CHAPTER III

PROFILES OF SOUTH ASIAN COUNTRIES AND AN OVERVIEW OF THEIR GROWTH DIFFERENCES: 1950 - 1990

In this chapter, brief profiles of all the six south Asian countries and an overview of their growth differences for selected periods within the years 1950 - 1990 will be given. A basic knowledge of the country and its people is necessary for an understanding of the ensuing discussion of growth differences in the context of macroeconomic policy formation and implementation. Therefore, the first section outlines brief profiles of all the countries including recent political developments, physical features, language, and religion. The second section gives an overview of the differences in growth rates of output within and across these countries. We will present growth rate data both at the aggregate and sectoral levels for each country and then discuss its significance to overall growth performance.

3.1 PROFILES OF SOUTH ASIAN COUNTRIES

In this section we will give the country profiles of all the six SACs. They will also include descriptions of major changes in the structure of the economies and other indicators of social development in those countries. Because some of these structural changes have implications for the ensuing growth analyses in this study we will undertake a survey of the character and structure of the economies of the SACs as they have changed since their independence and as they exist in 1990. There are
several important implications. For example, a specific change in the structure of production may have prompted a review of the usefulness of certain existing economic policies which, in turn, lead to the formulation and implementation of new policies. Also, while interpreting structural changes, two rather general observations must be kept in mind. One is that in all the SACs (with the exception of Malaysia) agriculture contributes the largest share to total output, and this sector’s performance is mainly influenced by climatic factors. The other is the wide disparities that exist among the six countries in terms of their size, openness to external markets, availability of natural resources and other factors that may have affected their relative growth performance. In our analysis, these factors are not taken into explicit consideration, and we shall focus on the effects of policy variables on growth.

3.1.1 Bangladesh

The People’s Republic of Bangladesh, formerly known as East Pakistan, became an independent state on March 26, 1971, after breaking away from the Islamic Republic of Pakistan.

Sheik Mujibur Rahman, a charismatic leader, who had long campaigned for greater autonomy of East Pakistan, became Prime Minister. He inherited a desperate situation. Many people who fled during the civil war returned; food production was inadequate to feed the population and transportation was chaotic. The United Nations, especially India, helped to overcome the immediate difficulties by providing food, medicine, and other technical assistance. Though some semblance of normalcy
was later restored, the country remained disturbed. Economic problems were severe; as a result, opposition developed which was centered around the Army. Mujibur Rahman was assassinated in August 1973 by a group of officers in the Army. After a period of uncertainty and further coups, a degree of stability was imposed when Major-General Ziaur Rahman became President. Zia’s regime lasted until May 1981 when he, too, was assassinated by a military faction and was succeeded by General Ershad.

The Bangladesh constitution specified that the country would be governed on the basis of nationalism, secularism, socialism, and democracy. However, this new nation was beset with difficulties and has gone through many changes in governmental leadership. These changes are relevant to an analysis of various development strategies of Bangladesh since her independence and they will be discussed in later chapters.

Bangladesh is located at the Bay of Bengal. To the far southeast is Burma; the other land boundaries are all with India. Bangladesh covers an area of 143,998 km., and has a coast line of 575 sq. km. There is little in Bangladesh in the way of raw materials. Its chief products are hides and skins, jute, rice, sugar, tea, and textiles; jute is the chief export. Bangladesh also has limited quantities of natural gas. Eighty-five percent of Bangladeshis believe in Islam. They speak the Bengali language.
Table 3-1

Sectoral Shares of Bangladesh GDP at Constant Prices (1972/73)
(in million Takas)

<table>
<thead>
<tr>
<th>Sector</th>
<th>1972/73</th>
<th>1980/81</th>
<th>1987/88</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Sector</td>
<td>59.40</td>
<td>48.70</td>
<td>38.73</td>
</tr>
<tr>
<td>Secondary Sector</td>
<td>10.10</td>
<td>14.66</td>
<td>15.95</td>
</tr>
<tr>
<td>Tertiary Sector</td>
<td>30.50</td>
<td>36.70</td>
<td>54.31</td>
</tr>
<tr>
<td>Population (million)</td>
<td>74.3</td>
<td>89.6</td>
<td>106.6</td>
</tr>
<tr>
<td>GNP (per capita) in tk</td>
<td>581</td>
<td>773</td>
<td>4136</td>
</tr>
</tbody>
</table>

Notes: (a) new series (b) 1984/85 base (c) figures are at 1984/85 prices

Source: All figures are computed from the Statistical Year Book of Bangladesh (various issues), Bangladesh Bureau of Statistics, Statistics Division, Ministry of Planning, Government of the People’s Republic of Bangladesh.

Bangladesh is an agricultural country and is one of the poorest countries in the world. In Table 3-1, sectoral shares of the Gross Domestic Product (GDP) at constant prices for the years 1972/73, 1980/81, and 1987/88 are given. In a brief period of fifteen years, the production patterns has exhibited significant shifts. In 1972/73, the primary sector (Agriculture, Livestock, and Fisheries) contributed 59.4 percent of the GDP. This declined to 38.7 percent in 1987/88, a drop of 35 percent. The share of the secondary sector (Industry and Construction) increased from 10.1 percent to 15.6 percent during this period, an increase of 58 percent. This shows the growth of construction after independence and since the early eighties of manufacturing sectors. The tertiary sector (Power, Transport, Communication, Trade, Banking, Insurance, and Services) contributed 30.5 percent to total output in 1972/73 which increased to
54.3 percent in 1987/88, an increase of 49 percent which reflects significant increases in investment in the power and transportation sectors since the early 1980’s.

