CHAPTER 6

INFERENCES AND TENTATIVE CONCLUSIONS
In the forgoing chapters we presented an analysis in a comparative perspective the policies pursued by both India and China before liberalisation; changes in the policies pursued under liberalisation; impact of these policy changes on industrial growth and performance and their implications for workers vis-à-vis the state and employers. Based on the same, we shall now try to understand the political economy of the nature and direction of these changes as part of liberalisation. We also present a brief note on the inferences drawn from the study and some tentative projections.

As we have discussed in chapter-2, earlier efforts of in India and China during 1950-80 to achieve growth and modernisation, recorded persisting expansion in both the nations for all the sectors of economy viz. agriculture, industry and services. A significant rate of overall achievement during 1950-80 period is visible in China when compared to India, especially in the industrial total product output based on available data and expert knowledge.

Coming to the main development priorities in industrial growth during 1950-80 period, neither the extensive industrialisation in China nor its moderate counterpart in India, could provide linkage to the large agricultural-rural sector. We must acknowledge that China, when compared to India, has accomplished more difficult task in agriculture. China could reorient and reorganise agriculture due to extensive land reforms, where as India failed miserably. Similar is the case of average intensity of input use such as fertilisers, HYV seeds, etc.
India's relatively low industrial profile in total economy may be less than what it could accommodate both in terms of domestic or foreign demand—especially in key modern industries and in public enterprises. As is seen in the chapter, the industrial capacity was underutilised: quality and costs of production aggravated the problem of use of good technology to produce goods for consumption both at home or abroad. It is manifest in many ways, especially in the difficulties in the earlier policy regime for the expansion of exports as also in the policy of import-substitution. Although, import-substitution policy was intended to make Indian industry self-reliant, it had many limitations, of which inadequate R & D and lack of technical knowledge and capital were main reasons. The industrial position of China also seemed to confront with the same problems on a relatively large scale during the earlier period. Inspite of pronouncements of socialist goals by achieving growth and equity, the expansion of modern industry in both the countries has been much more limited than had been visualised by planners in either country.

As a result, in the late 1970s, the post-Mao leadership advocated 'reforms' and 'readjustment' in order to bring in effective use of industrial capacity. In India, also there were efforts during the same period to make changes in industrial policy so that there could be rapid achievement of growth in the industrial sector. Our study points out that, the frequent shifts in policy priorities in both nations had adverse effect on the economy as a whole, more so on the industrial sector. Notwithstanding the effects of these policy changes, it is
clear that during the three decade period, both India and China experienced rapid changes in policy formulation and its practice. These shifts in policies of both nations is more evident from late 1970s and early 1980s, which we had termed as the starting phase of the policy of liberalisation proper.

In the analysis the policy changes in both India as well as China in chapter-3, the study shows, there is clear distinction of phases of liberalisation process in post-Mao China, which are missing in the case of India.

In India, although the study points out that there is a clear shift from the Nehru-Mehlanobis model of socialism to that of capitalist development. It was actually state capitalism working in the framework of democratic socialism, because in reality it promoted capitalist relations of production. Under liberalisation, it is more or less reinforcing the existing production relations with more legitimacy. Similarly, as our analysis shows, the primacy given to heavy industry is now shifted towards consumer goods and light industrial sectors, that has less gestation period. This resulted in rapid growth in these sectors during the 1980s as we have discussed in chapter-3.

However, we must note that during this period the policy has been to increase the incomes of the people so that their purchasing power increases thus increasing their savings and investments in turn. The middle classes, who became consumers proper, were in early 1980s protesting against the obsolete technology that the Indian industries use to produce goods which they consume. Hence,
liberalisation of the earlier import-substitution regime towards market-oriented growth models. Consequently, there was a rapid increase in foreign investment inflows alongside increased collaborative joint ventures with the MNCs.

Even before independence, the colonial state in India promoted capitalism class, which is not the case with China. In China, the shift from Maoist stress on the socialist relations of production to that of Deng's "market socialism" is not only through going, but has changed the process of development as well as the role of the state in economic affairs. As we had discussed in chapter-3, the Maoist emphasis on "politics in command" is no longer valid and it was smartly replaced by the "economy in command" slogan of Deng.

