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INDIA VS CHINA (COMPARING DEVELOPMENT EXPERIENCES OF ECONOMIES)

Maninderpal singh

Assistant Professor, Shanti tara girls college, Ahmedgarh

Abstract

China and India is the two emerging economy of the world. Both nations have started towards their developmental path at the same time. While India became independent nation in 1947, People's Republic of China was established in 1949. Industrial growth in China can be traced back to the reforms introduced in 1978. India's Industrial growth started since 1991 reforms. India introduced new economic policy in 1991 which is also known as economic reforms , under this policy we adopted the policy of Liberalization, Prvatisation and Globlisation. China and India is 2nd and 9th largest country of the world, respectively in nominal basis. We have seen that both nations have the history of reforms in their economies due to depressing economic growth & development but after adoption of economic reforms China's economy performed better than Indian economy. Performance of Indian economy can be said moderate but as far as world economy is concerned it is behind the China's in almost all economic aspects.

INTRODUCTION

In the post Cold War world, 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 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.

Similar Development Strategies Of India And China: 1) Both nations have started towards their developmental path at the same time. While India became independent nation in 1947, People's Republic of China was established in 1949. 2) Both countries had started planning their development strategies in similar ways. While India announced its first Five Year Plan for 1951-56, China announced its First Five Year Plan in 1953. 3) India adopted similar strategies such as creating a large public sector and raising public expenditure on social development.

Till the 1980s, both countries had similar growth rates and per capita incomes.

Historical path of developmental policies in China: After the establishment of People's Republic of China under one party rule, all the critical sectors of the economy, enterprises and lands owned and operated by individuals were brought under government control. 2) The Great Leap Forward (GLF) campaign initiated in 1958 aimed at industrializing 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.

Problems faced by GLF Campaign: A severe drought caused havoc in China killing many people. When Russia had conflicts with China, it withdrew its professionals who had earlier been sent to China to help in the industrialization process.

Great Proletarian Cultural Revolution: Mao introduced the Great Proletarian Cultural Revolution (1966-76) under which students and professionals were sent to work and learn from the country side.

Reforms: The present-day fast industrial growth in China can be traced back to the reforms introduced in 1978. China introduced reforms in various 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 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 was also increased. In order to attract foreign investors, special economic zones were set up.

COMPARATIVE STUDY OF INDIA AND CHINA

1) Population indicators: If we look at the global population, out of every six persons living in this world, one is an Indian 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.

- **Growth Rate Of Population**: the 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.
- **Density Of Population**: Though China is the largest nation among the three, its density is the lowest though geographically it occupies the largest area.
- **Sex Ratio**: it is the proportion of females per 1000 males. The sex ratio is low and biased against females in all the three countries. In all the three countries people prefer son.
- **Fertility Rate**: The fertility rate is also low in China and very high in Pakistan. Since the introduction of one child norm fertility rate in china has fallen. It is highest in Pakistan and India comes on second.
- **Urbanization**: Urbanization is high in both Pakistan and China with India having only 28 per cent of its people living in urban areas.

2) **Growth indicators:** One of the much talked issues around the world about China is its growth of Gross Domestic Product. China has the second largest GDP as measured by purchasing power parity (PPP) India's GDP is less than China. 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 for more than two decades. In the 1980s Pakistan was ahead of India; China was having double-digit growth and India was at the bottom. In 2000-2010, there is a marginal decline in India and China's growth rates whereas Pakistan met with drastic decline at 4.7 per cent. Some scholars hold the reform processes introduced in 1988 in Pakistan and political instability as the reason behind this trend.

- **Sectoral Contribution: Agriculture**: China has more proportion of urban people 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 2000, with 54 per cent of its workforce engaged in agriculture, its contribution to GDP in China is 15 percent
- In India the contribution of agriculture to GDP is the same, at 23 per cent, but the proportion of workforce that works in this sector is more in India. In India, about 60 per cent of people work in agriculture.
- **Industry and Service Sector:** The sectorial share of output and employment also shows that in both economies, the industry and service sectors have less proportion of workforce but contribute more in terms of output. In China, manufacturing contributes the highest to GDP at 53 per cent whereas in India and Pakistan, it is the service sector which contributes the highest .In India, service sector accounts for more than 50 per cent of GDP.
- **Sectorial Shift of Output and Employment:** In the normal course of development, countries first shift their employment and output from agriculture to manufacturing and then to services. This is what is happening in China. The proportion of workforce engaged in manufacturing in India was low. The contribution of industries to GDP is also just equal to or marginally higher than the output from agriculture. In India the shift is taking place directly to the service sector. Thus, in India and the service sector is emerging as a major player of development. It contributes more to GDP 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.

