

Indo-China Development: A historical perspective

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In their current identities, India is three two years older to China though both are ancient civilizations. Despite contrasting forms of government, India and China have many aspects of governance and economic growth in common.

China became a communist republic in 1949, the same year when India adopted its constitution. Both countries began rebuilding in 1950 - China under Mao Zedong and India under Pandit Jawaharlal Nehru.

At that time, India was the largest economy in Asia notwithstanding almost 200 years of colonial exploitation. China was in the catching up game. Mao Zedong rivalled with Pandit Nehru, who was viewed by the world leaders as a visionary with strong democratic credentials.

Today as China turns 70 - October 1 is the National Day in China - it is way ahead of India in respect of the economy, military power, technological progress and even in pollution control. China has made all-round exponential progress to become a colossal force in the world while India is still considered an emerging power.

It is not an overstatement to say that India needs to learn a few tricks of the trade from China, which was a "poorer" country than India in terms of GDP per capita till as late as 1990. Now, in 2019, the Chinese per capita GDP is 4.6 times of India's.

Making economy work

Mao Zedong, the revolutionary leader who founded communist China, could not put the country on the path of economic progress. In 1978, when Mao Zedong died, China was struggling with the ever-expanding population and uncontrollable poverty.

But after Mao Zedong's death, the new leadership of China began opening its economy inviting foreign investment particularly in coastal areas making export-import easy.

The communist China regime started freeing agriculture from state control - a big-ticket reform in the country. It enforced one-child policy in order to defuse the population bomb and so that the demographic dividend could be utilized.

In contrast, India, whose traditional rule of law provided for the open market - that was chained in by the British colonial rulers to maximize their own industrial progress - under

Pandit Nehru adopted a socialist economic model where wealth creation and big private enterprise were not encouraged.

Indian economy grew at around 3.5 per cent rate through the 1960s and 1970s while population grew in excess of 2.5 per cent. The population growth rate was a curious case as India was among the first few nations in the post-World War II phase to roll out population control policy.

However, the family planning centres in India practically functioned as a family expansion facility due to the very low penetration of medical facilities in remote areas and lack of awareness.

Focus on infrastructure

More importantly, China began heavy investment in infrastructure. This was a key policy decision as it provided employment to millions of people improving their economic status and purchasing power, which was the essential ingredient for industrial progress.

China still continues to invest heavily in infrastructure. It is evident in its One Belt One Road (OBOR) initiative.

According to one estimate, India's average investment in infrastructure in the first 50 years after Independence was 3 per cent of the GDP when it required an investment of over 6.5 per cent. China, on the other hand, invested nearly 9 per cent of GDP in infrastructure when it could have done with a 6.5 per cent investment.

In the 2019 Economic Survey called for an investment of 7-8 per cent of GDP in infrastructure for robust growth and making India a \$5 trillion economy by 2025. The survey found that investment has been 27 per cent lower than the requirement.

Sectoral approach

In the 1970s, both India and China had the economic and demographic problems to sort out. China took to building labour-intensive industries to rope in available cheap labour. Industries like textile, light engineering and electronics received big investments.

China also created special economic zones to push to manufacturing and export-oriented industries. The general rules of business were eased in these zones - marked out in areas with better infrastructure and access to cheap labour for investors.

Indian special economic zones that came up decades later lacked such push and better incentives to attract foreign investors in numbers and size to give China a competition.

Labour was almost equally cheap in India. But India went for heavy industries. The second Five-Year Plan was fully devoted to industrial development with a focus on large industries in practice.

India encouraged capital-intensive industries that came at a cost of loss of potential employment to millions of job seekers. This, in turn, failed to give a boost to industrial growth or rise in revenue collection for public investment in infrastructure or health and other essential sectors.

Military revamp

India and China fought a war in 1962. China occupied Aksai Chin, an area of over 37,000 sq km of Ladakh. Many believe that India's decision not to use air force was the reason for military debacle.

While China remains a rival to India even on borders, it has revamped its military to overcome the perceived weaknesses India did not exploit in 1962. In the latest series of military reforms, China modernized its forces along the lines of theatre-command. It is considered a more efficient military set up to deal with any security threat.

On the other hand, Indian forces are still organised on the World War II model. Modernisation of weaponry is also long overdue while China has been consistently improving its armoury. China has understood the changing nature of warfare - from conventional to technological that focuses on overwhelming enemies without losing too many soldiers in combat. India can take a leaf from Chinese book to meet the threat it faces from the same rival.

Energy conscious

Energy is the key to the survival and progress of a country and the conventional sources of energy - coal and oil - are limited. There is increased focus among the developed countries to shift to alternate sources of energy. China, too, has made the shift reducing its dependence on coal massively and promoting green energy like solar power. China has emerged as the second-largest solar energy producer.

India may emulate Chinese example to reduce its dependence on coal and oil, most of which it imports. Oil import has been a major oscillating factor determining the health of the Indian economy.

China has aggressively pushed the use of electric vehicles - a step India is following. According to a World Economic Forum report, China has the largest number of electric vehicles and public charging point for such vehicles. Given the state of pollution in Indian cities, a similar thrust to electric vehicles would do wonders for the air in the country.

Water wise

India has about four times more freshwater than China, which is three times its size. But India is facing bigger water problem today than China. Water shortage in Chennai earlier

this year made global headlines. Many parts of Bihar faced drinking water shortage this year for the first time. Though, Bihar is the most flood-affected state of the country.

To overcome its water scarcity, China has been successful in teaching its farming community to use less water without compromising on agricultural productivity. India is the biggest puller of groundwater and the volume used by Indians exceeds the combined usage of the next two users - China and the USA.

But Indian water reserves have reached a stage where a Chinese approach is required. China not only encourages less use of water, but it also imposes fines on those - including industries and businesses -- overuse groundwater. Industrial or business units polluting rivers and ponds are also penalised rigorously.

Farmers heavily depend on groundwater for irrigation (more than 60 per cent of the need). One argument forwarded in their defence is that India's land holdings are extremely fragmented leading to overuse of water for irrigation. Average Chinese landholdings are smaller yet farmers use much less water for better agriculture productivity. India may also launch a decentralized awareness campaign to reduce wastage of water in cropping fields.

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