Deng's market socialism does not question the state ownership and does not envisage change of ownership and control in favour of workers. We feel that, this is the worst that can happen to industry and thereby affect workers. In case of state's failure to maintain the state enterprises, as is the situation in China now, the industrial enterprises would be closed totally or would be transferring the ownership of it to a private entrepreneur, rather than transferring/reforming the laws in favour of workers.

As has been done in the case of China's agriculture, after de-collectivisation and de-communisation, the peasants have been allocated land, though with limited ownership and control. This has resulted in peasants managing their own farms and thereby prospered. If
necessary similar changes are made and workers were given control of the enterprises, as it was the case with agriculture in China and the Indian industries, there exists possibility for workers to manage their own enterprises and work for promoting socialist production relations. In India, industries such as Kamani Metals, Kanoria Jute Mills, etc., have been taken over by workers themselves and are being managed by them. Although, such initiatives in India are scanty, they show that there exists a middle path in between complete closure resulting in retrenchment of workforce, unemployment etc., and/or privatisation of the enterprises.

In our analysis presented in chapter-4, we observed that both Indian and Chinese economies have performed well during the period of transition under liberalisation. Both economies have recorded high macro-economic growth rates as has been presented in the chapter. Nevertheless, the economic growth of China is better and stronger than that of India. However, India is also emerging as a potential economy by gaining strength under liberalisation more so, after the official pronouncement of the policy in 1991 as discussed in this chapter.

Our hypothesis has been that liberalisation of economies of India and China has brought in high rates of growth in industry. This apart, opening up of industry to foreign investments has resulted in faster industrial growth and transfer of technology. Refer Appendix-III. See also table-4.2 and 4.3 for detailed growth performance of both Indian and Chinese industries for the period 1980-95.
The performance of Indian industry for the period under study (1980-95) has been better in terms of bringing qualitative and quantitative changes in its productivity and output growth. Equally noticeable fact is the catching up of Chinese industry and the impressive gains it made during this period. It is observed that China’s GDP has quadrupled during 1980-95 period, while it had only doubled in the case of India. This indicates that the performance of China with regard to industry is quite impressive compared to that of India’s. However, this does not make us say that performance in India is not that bad as is perceived by scholars. Because, industrial development started in India even during the colonial period, this is not the case with China. During this 1980-95 period, China opened its hitherto closed economy for the first time under liberalisation and hence rapid growth in comparison to India.

Our study shows that there is higher degree of influence of FDI on GDP growth with significant t-value of 2.86 in case of India. While the influence of FDI utilisation on GDP growth is positive in China, the intensity of influence of foreign investments there is marginal, with insignificant t-value of 0.508. This indicates that in China utilisation of foreign investments has been declining over a period. While even in the case of India, similar feature is observed. This is against the general impression that industrial growth in China is highly influenced by FDI. In fact, FDI inflows were high in China, however they have been concentrated in service sector rather than industry proper. Whatsoever foreign inflows into industries sector are coming, they are coming
into the MNC sponsored projects for which the MNC affiliates in another country are investing. This we must note is detrimental to the local industry in China, as it will be exposed to the MNC with capital and technology. Similar inference can be drawn for India as well.

Bulk of investments coming into India also are concentrated in the non-manufacturing infrastructure sector such as power, telecommunications, etc; Service sector also has good FDI inflows into it. However, within the manufacturing sector, FDI utilisation is steadily maintained.

One reason for such high degree of inflow of investments and technology into China is that the leadership has facilitated China’s integration with world economy. While India is still taking its first steps towards such integration albeit having long presence of linkages with the metropolitan capital. The post-Mao Chinese leadership does not have any negative perceptions about integration of China’s economy with the global one. As long as this integration brings in new technology and capital into China, and it promotes growth and development. Presumably, only if such development and growth does not take place and if there persists high inflation and unemployment, the Chinese leadership might face stiff opposition to the reform process. In India, such concrete vision regarding globalisation is conspicuously missing in the opinion of political parties and the state. There is no clear policy framework and the leadership including those from the left parties does not have any specific
agenda to counter the move. Even if they are protesting it is naïve and is hardly with any direction.