2) Human Development Indicators: Human Development Indicators is an important indicator to study Human development. Higher value of HDI shows the higher level of growth and development of a country .Some indicators are discussed as below.

- **Life expectancy**: China has higher life expectancy than India .Lowest is of Pakistan.
- **Infant mortality rate:** Low IMR shows better health and sanitation facilities as most of the infants die due to lack of these. It is lowest in China and highest in Pakistan.
- **Adult Literacy Rate**: China is much ahead of India in terms of adult literacy rate. Pakistan has the lowest adult literacy rate.

- **People below poverty line**: Pakistan is ahead of India in reducing proportion of people below the poverty line. The proportion of people below the international poverty rate of $1 a day, both China and Pakistan are in similar positions whereas the proportion is almost two times higher for India.
- **Maternal Mortality Rate**: India have not been able to save women from maternal mortality. In China, for one lakh births, only 50 women die whereas in India more than 500 women die.
- **GDP per Capita**: Higher ranking of China in HDI is mainly because of higher per capita GDP. Pakistan has the lowest GDP per capita as compared to India
- **Access to improved sanitation**: Pakistan's performance in providing sanitation is better than India and China.
- **Access to improved water resources**: Surprisingly India is ahead of China in providing access to improved water resources.
- **Population under nourished**: China has the lowest % of population which is under nourished Followed by India.
- **Problem with using the human development indicators:** 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 is limited.

COMPARISON INDIA VS CHINA GDP: (THROUGH THEIR GDP)

China and India is the two emerging economy of the world. China and India is 2nd and 9th largest country of the world, respectively in nominal basis. On PPP basis, China is at 1st and India is at 3rd place in 2014. Both country together shares 16.08% and 23.16% of total global wealth in nominal and PPP terms, respectively. Among Asian countries, China and India together account for 52.77% (PPP) and 48.99% (Nominal) of total Asia's GDP. GDP of China is 5.06 and 2.39 times more than India at nominal and ppp terms, respectively. China crossed $1 trillion mark in 1998 while India in 2007 at exchange rate basis. Now in 2014, India crossed 2 trillion mark and China crossed 10 trillion. In 1980, size of economy of China and India was $309 and $181, respectively.

GDP of China at ppp terms is 1.7 times more than compare to nominal basis. This ratio of India is 3.60.According to CIA sector wise GDP composition of India in 2014 are as follows : Agriculture (17.9%), Industry (24.2%) and Services (57.9%). Sector wise GDP composition of China in 2014 are : Agriculture (9.7%), Industry (43.9%) and Services (46.4%).In nominal terms, per capita GDP of China is $7,589, 80th position in world and 19th in Asia. India's GDP per capita is around of $1,627. India's rank in world and Asia is 145 and 33, respectively. On PPP basis, GDP per capita of China is $12,880 and of India is $5,855. China is 4.66 times richer than India in nominal method and 2.20 times richer in ppp method.

Growth rate of China is estimated at 7.38% in 2014. India's growth rate is estimated at 7.17% in 2014. During period 1980-2014, Average GDP growth of China was 9.8% compare to India's 6.23% in same period. China attains maximum growth of 15.20% in year 1984 and minimum 3.80% in 1990. Out of 35 years from 1980 to 2014, China grew by more than 10% in 16 years while India in only one. India reached an all time high of 10.26% in 2010 and a record low of 1.06% in 1991. India's growth rate was 9-10% in 4 years, while China in 7 years. Indian rupee was at 4.23 INR per Chinese Yuan (CNY) on 2 Jan 1996. Value of Indian rupees has fallen to 10.18 INR per 1 CNY in 1 Jan 2015.