Some of the changes that occurred between 1972/73 and the mid-1980’s may be understood in other terms. For example, the country’s electric generating capacity increased by 87.6 percent, life expectancy by 20 percent, and the number of students attending secondary schools by 91 percent during this period.¹ These selected development indicators show that Bangladesh has made significant progress towards a better society for its citizens.

3.1.2 India

India attained independence from Great Britain on August 15, 1947. The Constitution of India, promulgated on January 26, 1950, provides for parliamentary, republican, and federal systems. The President of India is the Head of State; the Prime Minister, the Head of Government. The Constitution guarantees fundamental rights but also gives union (central) government extensive emergency powers. State governments have their own executive and legislative assemblies. India has a single judicial system for the whole country.

Jawaharlal Nehru, India’s first Prime Minister, projected the goals of the nationalist movement into the evolution of independent India. He believed in democratic principles and guided the nation on the basis of those principles. Nehru was the unquestioned leader of the Congress Party until his death. The Congress

¹ Data compiled from the Statistical Year Book of Bangladesh (various issues).
Party which ruled India from 1947 until 1988, with a brief period of Janata Party rule during 1977-1979, had always preferred a middle way in dealing with the nation’s problems. Nehru believed in eradicating poverty and raising the standard of living of the masses through a systematic program of economic development which was planned and directed by the state. Established in 1950, The Planning Commission determined national policy as long as Nehru was its chairman.

India followed a mixed economy model\(^2\) in which attention was given to distribution and production, investment of public funds in the infrastructure of the economy such as irrigation, power, transport and communications, central government assistance to the states in development projects, all to inculcate self-reliance and an enlarged sphere for the public sector while encouraging private sector expansion.

Following Nehru’s death in 1964, Lal Bahadur Shastri, a senior member in the Nehru’s cabinet was elected Prime Minister. Less than two years later on Shastri’s death at Tashkent, Indira Gandhi was elected Prime Minister. By the end of 1971, she established her control over party and government. Under Mrs. Gandhi’s leadership, the Parliament passed legislation to advance the populist theme of “Social Control.” The sphere of public sector was enlarged to include general insurance, shipping, coal, steel, textiles, and wholesale trade in wheat.

\(^2\) Though the term mixed economy is difficult to define precisely, its central feature is the presence of both private and public participation in the sphere of economic activity.
In March 1977, after a period of emergency, new elections were held and a coalition of opposition parties known as Janata Party won the majority. The coalition broke apart in June 1979 when Prime Minister Desai was forced out of office as a result of infighting among its leaders. New elections were held in January 1980 and this brought Indira Gandhi and her party back to power. Mrs. Gandhi was assassinated in 1984 by two of her body guards. Her son Rajive Gandhi assumed leadership of the machinery of Parliament and Government and maintained continuity.

The Indo-Pakistan subcontinent comprises three main geographic regions: The Himalayas in the North, the Indo-Gangetic Plain, and the Southern tableland. The Indo-Gangetic plain, and those portions of the Himalayas within India’s political borders are collectively known as Northern India. The tableland constitutes South India or often simply termed, the Peninsula.

India has 3,287,590 sq. km. of land area. It has some 7500 km. of sea coast and shares approximately 15,200 km. of land frontier with six nations — Pakistan, Nepal, China, Bangladesh, Burma, and Bhutan. Major exports of India are tea, coffee, iron-ore, jute, textiles and engineering goods. Principal crops are rice, wheat, cottonseed, soybeans, and peanuts. India has sixteen (16) official languages of which Hindi and English have all-India status.
In 1990, India remained an agrarian nation with a per capita income of Rs 3328. For the years 1950-1987, her net national product grew at a compound rate of 6.6 percent per annum.

Table 3-2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Sector</td>
<td>61.28</td>
<td>56.64</td>
<td>50.14</td>
<td>45.84</td>
<td>39.12</td>
</tr>
<tr>
<td>Tertiary Sector</td>
<td>24.42</td>
<td>26.83</td>
<td>31.22</td>
<td>33.92</td>
<td>41.46</td>
</tr>
<tr>
<td>Population (in crores)</td>
<td>35.9</td>
<td>43.4</td>
<td>54.1</td>
<td>63.5</td>
<td>73.9</td>
</tr>
<tr>
<td>Per capita NDP (in Rs)</td>
<td>466.0</td>
<td>588.0</td>
<td>632.8</td>
<td>1635</td>
<td>1813</td>
</tr>
</tbody>
</table>

Note: P = preliminary estimates


Table 3-2 gives the Net National Product (NDP) at factor cost by sectors for the years 1950/51, 1960/61, 1970/71, 1977/78, and 1984/85. In 1950/51, the value added by the primary sector was 61.3 percent. In 1984/85, its share was reduced to 39.1 percent, a drop of 36.2 percent. During this period, contribution of the secondary sector to NDP rose from 14.3 percent to 19.4 percent, a rise of 35.6 percent. In the same period, the tertiary sector’s share to the NDP rose from 24.4 percent to 41.5 percent, an increase of 70.1 percent. This increase indicates the importance Indian policymakers attached to improving the country’s infrastructure by making higher levels of public investment in the areas of power, transport, and
communications. India also made progress in other sectors of the economy such as health and education as shown by the social indicators. Life expectancy increased from 32.5 years in 1950 to 59 years in 1989. The number of students attending secondary schools increased by 82 percent. Electric generating capacity (steam) increased by approximately 60 percent during the same period.3

3.1.3 Malaysia

The Federation of Malay, a former British Colony, became independent in 1957. In 1963, the provinces of Sarawak and Sabha, along with Singapore, became Malaysia. Singapore left the federation in 1965.