As indicated in our study, the contribution of manufacturing sector to the general index of industrial production in India has been growing steadily over rest of the sector. Similar trend in the contribution of manufacturing sector is also observed in the case of China. We know that growth in industry is directly proportional to growth in GDP. When we regressed and analysed the results they were positive. Comparatively, it is found that the influence of industrial growth on GDP in China has been more than thrice the influence of the same in India. Thus, the policies pursued by both nations during 1980s-till date has definite bearing and an inherent bias towards industrialisation.

The state in India, as we discussed elsewhere, is now poised to reinforce capitalist production relations. Similarly, in China also such a tendency is visible. The leadership’s direction and emphasis on development of the forces of production through technological upgradation and modernisation rather than that of the relations of production, class struggle and socialist egalitarianism shows that “market socialism” of Dengian type, has led China towards restoration of capitalist production relations. The shift we can say is an irrevocable one. It is a different thing that the leadership in China believes to be travelling along socialist path.

We had argued elsewhere (Srinivas, 1997:173-190) that the Chinese leadership under Deng has completed the
formality of joining the capitalist camp. The emphases on growth and development, achieving high production targets, etc., are only moves in such direction. Here there is no consideration for human values. In all such endeavours, the casualty are the poorer sections of the society.

We must understand that the high achievement of Chinese industry as well as economy has been the result of it performing well for quite some time. This is not the case with India. However, as our analysis in chapter-5 shows, that Chinese level of labour productivity, gross output per worker, etc., has reached saturation point. However, the Indian industry as well as its economy has just begun its march towards achieving higher efficiency which has long run benefits to it. The labour productivity levels are high in China, mainly because of population and high labour participation ratios, when compared to India. In India, the labour participation rate is low. This is more so, in the case of female labour that too in rural India. However, as the Indian economy is now on its development path there is every possibility of India achieving higher levels of productivity and growth. It may be mentioned that Malenbaum’s (1982) opinion rightly corroborates with our argument.

The policies pursued by both nations had definite bearing on the industry, which had resulted in rapidly transforming the relations between the state and the industrial classes that is employees and the employers, as we have analysed in chapter-5.
As we have observed elsewhere, in China changes in policies are to be presented in an appropriate ideological format. As rightly observed by White (1988), "drastic policy changes must be accompanied by ideological changes that might bring charges of 'revisionism' from those opposed to change" (White, 1988:189). In China, until recently, the terms 'labour market', 'labour as a commodity', and 'unemployment' were not officially permitted, despite the fact that a labour market existed outside the state sector and that actual unemployment existed. The views socialist conservative views do not usually mean total opposition to reform initiatives, rather they are carefully presented and are sensitive towards policy implementation or the dilution of policy, such as the acceptance of a partial application of the labour contract system. The views of socialist conservatives also suggest that the productivity goals of the reformers can be achieved in other ways, such as strengthening labour discipline, instituting more effective wage schemes and job responsibility systems, improving training facilities, acquiring advanced technology, and establishing better relations between management and labour, etc. This view of conservatives we also appreciate, albeit with definite adoption of new technologies in a scale that does not disrupt the labour force structure in both India as well as in China.

Liberalisation often leads to rapid inflow of technology and capital and also creates favourable atmosphere for domestic investment opportunities, which would replace the existing production forces and alters the existing relations of production. This technology
invasion replaces labour, best example being computers. This tendency would displace scores of people who were hitherto employees and creates unemployment problem. If we observe, job redundancy in China is increasing due to adoption of modern technology. Several thousands of workers were laid-off. Identifying them for reemployment and training them for work/re-employable skills are major problems of policy. Here, another problem is that who will accept responsibility whether local government, enterprises or central government for providing re-employment skills is not made hitherto accountable. Before reforms, the managers and workers of enterprises were cordial with each other. All issues relating to wages; work guarantee; working conditions, etc., were determined by both managers and workers together. But, reforms had given leverage to the managers to control the workers because of the changes made in the laws governing workers, as has been discussed in chapter-5.