After independence India adopted mixed economics system. Public sector was assigned the responsibility of developing strong industrial base for economic development of the nation till 1990. We see that on account of development state of agriculture, industry and foreign trade, Indian economy could not perform according to our expectations. Initially public sector was given leading role in the development of industrial sector. We adopted the policy of protection for the development and protection of our domestic industries. We experienced that our industrial sector could not developed according to our expectations. That is why we thought about change our development strategy. We introduced new economic policy in 1991 which is also known as economic reforms. Under economic reforms, we adopted the policy of Liberalization, Prvatisation And Globlisation. We noticed that after introduction of new economic reforms, Indian economy performed well in all respect.

China's economy is socialistic economy. Similar to Indian economy, China's economy also adopted the policy of nationalization. China's economy nationalized their agriculture and industrial sector. But like India, China also realized that their economy could not produced the results according to their wish .That is why china's economy also liberalized their economy. Commune land was given to individual cultivators and peoples ere encouraged to setup industries in their Backyard. After adaptation of economic reforms in late 1980's China's economy well. During last three decades China's economy performed better than Indian and Pakistani economy. As far as Pakistan is concerned, it also adopted mixed economic system. In the late 1950s and 1960s, Pakistan introduced a variety of regulated policy framework for growth of domestic industries. In the 1970's capital goods industries were denationalized and encouragement was given to increase the role of private sector through various incentives.

Thus we see that both nations have the history of reforms in their economies due to depressing economic growth & development but after adoption of economic reforms China's economy performed better than Indian economy and Pakistani economy. Performance of Indian economy can be said moderate but as far as concerned Pakistani's economy it is behind the China's and Indian economy in almost all economic aspects.

LIST OF COUNTRIES BY GDP (NOMINAL)_GDP is the total market value of all final goods and services produced in a country in a given year. Each country reports its data in its own currency. To compare the data, each country's statistics must be converted into a

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common currency. Two methods are used for conversion, nominal and purchasing power parity (PPP). In Nominal method, market exchange rates are used for conversion. As of 2014, GDP (nominal) of world is estimated at $77.30 trillion compare to $75.47 trillion in 2013. The United States remains in first place with a GDP (nominal) around of $17.4 trillion. US is followed by China, which is now largest economy at ppp basis, at $10.4 trillion. Tuvalu is the world's smallest national economy with a GDP (nominal) of approximately $38 million. 15 countries has GDP above $1 trillion, 63 has above $100 billion and 173 countries has above $1 billion. In 2013, 62 economies was above 100 billion mark. Now in 2014 data, wealth of Ecuador is above 100 billion mark.

Top Gainers in 2014: At current prices, total GDP of world in 2014, is increased by 1,831 billions USD. China is the largest contributor of global GDP growth. GDP (nominal) of China has increased by $911 billion in 2014. United States is second largest contributer with $651 billion. United Kingdom, India and Germany is third, fourth and fifth largest contributer, respectively.

Top Loosers in 2014: At current prices, Out of 188 economies estimated by IMF GDP of 43 economies has decreased in 2014 compare to 2013. Japan is the biggest losser followed by Russia. GDP (nominal) of Japan and Russia has decreased by $303 billion and $222 billion, respectively. Decreased wealth of Japan and Russia is equivalent to total GDP of Israel and Iraq, respectively. GDP of Argentina, Australia and Canada has shrinked by $82, $58 and $50 billion respectively.

Changes in rank: Iceland and Ethiopia is highest gainer in World GDP (nominal) Ranking. Both countries moves 6 positions up in ranking. Rank of Nigeria and Chad is moved up by number 5 and Myanmar and Guatemala is moved up by number 4. Libya is biggest looser in World GDP (nominal) Ranking. After loosing 24 billion in 2014, Rank of Libya has down by 20 position.

Continent-wise GDP: Asia : $25.4 trillion (32.82%), Europe : $22.8 trillion (29.50%), North America : $20.8 trillion (26.95%), South America : $4.2 trillion (5.40%), Africa : $2.4 trillion (3.17%) and Oceania : $1.7 trillion (2.16%).