The Malaysian government is based on a Constitution that guarantees Constitutional monarchy and parliamentary democracy for its people. In this framework, Malay rulers continue to enjoy sovereignty in their own states. Since Malaysia is a multi-racial society, to meet the aspirations of its diverse people, the Constitution gives heavy weighting to the needs of Malays, while protecting the legitimate interests of non-Malays (the country’s large Chinese and Indian ethnic communities). It was thought that the arrangements worked out under the Constitution would allay the fears of Malays about the encroachment of traditional prerogatives by non-Malays. The same arrangements also instilled optimism among the country’s non-Malay communities that they could also prosper economically in the future. The policymakers, in general, felt that the carefully crafted provisions of the

---

3 Data compiled from Statistical Abstract (various issues).
Constitution would provide for a period of political stability in which economic progress could take place.

In May 1969, however, the prospect for stability was shattered by the outbreak of interracial violence in Kuala Lumpur, the nation’s capital. This rather unanticipated violence grew out of socioeconomic frustration among poor Malays and their resentment of gains at the polls by Chinese opposition parties. The May 1969 incident marked the end of an era and led to a reassessment of the country’s approach to development. Tengu Abdul Rahman, scion of a long list of Malay Sultans, who was Prime Minister since independence, resigned. Power was gradually transferred to a new generation of nation builders who were more sympathetic to Malays than their predecessors.

Malaysia covers an area of 329,749 sq. km. It is situated between Thailand, the Philippines, and Indonesia. The country is separated into two distinct regions — Peninsular Malaysia, consisting of eleven states, and the other region of two states — Sabha and Sarawak, located on Borneo. Malaysia’s chief products are rubber, copra, palm oil, and rice. Malaysia is the leading producer of tin and has vast deposits of bauxite. Main exports are rubber and tin.

Four-fifths of the Malaysian people live in West Malaysia; the rest live in East Malaysia. Fifty percent of the people are urban, the other fifty percent rural. The country’s problems stem not from an unfavorable ratio of land and resources to
population as in many other developing countries, but from disparities in the level of employment among different ethnic groups. Malaysia's state religion is Islam. Its national language is Malay.

Table 3-3

<table>
<thead>
<tr>
<th>Sectors</th>
<th>1972</th>
<th>1979</th>
<th>1988 (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Sector</td>
<td>36.4</td>
<td>30.1</td>
<td>31.4</td>
</tr>
<tr>
<td>Secondary Sector</td>
<td>19.0</td>
<td>30.7</td>
<td>27.9</td>
</tr>
<tr>
<td>Tertiary Sector</td>
<td>44.6 (b)</td>
<td>40.7</td>
<td>40.2</td>
</tr>
<tr>
<td>Population (in Thous)</td>
<td>9380 (c)</td>
<td>12900</td>
<td>16940</td>
</tr>
<tr>
<td>Per capita CNP</td>
<td>1269</td>
<td>3120</td>
<td>3688</td>
</tr>
</tbody>
</table>

Notes: (a) figures for 1988 were obtained from Mid-Term Review of the Fifth Malaysian Plan 1986-1990. (b) figures for 1972 refer to Gross National Product. (c) refers only to Peninsular Malaysia. (d) figures for 1972 and 1979 are at constant 1970 prices; for 1988 at 1978 prices.


Among all the countries selected for study, Malaysia is economically the most prosperous. With a per capita income of 5542 Ringgit in 1989, it could be included among the wealthiest one-quarter of the developing countries. Table 3-3 gives sectoral shares of GDP of Malaysia for the years 1972, 1979, and 1988. In FY 1972, the primary sector contributed 36.4 percent, which decreased to 31.4 percent in 1988, a drop of 13.7 percent. The secondary sector's share increased by 46.8 percent during this period reflecting increased activity in construction and expansion of manufacturing activity. Since the mid-1980's, there was increased private investment in manufacturing and government investment in the physical infrastructure. The tertiary
sector's overall contribution declined by 9.9 percent during this period, reflecting moderation in demand by the manufacturing for services of sub-sectors such as transportation, storage, and external trade sectors and communication.

Malaysia made significant progress in other sectors of the economy as well. In 1972, the total amount of electricity generated was 4053.6 million kw. hrs. (for Peninsular Malaysia). It increased to 6251.6 million kw. hrs. in 1988. Life expectancy increased to 71.2 years in 1988. Primary school enrollment stood at 12.3 million in 1988, an increase of 36 percent from 1972.4

3.1.4 Nepal

Nepal remained isolated from the international arena until 1951, when the monarchy was restored to power under King Tribhuwan Shah. Though various attempts were made under King Tribhuwan to create a democratic form of government, they failed. In 1962, King Mahahendra, Tribhuwan's grandson put into effect a constitution that set forth his royal powers and established the panchayat system of Government. The Nepalese Constitution forbids political parties.5 Governmental processes are based on a system that the Constitution calls Panchayat Democracy. Under this system, Nepal has four levels of government: (a) Village, (b) Town, (c) District, and (d) National. However, the Panchayat had no real powers.

---

4 Data compiled from Malaysian Year Book of Statistics (various issues).
5 Developments since 1990 allow for a multi-party system and an elected government with executive powers.
Nepal is situated in the southern slopes of the Himalayas and is a landlocked country. It has an area of 140,797 sq. km. Its chief products are cattle, rice, and oil seeds. The country exports such produce as herbs, jute, spices, and grains (corn, wheat and rice). It has mineral deposits of coal, copper, gold, iron, and mica. However, most of these are untapped. Hinduism is the official religion of Nepal. Its official language is Nepali.

The people of Nepal live chiefly in two regions. About two-thirds of the population live in central valleys and mountains that surround Kathmandu, the nation's capital. The rest of the one-third live in Terai, a flat, fertile strip of land along Nepal’s southern border. Ninety-four percent of the population are rural and six percent urban.