In China, the programme of liberalisation had produced numerous investment opportunities for both domestic and foreign (often expatriate Chinese) entrepreneurs. This had brought in enormous investments into Chinese economy as we have already discussed. Most of the investments are concentrated in the southern and eastern parts of China (i.e.- to the South-East Asian region). The interior parts of China still are capital and technology starved. Hence, employment levels have not increased; neither there is good agricultural production. There is not much development in these regions making them still dependent on the central government and on relatively advanced regions/provinces for
their existence. This is another problem which the Chinese state under the new leadership is facing.

The growth in the advanced regions may be attributed to the dual taxation policy of Chinese government and by giving special concessions to Special Economic Zones (SEZs), Export Processing Zones (EPZs), etc. This policy of economic liberalisation had lead to increasing private ownership, who are profit driven and are least bothered about workers.

In India also, the programme of liberalisation had produced investment opportunities for both domestic and foreign entrepreneurs. However, if we observe, unlike the expatriate Chinese investing in native China, Non-Resident Indians (NRIs) are least concerned as regards investing in India.

We must note that this is because of the fact that the policies pursued by the Chinese government, as regards Chinese expatriates is more conducive in nature. They are welcomed with open arms. They are given single window clearance for whatsoever industry/business they would like to make. This is to facilitate inflow of foreign capital as well as technology. All this is done in China where the government is under authoritarian communist party.

If we contrast this with that of the Indian government's attitude to its prospective investors from NRIs, they have to run from pillar to post to get clearances from many departments (multi-window framework). Lethargic bureaucracy, where there is still remnants of
licensure-permit raj, inspite of tall claims of liberalisation of the entire system. This is one of the main causes as to why expatriate Chinese are attracted to its native country and not the NRIs. We must not mistake that the Chinese are more patriotic than Indians are. NRIs are equally patriotic and cherish to be part of the development process for the benefit of their country and fellow brethren. However, systemic bottlenecks become big hurdles. The foreign investors are also skeptical about the continuation of Indian reforms.

All this scepticism is when the Indian state has accepted the supremacy of global capital and is trying its best to play a sub-ordinate role to it. We infer that the disinvestment of Public Sector Units (PSUs) and increasing private enterprises by way of joint collaborations were only to facilitate amalgamation of the existing companies in India. For example, the Tata Oil Mills Co. (TOMCO) is merged with Hindusthan Lever Ltd (HLL) a subsidiary of Unilever, London. Glaxo is taken-over by H.M.Mainz of Italy; Brooke Bond is taken over by Lipton (Another subsidiary of HLL), etc. Such mergers and acquisitions are becoming quite frequent phenomenon under liberalisation. The government in its recent budget pronouncements (1999-2000) has given assurance to industrialists that it shall make necessary amendments to laws facilitating such merger and acquisitions.

Even with regard to concentration of foreign investments under liberalisation, we know that, Maharashtra, West Bengal, Delhi, Tamil Nadu, Gujarat and Andhra Pradesh were dominating the rest. Whatever
investments we received until date were channelled to these states. This obviously shows that political stability is an important factor for attracting investments. The inequalities between these states and rest of the country are progressively widening.

As we have discussed elsewhere, with the working of the new policies of both the governments in India and China, the existing industrial relations transformed into a web of new type of relationships. Privatisation of enterprises created demand for profit and viability of the projects. Hence, reduction in workforce and pressure on the limited/few workers who were left behind to take up responsibility for overall work. Migration of rural workers also to urban areas leads to competitive displacement of workers and helps reduce wages. These trends are dangerous as employers would extract more work from the worker (demanding more skills than usual) at the same time shall pay less. Competitiveness amongst workers for few jobs available makes them vulnerable and to be used by employers by paying less wages that too on contract and Piece-rate rather than permanent employment.

In this context, employee-employer relations need redefinition and hence the whole gamut of labour laws in India deserves serious review. The changes made so far under the Industrial Disputes (Amendment) Act, 1988 as mentioned in chapter-5 are inadequate and are against the workers. Similar is the case with other acts such as Wage Act, Bonus Act, etc., which may have to be changed in the context of liberalisation. It is pertinent to know whether under the existing framework of the labour laws the full
potential of the technology for productivity can smoothly be carried through and in time. Trade unions should cope with these challenges both at the macro- and at micro-level, and must evolve appropriate strategies to minimise the negative impact of liberalisation on labour. The workers must know that blindly opposing new technology shall lead them nowhere. If they fail to adopt they are bound to be overtaken by it.