Rank	Country/Economy	GDP (billions of $)		Change		Continent
		2013	2014	GDP	Rank	
-	Syria	-	-	-	-	Asia
1	United States	16,768.050	17,418.925	650.875	0	North America
2	China	9,469.125	10,380.380	911.255	0	Asia
3	Japan	4,919.564	4,616.335	-303.229	0	Asia
4	Germany	3,731.427	3,859.547	128.120	0	Europe
5	United Kingdom	2,680.123	2,945.146	265.023	+1	Europe
6	France	2,807.306	2,846.889	39.583	-1	Europe
7	Brazil	2,391.029	2,353.025	-38.004	0	South America

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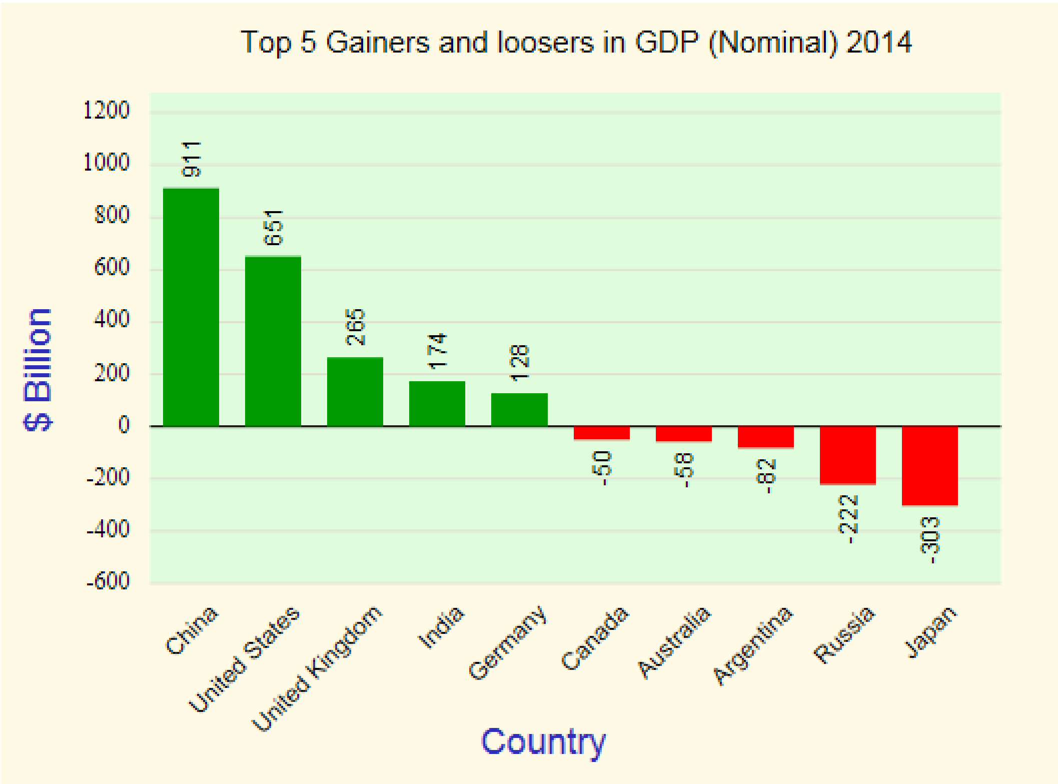
Rank	Country/Economy	GDP (billions of $)		Change		Continent
		2013	2014	GDP	Rank	
8	Italy	2,137.615	2,147.952	10.337	0	Europe
9	India	1,875.157	2,049.501	174.344	+1	Asia
10	Russia	2,079.134	1,857.461	-221.673	-1	Europe
11	Canada	1,838.964	1,788.717	-50.247	0	North America
12	Australia	1,501.883	1,444.189	-57.694	0	Oceania
13	Korea	1,304.468	1,416.949	112.481	+1	Asia
14	Spain	1,393.476	1,406.855	13.379	-1	Europe
15	Mexico	1,262.250	1,282.725	20.475	0	North America
16	Indonesia	912.502	888.648	-23.854	0	Asia
17	Netherlands	853.806	866.354	12.548	0	Europe
18	Turkey	821.918	806.108	-15.810	0	Europe
19	Saudi Arabia	744.336	752.459	8.123	0	Asia
20	Switzerland	685.871	712.050	26.179	0	Europe



Development Experiences Of India: Economy: After independence India has adopted the mixed economic system. The mixed economy is the mixed combination of capitalism and socialism where both private and public sectors co-exists. Therefore, in this economic system the market and the government answers the three question of what, how and for whom to produce. At the initial stage of development India has adopted the path of economic planning and active role of state in industrialisation.