Table 3-4

Sectoral Shares of GDP of Nepal in Current Prices
(in crores of Nepalese Rupees)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>*1974/75</th>
<th>1980/81</th>
<th>1985/86 (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Sector</td>
<td>69.1</td>
<td>57.0</td>
<td>53.8</td>
</tr>
<tr>
<td>Secondary Sector</td>
<td>11.8</td>
<td>15.0</td>
<td>17.2</td>
</tr>
<tr>
<td>Tertiary Sector</td>
<td>24.9</td>
<td>36.0</td>
<td>39.5</td>
</tr>
<tr>
<td>Population</td>
<td>11,555,983 (b)</td>
<td>15,022,839</td>
<td>16,687,124</td>
</tr>
<tr>
<td>GDP (Per capita)</td>
<td>1161.6</td>
<td>1920.0</td>
<td>3098.0</td>
</tr>
</tbody>
</table>

Note: (a) preliminary revised estimate; (b) for year 1971
• Totals may not add to 100 because net indirect taxes are not included in computing sectoral contributions

Nepal is the least developed country in our group. Table 3-4 gives the sectoral shares of GDP of Nepal for the years 1974/75, 1980/81, and 1985/86 in current prices. In FY 1974, the primary sector contributed 69.1 percent and its share was reduced to 53.8 percent in 1986, a drop of 9.8 percent. During this same period, the contribution of the secondary sector to GDP rose by 45.8 percent, emphasizing the increased investment in construction, especially, infrastructure. Tertiary sector’s share rose by 58.6 percent from 1974 to 1986.

In the last decade and a half, Nepal made progress in other areas as well. The number of students enrolled in primary, lower secondary and secondary schools has increased 73 percent from 1975 to 1987. Life expectancy has increased to 52 years in 1989 from a low of 46 in 1975.6

3.1.5 Pakistan

When the British granted India independence in 1947, they divided the country according to the religion of its people. Pakistan was created out of the northwestern and northeastern India. Following the Civil War in 1971, the northeastern section became Bangladesh. Muhammad Ali Jinnah, the leader of the Muslim League, a political party, became Pakistan’s first head of state. Following his death, Liaquat Ali Khan became Prime Minister and provided the country firm leadership. However, Liaquat Ali was unable to get a constitution framed which was acceptable to both the wings of Pakistan.

---

6 Data compiled from the Economic Survey (various issues).
In March 1956, Pakistan became a republic and the voters elected Major-General Iskander Mirza, their first President. The constituent assembly adopted a Constitution on March 23, 1956. This Constitution provided for a parliamentary form of Government. It also adopted the principle of adult franchise for all elections which were to be based on a system of joint electorate. Following political instability in the country, a military coup d’etat was staged in October 1958. Martial law was declared. General Ayub Khan, the Commander-in-Chief of the Army became the chief Martial Law Administrator, and later the President. Significantly, the Constitution also provided for the removal of economic disparities between the two provinces. However, it concentrated all the powers in the President and was tailored to ensure the continuity in office of the incumbent President, Ayub Khan.

Since Ayub Khan could not be removed from office by constitutional means, a political movement was started against him in both East and West Pakistan which ultimately brought about his downfall. Resentment was building up in East Pakistan over the policies of Ayub Khan. A civil disobedience movement was started there by the Awami League, an opposition political party. Ayub finally handed over power to General Yahya Khan. Following the defeat of the West Pakistan Army and the birth of Bangladesh, Yahya Khan relinquished the Office of President and was succeeded by Zulficar Ali Bhutto who was heading up the Pakistan’s People Party at the time. Bhutto proposed an interim Constitution in 1972, which was not very different from
the one that was put forward by Ayub Khan a decade earlier. A year later in 1973, a new Constitution was passed by the Assembly which provided for a parliamentary form of government and a bicameral legislature at the center. It also provided for maximum autonomy for the provinces. Though Bhutto was elected Prime Minister in the March 1977 elections, the military leaders removed him from power due to widespread violence following reports that the elections were rigged. Upon removal of Bhutto, General Zia-Ul Haq first became Chief Martial law Administrator and later President. Zia was President until 1989 when he was killed in a plane crash.

The military government which assumed power after the removal of Bhutto reversed some of his policies and tried to restore business confidence with limited success. Some of the institutional changes introduced by Zia’s government, i.e., the establishment of local bodies at the grass roots level, and the institution of the Zakat are likely to benefit the lower income groups. Zia’s military regime, however, did not draw its inspiration from any constitution for the formulation of its development strategies or social and economic policies.

Pakistan covers an area of 796,095 sq. km. It has five mainland regions: (a) the Northern and Western Highlands, (b) the Punjab Plain, (c) the Sind Plain, (d) the Baluchistan Plateau, (e) the Tar Desert. The greatest concentration of population is in the Punjab, a fertile plain in the Northeast. Pakistan’s chief products are wheat, barley, cotton, fruits, oil seeds, cement, coal, limestone, and natural gas. It exports

7 The Zakat is a traditional religious levy on the wealthy to help the needy.
such products as carpets, cotton, hides, and skins. Three-fourths of the people of Pakistan live in rural villages and the rest live in cities. Ninety-seven percent of its people practice Islam, the Muslim religion. The official language of Pakistan is Urdu, but large parts of the population speak only Baluchi, Punjabi, and Pushtu.

