).

As regards India, it will need to address and eliminate major bottlenecks such as implementation lag, lack of accountability and transparency, and incorrigible political, bureaucratic and corporate corruption. Moreover, India needs to learn from China’s accountability system, its vigorous pursuance of targeted goals, and timely implementation of projects and programs.

Finally, both the countries will need to reexamine their respective development paradigms for delivery of justice to the neglected and marginalized sections of society in order to achieve the goal of becoming developed countries by the year 2025.

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References


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