Liberalisation process has led to resurgence of employers' rights as presented in chapter-5 which trade unions, as representatives of workers, must try to minimise its effects on their fellow brethren. In such backdrop, trade unions must try to concentrate in organising the unorganised so that they form large part of workforce and becomes backbone for the trade union movement. Similarly, trade unions cannot remain silent spectators to the takeover of the Indian industry by the MNCs. They must realise that by holding on to extreme positions and populist rhetoric they cannot reverse the ongoing process. Moreover, they would lose what little influence they could have on the ongoing developments. Since they have not been able to stop the entry of the multinational companies, they must at least develop appropriate strategies to cope with them. In the first place, it is suggested that all the national trade unions may have to come together for this purpose.

The trade unions must understand that merely opposing NIP would lead them nowhere. Here lip-service to fellow employees, organising nation-wide bandhs (closures of shops
and establishments) and rallies would do little impact on the state. The negligible impact of the national trade union federations in challenging the government's anti-labour policy clearly indicates that the conventional means of protest (bandhs, rallies, strikes, etc.) are ineffective. Hence, these unions must try to review their strategies and to act more creatively to counterpart or circumvent the adverse effects of the present policies of SAP on production and employment.

They as part of such review can consider different alternatives, as socialist conservatives in China have suggested. Alternatively, trade unions can press for transfer of ownership of industries by forming workers' co-operatives, which are allowed under NIP in India. Unions must learn from the experiences of other workers co-operatives that were running successfully, and must force the state in formulating concrete proposals for formation of workers' co-operatives in order to save production and employment in atleast some of the industries. Unfortunately, in China the debates on liberalisation has not taken the direction of proposing laws providing among other things, workers' ownership. In India, the pro-worker laws including workers' ownership in the form of workers' co-operatives, though in limited sense, not only has figured in the debates on liberalisation but are included as part of the provisions of NIP and BIFR. It is a different point that funds made available under this policy were only marginal and had hardly done any good to the majority of the workers.
There is a contradiction between labour and capital under liberalisation in both the countries. Liberalisation means more and more casualisation of labour, as they in the present context cannot function as a cohesive organised pressure group. Whereas, liberalisation for capital would mean more organised form of penetration into the market. This is evident in the inability of state in both India and China to control consumerism, catering to the needs of upper classes.

Following points can be inferred from our discussion in chapter-5: That protection for labour, which was hitherto present in Indian and Chinese economies, is gradually being removed. The withdrawal of state from regulation of the economies makes it easy for further privatisation and liberalisation. The perceptions of employers and international institutions who are asserting their rights vis-à-vis workers would prove to be detrimental to workers. The role of trade unions diminishes as labour organisations are dismantled under the new framework, there by undermining the collective strength of the workers in India. Workers are underpaid and casulaisation of work and contract employment is evident.

In conclusion, we can say that in China, the restructuring of the industrial system offers challenges to the industrial classes. It is facing numerous imbalances and contradictions. The Chinese state viewed growth of productivity in state-owned enterprises as central aim of reform process. However, job redundancies large-scale retrenchment of workforce and resultant unemployment and thereby inflation is not visualised by it, as we have seen
in chapter-5. In India also, impact of liberalisation on employment is immense. The deterioration in the conditions of work and rise in unemployment will have serious repercussions on society.

Coming to employment relations, personal policy formulation, collective bargaining, labour legislation and labour administration at the enterprise level needs serious review in the context of liberalisation in both India and China. Changes in industrialisation strategies require changes in labour management policies to obtain the requisite balance between technology and labour. In the present context, the interaction between the state and MNCs in India and China will be the key politico-economic development. It remains to be seen as to how the state in both these countries behaves in its relationship with the MNCs. Many factors such as technology and capital flows, concession for the firms, facilitating market-conducive atmosphere, reorganising national industrial classes, etc., determines the nature and course of liberalisation on the industrial front.

Policy formulation is required to avoid erosion of labour standards and to make Indian and Chinese industries competitive and at the same time pro-labour. The working class in India and China looks for state's intervention to formulate pro-labour laws commensurate with the pro-capital policy of liberalisation.