Development Strategies of India: 1) Economic planning – Economic planning is essentially a way of organising and utilising resources to the maximum advantage in terms of defined social ends.

1. **Importance Of Economic Planning: Necessities And Important Of Planning** - When India became free it got a poor, backward and stagnant economy in legacy. Experiences the world over suggested that the market forces work inadequate, insufficient and incapable of meeting the challenges and problems of Indian economy. It was thus realised that the solution of problem would require an active role of the government in economic development. It was from this view point that independent India chose the path of economic planning for its development. Importance of economic planning is as under:

- **To break the vicious circle of poverty** – We know that India was entangled in a vicious circle of poverty and stagnation at the time of independence. This vicious circle can be broken only through centralized planning.
- **Priority to Social interest** – Private entrepreneurs give more importance to individual interest than social interest. It is through economic planning that we can compel individual's interest also work under social interest.
- **Fair balance between present and future** – Private entrepreneurs interested in profits in the short run are generally apt to ignore future interest of the community. Therefore, it becomes more essential for the government to strike a fair balance between the claims of present and future generation through planning.
- **Optimum utilization of resources** – Optimum utilization of all available resources is the requirement for the rapid development of the economy. This can easily be done by adopting and implementing the process of economic planning.
- **To build Social and Economic Infrastructure** – Private enterprises are not much interested in undertaking those types of investments which are not profit making directly and immediately. But buildings of these infrastructural facilities are essential for the development of the country. That is why this work is undertaken by the government through planning.
- **To increase Capital Formation** – Being an underdevelopment economy at the time of independence, India's economy had a very low level of saving, investment and capital formation. Since capital formation and mobilization of savings require deliberate state attempts via planning process, India preferred to adopt economic planning.
- **Success of Economic Planning:** The initial success of economic planning in the USSR also played an important part in adopting and popularizing the concept of planning in India.

2. Establishment of Planning Commission: Immediately after the adaptation of new constitution on January 26, 1950, the planning commission came in to existence. Planning commission is a constitutional body. Prime minister is ex-officio chairman of this commission. The broad functions of planning commission are:

(i) Assessment of material, capital and human resources, (ii) Formulation of plan for their most effective and balance utilization, (iii) Determination of priorities and allocation of resources etc.

3. Goals Of Five Year Plans: Situations and circumstances have been different during different five year plans. Hence development goals have varied from plan to plan, depending upon the immediate problems and situations faced during each plan. However the common goals of economic planning of India are as follows:

- **Economic growth** - The high rate of growth by raising GDP and per capita GDP has been the first and foremost goal of all the plans in the country .Economic growth refers to the growth of countries production as well as productivity.
- **Equity** - The directive principles of our constitution have proclaimed justice as a basic national commitment. Hence one of the objectives of economic planning is to ensure economic and social justice. This objectives has three dimension- a) Deduction in economic inequality. b) Curving concentration of economic power c) Uplifting the weaker section of the society
- **Self Reliance** - In early stage of development of the country is forced to depend upon foreign aid. Self-reliance implies avoiding dependents on import of those goods which could be produced in the country itself. The goal of self-reliance was emphasized in order to reduce a dependent on foreign country. This objective has many aspects such as expansion of exports, substitutions of imports, self-reliance in food grains, defense equipment and capital goods.
- **Modernisation** - Modernisation refers to adoption of new technology in the field of production and change in social outlook.

4. Leading role to public sector – Considering the demand of the situation in the post-independence year public sector was assigned a greater role in the industrial development of an economy. Development of heavy and basic industries is very essential for creating strong industrial based in the country. Heavy industries require high investment and they have long gestation period but low profitability. Hence these industries do not find favour with the private sector. Thus public sector has to play leading role in the industrial development. Besides this, public sector can also help in the redistribution of income and prevention of concentration of economic power. It can also help to ensure balanced regional growth.

5. Introduction Of Economic Reforms 1991: After four decades of development planning Indian economy was stagnant and sick economy under the vicious circle of poverty unemployment, inflation, lack of money, death and global imbalances, balance of payment disequilibrium. Thus Indian economic scenario in 1991 was very much depressing as the economy was on the bunk of the collapse. Inflation was out of control. Exports were declining foreign exchange reserve had decline to no more than two weeks import and industry was virtually crippled.