Table 3-5

Sectoral Shares of GDP of Pakistan at Constant Factor Cost (a)
(in millions of Pakistan Rupees)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Sector</td>
<td>59.63</td>
<td>55.11</td>
<td>45.30</td>
<td>34.04</td>
<td>31.25</td>
<td>26.55</td>
<td></td>
</tr>
<tr>
<td>Secondary Sector</td>
<td>7.00</td>
<td>10.50</td>
<td>16.40</td>
<td>19.96</td>
<td>19.78</td>
<td>21.46</td>
<td></td>
</tr>
<tr>
<td>Tertiary Sector</td>
<td>33.37</td>
<td>34.29</td>
<td>38.30</td>
<td>46.00</td>
<td>48.96</td>
<td>51.98</td>
<td></td>
</tr>
<tr>
<td>Population (in Thous.)</td>
<td>36450.0</td>
<td>40609.0</td>
<td>53931.0</td>
<td>72549.0</td>
<td>82581.0</td>
<td>102000.0</td>
<td></td>
</tr>
<tr>
<td>Per capita (Gross Income)</td>
<td>315</td>
<td>319</td>
<td>381</td>
<td>596</td>
<td>3227</td>
<td>3905</td>
<td></td>
</tr>
</tbody>
</table>

P = Preliminary


In Table 3-5, sectoral shares of GDP of Pakistan for the years 1950/51, 1956/57, 1966/67, 1976/77, 1980/81, and 1988/89 are given. In 1950/51, the primary sector contributed 59.6 percent which decreased to 21.4 percent in 1989, a drop of 55.5 percent. During the same period, the secondary sector’s share increased by 2.06 percent and the tertiary sector’s share by 55.8 percent. The secondary sector’s importance is primarily due to increased public and private investment in construction. Pakistan’s per capita income in 1989 was Rs. 3905.
Life expectancy increased in Pakistan from 42 in 1955 to 55 years in 1989. The number of students enrolled in primary school increased by 22 percent from 1952 to 1989.  

3.1.6 Sri Lanka  

Sri Lanka became independent on February 4, 1948. During 145 years as a British crown colony, the administration of the island evolved from total British rule to almost complete self-government at the time of independence. The governmental system was based on a Constitution that provided for the British form of parliamentary democracy and cabinet government.  

During the 1950's, under the leadership of Solomon Bandaranaike, there was an upsurge of Sinhalese Buddhist nationalism based largely on demand for the adoption of Sinhala as the national language and Buddhism as the state's religion. This movement gained wide support among the majority of people who are Sinhalese, and was largely responsible for Bandaranaike's success in the 1956 election. The country adopted a new Constitution in September 1978, establishing a unitary state with strong executive power. The President is elected directly for a six-year term. He serves as Chief of State and Government and appoints Cabinet Members. The legislature consists of a 196 member unicameral Parliament having power to pass laws by simple majority. The Parliament can amend the Constitution by a two-thirds majority. Its members are chosen by universal suffrage from electoral constituencies corresponding

---

Data compiled from Pakistan Statistical Year Book (various issues).
generally to administrative districts. They serve six-year terms. The citizenship status of about half the Tamils in Sri Lanka continues to be a major source of political instability. More recently, the Tamil’s demand for greater autonomy in the country’s northern and eastern regions has contributed to instability. In this environment, economic growth is expected to be slower than in the past.

Sri Lanka is an island country, eighteen miles from the southeast coast of India. It covers an area of 65,610 sq. km. Its chief products are tea, rubber, and coconuts. The country exports tea, rubber, coconut, and to a lesser extent, minerals and spices. Sinhala and Tamil are official languages, though English is used extensively. The religion of Sinhalese is Buddhism, that of the Tamils is Hindu. Twenty percent of the total population is urban and the rest, eighty percent, rural in 1980. Most of the urban areas are in the southern and the southwestern sectors of the country.

Table 3-6

<table>
<thead>
<tr>
<th>Sectors</th>
<th>1950</th>
<th>1956</th>
<th>1965</th>
<th>1977</th>
<th>1984 (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Sector</td>
<td>41.9</td>
<td>39.8</td>
<td>37.1</td>
<td>34.4</td>
<td>25.7</td>
</tr>
<tr>
<td>Secondary Sector</td>
<td>17.4</td>
<td>17.0</td>
<td>15.9</td>
<td>16.5</td>
<td>24.7</td>
</tr>
<tr>
<td>Tertiary Sector</td>
<td>40.5</td>
<td>4.0</td>
<td>47.0</td>
<td>49.1</td>
<td>49.6</td>
</tr>
<tr>
<td>Population</td>
<td>7678</td>
<td>8929</td>
<td>11164</td>
<td>13942</td>
<td>15011 (b)</td>
</tr>
<tr>
<td>GNP (c) per capita (d)</td>
<td>521</td>
<td>587</td>
<td>670</td>
<td>2099</td>
<td>9227Rs (e)</td>
</tr>
</tbody>
</table>

Notes: (a) figures for 1984 at 1975 prices  (b) figure for 1981  (c) Gross National Product  (d) estimates at factor cost prices

Table 3-6 gives the sectoral shares of GDP of Sri Lanka for the years 1950, 1956, 1965, 1977, and 1984. In FY 1950, the primary sector contributed 41.9 percent. Its share dropped to 25.7 percent in 1984, a decrease of 38.7 percent. During the same period, the secondary sector’s share rose by 42 percent and the tertiary sector’s by 22.5 percent. Sri Lanka has also made substantial investment in construction activities and diversified her manufacturing base, as shown by the increase in the secondary sector’s share to total output.

