Review Article 2

Industrial Reforms in China and India : A Comparative Study

COL R RAMA RAO, AVSM (RETD)

Sun Yat-Sen, the father of modern China had pointed out in 1924, when he had started the daunting process of reforming China by pulling the country out from the chaotic condition in which it was as a result of internal dissentions, that "China was no more than a collection of loose sand". It lacked cohesion and unity and hence was unable to stand up to external forces which were intervening in its affairs, having established safe footholds in the country.

The Communist Revolution supported by the Soviets, succeeded, after a fairly long period of internal strife, in unifying the country; but its economy was far from sound. Real and rapid-economic development came about only after Deng-Xiaoping came to power in the early 1970s. In a document prepared by him in 1975, after coming into power, he pointed out that "rising production was the prime necessity in Chinese society even to achieve the aims of communist revolution". Study of theory and ideology was downgraded and a concrete programme for raising production was prepared which advocated the introduction of technology, machinery and equipment from foreign countries. Mao was far from pleased and got Deng expelled from the Party a second time.

Although Deng was in the dog house for sometime, he soon got back into power and despite China's virtual defeat by Vietnam in the early 1970s, when he (Deng) was running China's affairs, stayed in power and concentrated his attention on developing China's productive resources and its economy generally. China's political philosophy remained Communist. Deng's contribution to China's economic progress - and in step with that, its military strength and influence - can be fully appreciated only when one remembers the state of affairs that prevailed earlier, as recounted by Sun Yat-Sen.

The degree of centralisation in China was far less than in Russia. At the height of the centralisation drive, the production of about 600 items of goods were centrally controlled as well as about 10,000 industrial enterprises. This was at the peak of the drive for centralisation. In 1984, China had about

Contrasting Styles of Industrial Reform : China and India in the 1980s. By George Rosen, Chicago, Univ. of Chicago, 1992, p. 168, $ 29.75, ISBN 0-226-72646-0.

Col R. Rama Rao is a well known defence analyst and has written several books and articles on defence related issues.

Journal of the United Service Institution of India, Vol CXXVI, No. 524, April-June, 1996.

4,35,000 industrial enterprises, an impressive figure by any standards and far more than even in Soviet Russia. Small plants produced products which contributed 40 to 50 percent of the country's GDP. Industrial enterprises also were widely dispersed in order to ensure that no part of the vast country was neglected. Even so provinces endeavoured to achieve self-sufficiency and reduce dependence on Central aid and intervention to secure much needed equipment or materials. It also helped in providing job opportunities for all, although workers in most factories had not more than 4 hours work per day. This meant low productivity and comparatively high costs.

As early as 1901, Chinese officials had noted, in a report written by them that :

> "Three things are essential to a nation: the first is the government; the second, wealth; the third, power. If a nation has good government, it can strive to achieve prosperity and strength. The way to attain good government is to reform native institutions; the way to attain wealth and power is to adopt Western methods".

It would seem that Deng Xiaoping in his own way followed this line of action to achieve China's economic and political progress.

INDIA

Since 1950, India's economic policy was based on the creation of a three tiered industrial structure - the Public Sector, the large scale and medium scale Private Sector and an extensive small scale sector. Pursuant to this policy, Central Government owned plants increased from 5 in 1950 to 223 in the early 1980s. In 1983, approximately two-thirds of the value of all capital assets in manufacturing area was in the Public Sector. These government owned plants produced 30 percent of value added products in total manufacturing and over 40 per cent in the factories sector of industry. However, production by private sector industrial units fell from about 25 percent of national industrial output in 1949-50, to about 10 percent by 1984-85.

Until the late 1980s, most of the Public Sector Units were over staffed, failed to replace in time equipment that, in comparison with other countries, had become outdated and hence continued to produce goods not easily marketable outside India. Units in the private sector too, with the exception of certain well established ones owned and operated by leading manufacturers, had outdated machinery and were consuming more fuel/electricity than more recent ones and hence production costs were higher.

Even so by the 1980s India's industrial units had got over many of the difficulties and were able to raise the country's total industrial output significantly.

George Rosen's book, *CONTRASTING STYLES OF INDUSTRIAL REFORM : CHINA AND INDIA IN THE 1980s,* discusses the subject in detail bringing out the salient points pertaining to the two economies clearly and objectively.

A CORRECTION

The following typographical errors may please be corrected in the January-March 1996 issue of the *USI Journal*

Page 32	For	Read
Line 20	Towned Artillery Pieces	Towed Artillery Pieces
Line 22	410 x 130 mm	410 x 155 mm

Errors are regretted.

-- Editor