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Meaning and objectives of Economic Reforms – After the four decades of economics planning it was realized that many of the control and regulation on economic activity had lost their usefulness and worked infect rather than helping, growth and development. Therefore it was needed to give the highest priority to restore macroeconomic stability and to bring the economy back to a part of rapid and equitable economic growth. A set of stabilization and structural adjustment measure started since July 1991, in response to the emerging crisis is termed as new economic policy or new economic reforms.

Broad directions of New Economic Policy:

(i) Reducing the extent of government controls over various aspects of the domestic economy.(ii) Increasing the role of private sector.(iii) Redirecting scare public sector resources to areas where the private sector is unlikely to enter (iv) Opening up of the economy to trade and foreign investments and thus integrating it with the global economy.

New economic policy can be classified into two main groups – **stabilization measure** and **structural reform measure**. Stabilization measure refers to the policies intended to restore viability to the balance of payment to bring inflation under control. On the other hand, structural reform policies were long termed measure aimed at improving the efficiency of the economy and increasing its international competitiveness.

MAIN COMPONENTS OF ECONOMIC REFORMS 1991:

1)Liberalisation :An economic policy which gives relaxations to enable entrepreneurs to make their decisions themselves and open freedom to economic activities at all levels is termed as policy of economic liberalization.

- **Area of liberalization:** 1. **Industry policy reforms** – In post-independence India were raised tariff walls to protect our industrial development and raised subsidies. We also control the old private sector with device of licensing system. Thus industry operated within the complex system of controls and regulations India had become a high cost economy and couldn't stand global competition. Hence, India had to adopt Industrial reforms. The main industrial reforms are as follows-
- Reduction in industrial licensing. (ii) The reservation industries for public sector. (iii) Reforms in small scale industries-Many goods produced by small scale sector have now been reserved.
- **Financial sector reforms** - The main financial sector is as follows:(i) It includes reforms in the field of financial institution such as commercial, investment banks, stock exchange operation and foreign exchange market. (ii) Movement to market determines interest rate structure. (iii) Capital market development promotion of stock exchanging (iv) Reduction in the statutory liquidity ratio.(v) Increase in the foreign investment limit in banks up to 50%. (vi)Foreign institutional investors such as merchant bankers, mutual funds to be allowed to invest in Indian financial market.
- **Trade policy reforms** – The main aim of new trade policy were to create a free environment for trade to improve efficiency and sharpen India's competitiveness in the world market. In this following measures are adopted-(i) Abolition of import

licensing system. Except in case of hazardous and environmentally sensitive industries. (ii) Removal of quantitative restrictions on imports. (iii) Reduction in tariff rates.(iv) Strengthening the export promotion structure.

- **Foreign exchange reforms** - In order to overcome balance of payment crisis an important measure that was adopted was devaluation of Rupee. Convertibility of rupee on the current account, and a rapid build-up of foreign exchange reserves were initiated. A number of restrictions on foreign investment and foreign technology have been withdrawn.
- **Tax Reforms** – Reforms in the field of taxation and public expenditure were also initiated. Main tax reforms are : (i) Reduction in the rates of income tax and corporate tax so that tax evasion could be reduced.(ii) Reforms are also made in indirect taxes so that common national market of goods and services can be established.(iii) Simplification of tax structure.

2) Privatisation: "It May Be Defined As Transfer Of Ownership And Control From public sector to private sector". A large portion of public sector enterprises have been privatized through policy of disinvestment. The sale of the shares of Public Sector Undertakings (PSUs) to the public is known as disinvestment. It can take place in two ways -1.Transfer of ownership and management of public enterprise to the private sector .2.Sale of all or some of the assets of the public sector enterprise.

3) GLOBLISATION: Globalization means the integration of economy worldwide through trade, financial flows, and technology spill over and information networks. Globalisation refers to the growing economic interdependence of countries worldwide through the cross border transaction in goods and services and international capital flows and also through the more rapid and wide spread diffusion of technology.

In short globalization means the unification of integration of domestic economy with the rest of the world through trade capital and technology flows.