Sri Lanka’s primary school enrollment increased by 92 percent from 1950 to 1984. Life expectancy increased to 71 years in 1989, an increase of 69 percent from 1950.9

3.2 GROWTH DIFFERENCES, 1950 - 1990: AN OVERVIEW

In the country profiles presented above, the data on the changing structure of the economies of the SACs since their independence and other development indicators show them to be achieving the development goals, albeit slowly, they laid out for themselves. These countries also followed clear patterns identified with the process of economic development by development economists.10 For instance, the share of industry in the Gross National Product in all the countries has risen as the country’s

---

per capita income rose. There are two principal reasons for this. The first is Engel’s Law which states that as incomes of families rose, the proportion of their budget spent on food declined. Since the main function of the agricultural sector is to produce food, it follows that demand for agricultural output would not grow as rapidly as demand for industrial products and services. Hence the share of agriculture in the national product would decline. A second reason reinforces the impact of the first. Productivity in the agricultural sector invariably rises as growth progresses. People absolutely need food to survive, and if a household had to devote all its energies to producing enough food, it would have no surplus time that could be traded for industrial products. In the course of development, however, increased use of machinery and other new methods of raising crops make it possible for an individual farmer to produce enough food to feed his family and a large number of other families as well.

3.2.1 Aggregate Growth Rates

Even though all the SACs have more or less exhibited patterns of development mentioned in Section 3.2 above, there was substantial variation in growth rates of output among and within them. The central concern of our study is to examine this critical aspect of growth. To do so, as a first step it is necessary to review the

---


12 In many developing countries including the SACs, this has not happened due to features unique to them. Some of these features will be discussed in Chapter Five when the topic of overall agricultural productivity in the SACs is examined.
aggregate growth differences of these countries. Aggregate growth rates for the SACs are given in Table 3-7.

Table 3-7

Growth Differences of SACs: 1950 - 1990
At Aggregate Level

<table>
<thead>
<tr>
<th>COUNTRIES</th>
<th>Bangladesh</th>
<th>India</th>
<th>Malaysia</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950/51 - 1989/90</td>
<td>(a) 4.8 (b)</td>
<td>6.6</td>
<td>7.8 (b)</td>
<td>4.7 (b)</td>
<td>7.5</td>
<td>7.8</td>
</tr>
<tr>
<td>First Decade</td>
<td>(c) 4.1</td>
<td>2.4</td>
<td>5.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950/51 - 1959/60</td>
<td>(c) 3.0</td>
<td>2.9</td>
<td>4.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Decade</td>
<td>(c) 3.2</td>
<td>7.2</td>
<td>6.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960/61 - 1969/70</td>
<td>(c) 3.2</td>
<td>7.2</td>
<td>6.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Decade</td>
<td>(c) 5.9</td>
<td>3.3</td>
<td>8.5</td>
<td>2.4</td>
<td>5.7</td>
<td>4.6</td>
</tr>
<tr>
<td>1970/71 - 1979/80</td>
<td>(c) 5.6</td>
<td>5.3</td>
<td>5.8</td>
<td>1.9</td>
<td>6.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Fourth Decade</td>
<td>(c) 3.8</td>
<td>5.6</td>
<td>7.0</td>
<td>4.8</td>
<td>7.4</td>
<td>4.3</td>
</tr>
<tr>
<td>1980/81 - 1989/90</td>
<td>(c) 2.7</td>
<td>3.9</td>
<td>7.8</td>
<td>7.0</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) 8.8</td>
<td>6.8</td>
<td>4.8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: (a) 1950/51 - 1989/90 Data for all six countries are compound annual average growth rates
(b) from 1970/71 - 1989/90 (c) average annual rates

Source: Same as Tables 3-1 through 3-6

The compound average annual growth rates for India, Pakistan, and Sri Lanka are for the years 1950 - 1990; they are: India-6.6 percent, Pakistan-7.5 percent, and Sri Lanka-7.8 percent. For Bangladesh, Malaysia and Nepal, the growth rates are for the years 1970/71 - 1989/90. They are: Bangladesh-4.8 percent, Malaysia-7.8 percent.
percent, and Nepal-4.7 percent. During the same period, the population of each
country grew at an average annual rate of: India-2.2 percent, Pakistan-2.9 percent, Sri
Lanka-2.5 percent, Bangladesh-2.9 percent, Malaysia-2.8 percent, and Nepal-2.7
percent. These figures of output and population growth and the impressive
performance of social and development indicators given in the country profiles
demonstrate that the SACs average growth rate is adequate in terms of providing
minimum required food and other amenities to a growing population. However,
economic policymakers frequently face considerable variations in their country’s
growth in output which often requires them to take measures to stabilize and promote
growth. In most instances, stabilization measures are nonetheless politically unpopular
and difficult to implement.13 To devise and implement them with minimum discomfort
and maximum efficiency, policymakers must know the causes of output fluctuations.
Therefore, an inquiry into the reasons why growth rates fluctuate is necessary and it
will be facilitated by a review of growth differences among and within the SACs.

The annual compound growth rates for India, Pakistan and Sri Lanka are
worked out for four decades: First, from 1950/51 to 1959/60; second, from 1960/61
For Bangladesh, Malaysia and Nepal growth rates are for the third and fourth decades.
All rates are given in annual averages. The most striking feature of these rates, (that
can be seen in Tables 3-7, 3-8 and 3-9) is the wide fluctuations among and within

13 Here we assume short-term stabilization measures are growth-promoting in the long-term.
countries over time. The compound growth rates across-countries for India, Pakistan and Sri Lanka from 1950/51 to 1989/90 show a marked difference between India’s 6.6 percent and Sri Lanka’s 7.8 percent. Pakistan also had a rate closer to Sri Lanka’s at 7.5 percent. When we include Bangladesh, Malaysia and Nepal to this group, the last country ranks the lowest with 4.7 percent and Bangladesh comes next with a slightly higher growth rate of 4.8 percent.

Let us begin our review of overall growth differences first by looking at differences within country growth. Since in the later chapters we will be examining different growth rates for different periods for six countries, to identify them easily, numbers are assigned to each country and its period-wise growth rates.

(1) For Bangladesh the growth rate for the years 1970/71 to 1979/80 was 5.9 percent, but it dropped to 3.8 percent during 1980/81 to 1989/90. This drop in growth rate is significant. However, while making decade to decade comparison of growth rates we must bear in mind one important point. Bangladesh GDP (at market prices) have been revised using two bases, 1972/73 and 1984/85 to obtain the series at constant prices. This revision has made it rather difficult to work out long-term growth rates for twenty years, from 1970/71 to 1989/90. As such, strict comparability of different growth rates of GDP at constant prices is questionable, and must be attempted with reservation.
(2) India's growth rate for the years 1950/51 to 1959/60 was 4.1 percent and it dropped to 3.2 percent during 1960/61 to 1969/70. The rate then increased to 5.6 percent during the years 1980/81 to 1989/90. Therefore, India's rates will be examined for the first, second and fourth decades. There is a note of caution with respect to Indian growth rate series also. The data is worked out using Net Domestic Product Series (NDP) at factor cost prices (1970/71). This series has been revised in 1960/61, 1970/71, and 1980/81. Therefore, computation of long-term growth rates is difficult and must be used with caution.

(3) Malaysia's growth rate for the years 1970/71 to 1979/80 was 8.5 percent and it dropped to 7.0 percent during 1980/81 to 1989/90. Malaysian GDP (in producer's value) was revised twice, (first in 1970 and then in 1978) and this revision makes it difficult to work out Malaysian growth rate also on a long-term basis, say for the period from 1970/71 to 1989/90.

(4) Nepal's growth rate for the years 1970/71 to 1979/80 was only 2.4 percent and it rose to 4.8 percent during 1980/81 to 1989/90; the rate doubled. However, Nepal's GDP series is in current prices as it has not been estimated in constant prices with sufficient reliability. This is a serious problem and therefore the data has only marginal value to our analysis of growth differences.

(5) Pakistan's growth rate for the years 1950/51 to 1959/60 was 2.4 percent and it rose to 7.2 percent during 1960/61 to 1969/70. During the years
1970/71 to 1979/80, it dropped to 5.7 percent rising again to 7.4 percent during
1980/81 to 1989/90. Pakistan’s GDP series from 1950/51 through 1979/80 are at
1959/60 constant factor costs, and 1980/81 through 1989/90 at 1980/81 factor cost.
These revisions of GDP series using different base years also involve some
methodological changes in factor costing. Therefore they cannot be strictly compared
over the years.

(6) Sri Lanka’s growth rate for the years 1950/51 to 1959/60 was 5.3
percent and it rose to 6.3 percent during 1960/61 to 1969/70. The rate then dropped
to 4.6 percent during 1970/71 to 1979/80. Sri Lanka’s GDP series also has undergone
revisions in 1959 and 1975 making long-term comparison of growth rates at constant
prices somewhat suspect.

Cross-country growth rates also show substantial differences and we
shall identify three for later analyses. As a rule, only those rates that are different by at
least 3 percentage points or more are selected for comparison here. The following are
the cross-country rates. They relate to five countries: (Nepal is not included in this
group for comparative analyses as its GDP series is in constant prices).

(7) Bangladesh’s growth rate of 3.8 percent for the years 1980/81 to
1989/90 is different from Malaysia’s growth rate of 7.0 percent for the same period.

(8) Sri Lanka’s growth rate of 6.3 percent for the years 1960/61 to
1969/70 is different from India’s growth rate of 3.2 percent for the same period.
Pakistan's growth rate of 7.4 percent for the years 1980/81 to 1989/90 is different from Bangladesh's growth rate of 3.8 percent for the same period.

The difficulty of comparing growth rates worked out from GDP series revised using different bases, and at times different methodology has already been mentioned. This point is especially important while interpreting the cross-country growth rates (7-9) at the aggregate level in Chapter Four.

It is also equally instructive to examine cross-country growth rates from the point of view of four episodes identified in Chapter Two. This exercise, for instance, may shed additional insight into the nature and extent of cross-country growth differences. Postponing detailed analyses to subsequent chapters, we shall here merely list those episodes and the growth rates associated with each. The first episode refers to the immediate post-independence growth experience of India, Pakistan and Sri Lanka. In the early fifties all three countries were trying to rebuild their economies after experiencing serious economic disruptions because of a major external shock (Independence). Though the cause of disruptions to all these countries was the same, their policies led to different rates of growth for each of them. During 1955-60, a period following the independence, the growth rate for India was 3.0 percent, Pakistan 2.9 percent, and Sri Lanka 4.0 percent. These growth differences will be examined to find out what specific factors contributed to those differences.
The second episode refers to the experience of all the six countries to an increase in the price of oil during 1973-74. This oil price increase has created serious balance of payment problems for all of them. To solve the payment problem, these countries have adopted different policy measures leading to differences in their growth rates of output. During 1974-77, a period immediately following the oil price rise, each country had different rates of growth. For Bangladesh the growth rate was 5.6 percent, India 5.3 percent, Malaysia 5.8 percent, Nepal 1.9 percent, Pakistan 6.7 percent, and Sri Lanka 3.3 percent. These differences will be examined to know more about the specific factors that accounted for such differences.