- **Components of Globalization** –Reduction of trade barriers so as to permit free flow of goods that flows national; frontier. Free of capital among nation states that means no restriction on foreign investment .Free flow of technology. Free movement of labour among different countries of the world.
- **Out Sourcing** - Out Sourcing implies obtaining goods and services by contract from outside source especially with the growth of information technology. Out Sourcing has acquired an international dimensions and it has intensified in recent time. The main services which are being Out Sourced from India by developed countries are voice based business (process known as BPO), banking services, railway enquiry, record keeping, accountancy, music recording, bank transactions, chemical advices and teaching etc. the cost for these services in developing countries are much less than in the developed countries. Therefore it is more profitable for developed countries to contract these services from developing countries like India. India has become an important destination for global outsourcing because of low wage rates and availability of vast skilled manpower.

Development Experiences of China: Economy: China is the second largest economy of the world. After the establishment of People's Republic of China under one party rule, all the critical sectors of the economy, enterprises and lands owned and operated by individuals, were brought under government control.

Development Strategies of China: 1.A programme named 'The Great Leap Forward' campaign was initiated in 1958, which aimed at industrializing the country on a massive scale. Under this programme, people were encouraged to set up industries in their backyard. 2 .In 1965, Mao introduced the Grate Proletarian Cultural Revolution (1966-76), under which students and professionals were sent to work and learn from the countryside. 3. In rural areas, communes were started, under which people collectively cultivated lands.

History of Reforms: The present day fast industrial growth in China can be traced back to the reforms introduced in phases in 1978. In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors. In agriculture, commune lands were divided into small plots which were allocated for use 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 firms were allowed to produce goods. As a result public sector enterprises (PSUs) had to face competition from such private sector. The reform process also involved dual pricing, under which farmers and industrial units had to buy and sell fixed quantities of inputs and outputs at price fixed by the government and rest were purchased and sold at market prices. In order to attract foreign investors, special economic zones (SEZs) were set up.
- In June 1990 the People Republic of China / PRC government opened the Pudong New Area in Shanghai to overseas investment, and additional cities along the Yangtze River valley, with Shanghai's Pudong New Area as its "dragon head."Since 1992, the State Council has opened a number of border cities, and in addition, opened all the capital cities of inland provinces and autonomous regions.
- In addition, 15 free trade zones, 32 state-level economic and technological development zones, and 53 new and high-tech industrial development zones have been established in large and medium-sized cities. As these open areas adopt different preferential policies, they play the dual roles of "windows" in developing the foreign-oriented economy, generating foreign exchanges through exporting products and importing advanced technologies and of "radiators" in accelerating inland economic development.
- Primarily geared to exporting processed goods, the five special economic zones are foreign-oriented areas which integrate science and industry with trade, and benefit from preferential policies and special managerial systems. In 1999, Shenzhen's new-and high-tech industry became one with best prospects, and the output value of new-and high-tech products reached 81.98 billion yuan, making up 40.5% of the city's total industrial output value.
- Since its founding in 1992, the Shanghai Pudong New Zone has made great progress in both absorbing foreign capital and accelerating the economic development of the Yangtze River valley. The state has extended special preferential policies to the

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Pudong New Zone that are not yet enjoyed by the special economic zones. For instance, in addition to the preferential policies of reducing or eliminating Customs duties and income tax common to the economic and technological development zones, the state also permits the zone to allow foreign business people to open financial institutions and run tertiary industries. In addition, the state has given Shanghai permission to set up a stock exchange, expand its examination and approval authority over investments and allow foreign-funded banks to engage in RMB business.

- In 1999, the GDP of the Pudong New Zone came to 80 billion yuan, and the total industrial output value, 145 billion yuan.
- In May 2010, the PRC designated the city of Kashgar in Xinjiang a SEZ. Kashgar's annual growth rate was 17.4 percent from 2009, and Kashgar's designation has since increased tourism and real estate prices in the city. Kashgar is close to China's border with the independent states of former Soviet Central Asia and the SEZ seeks to capitalize on international trade links between China and those state.

CONCLUSION:

With the unfolding of the Globalisation process, developing countries are keen to understand and 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 five-year plan 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 fifty 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. China is ahead of India and Pakistan on many human development indicators. However these improvements were attributed not to the reform process but due to the strategies that China adopted in the pre-reform period .

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