The third episode refers to the second oil shock, (the second oil price increase during 1979-82) and the differences in growth rates experienced by the SACs during its aftermath (1983-85). As a result of different policy measures adopted by each country to solve its external shock, different countries have experienced different growth rates. They were: For Bangladesh 2.7 percent, India 3.9 percent, Malaysia 7.8 percent, Nepal 7.8 percent, Pakistan 7.0 percent, Sri Lanka 5.1 percent. Besides these growth differences across-countries, there were also significant differences within countries. For instance, during the first oil shock, Bangladesh had 5.6 percent annual average growth rate, and it dropped to 2.7 percent in the aftermath of the second oil shock, which is more than a 50 percent drop. Sri Lanka improved her growth performance as its rate rose from 2.3 percent during the first oil shock to 5.1
percent during the second oil shock. Malaysia and Nepal also registered substantial increases in their growth rates during this period. These differences in growth rates will be examined as part of the overall growth analyses.

The fourth and last episode refers to the public sector investment boom (PSIB), a massive expansion of development projects that took place in Malaysia, Pakistan, and Sri Lanka during 1983-85. After expanding the public investment, these countries experienced different rates of output growth. For Malaysia, the average growth rate was 8.8 percent, Pakistan 6.8 percent, and Sri Lanka 4.8 percent. The cross-country growth rates associated with this episode also show striking differences. For instance, the difference in growth rates between Malaysia and Sri Lanka is around 45 percent which is indeed 'substantial', and therefore, we will examine the causes of these differences in growth rates associated with the PSIB.

3.2.2 Sectoral Growth Rates: Agriculture

A look at the growth rates of output at the sectoral level is also instructive for it shows in which sector growth slowed. Table 3-8 gives the growth rates of output of the SACs in the agricultural sector for different years. They are average annual rates and represent the contribution of agricultural sector to total output.

For the purpose of computing changes in sectoral shares to total output, agriculture is treated as part of the primary sector in all the six countries. However, there are problems that make the comparison of agricultural growth rates, especially cross-country growth rates, somewhat difficult. For instance, in some countries
growth rates are reported in the aggregate, as originating in agricultural sector proper plus other sub-sectors, such as forestry, hunting and fishing. Some countries also use an added sub-category, livestock. In others, disaggregated data is given. Even within the same country different reporting procedures seem to have been used in different years. Nonetheless, we have been able to construct reliable series of output in the agricultural sector proper, and use them in our growth analyses.

Table 3-8

Growth Differences of SACs: 1950 - 1990
At Sectoral Level Agriculture

<table>
<thead>
<tr>
<th>Year</th>
<th>Bangladesh</th>
<th>India</th>
<th>Malaysia</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Decade</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950/51 - 1959/60 (c)</td>
<td>3.2</td>
<td></td>
<td>1.3</td>
<td>2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1955 - 1960) (c)</td>
<td>9.6</td>
<td></td>
<td>0.7</td>
<td>2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Second Decade</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960/61 - 1969/70 (c)</td>
<td>1.9</td>
<td></td>
<td>4.9</td>
<td>2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Third Decade</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970/71 - 1979/80 (c)</td>
<td>2.2 (d)</td>
<td>1.8</td>
<td>3.9</td>
<td>3.0 (h)</td>
<td>7.0</td>
<td>3.8</td>
</tr>
<tr>
<td>(1974 - 1977) (c)</td>
<td>2.5</td>
<td>5.6</td>
<td>3.8</td>
<td>4.0</td>
<td>2.3</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Fourth Decade</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980/81 - 1989/90 (c)</td>
<td>2.6</td>
<td>3.0</td>
<td>4.0</td>
<td>4.6</td>
<td>7.3</td>
<td>2.3</td>
</tr>
<tr>
<td>(1983 - 1985) (c)</td>
<td>1.3</td>
<td>0.7</td>
<td>2.7</td>
<td>6.0</td>
<td>6.1</td>
<td>2.9</td>
</tr>
<tr>
<td>(1983 - 1986) (c)</td>
<td>3.1</td>
<td></td>
<td>6.3</td>
<td>3.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: (c) Average Annual Rates (d) From 1972-73 (h) 1973-80

Source: Same as Table 3-7
Agricultural growth rates 1a to 6a listed below are rates between decades.

(1.a) For Bangladesh the growth rate for the years 1970/71 to 1979/80 was 2.2 percent and for the years 1980/81 to 1989/90, 2.6 percent. Since there is not much difference in the growth rate of output in the agricultural sector between these two decades, the difference in aggregate growth rate may be due to growth differences in other sectors.

(2.a) For India the growth rate for the years 1950/51 to 1959/60 was 3.2 percent and it dropped to 1.9 percent during 1960/61 to 1969/70. This is a 40 percent decrease. The growth rate then rose to 3.0 percent during 1980/81 to 1989/90.

(3.a) For Malaysia the growth rate for the years 1970/71 to 1979/80 was 3.9 percent and it rose slightly to 4.0 percent during 1980/81 to 1989/90 suggesting stagnation in this sector over the two decades.

(4.a) Nepal’s average growth rate was 3.0 percent during the years 1970/71 to 1979/80 and it rose to 4.6 percent during 1980/81 to 1989/90. This was an impressive 55 percent increase in output growth for Nepal.

(5.a) Pakistan’s growth rate for the years 1950/51 to 1959/60 was 1.3 percent and it rose to 4.9 percent during 1960/61 to 1969/70 which is indeed remarkable. The growth rate then rose to 7.0 percent during 1970/71 to 1979/80, a significant 43 percent increase. A further increase to 7.3 percent was registered during 1980/81 to 1989/90.
Sri Lanka’s growth rate during the years 1950/51 to 1959/60 was 2.3 percent and it rose slightly to 2.6 during 1960/61 to 1969/70. It then rose again to 3.8 percent during 1970/71 to 1979/80.

We are also interested in cross-country growth differences of agricultural output. Three such instances of growth differences that we will examine in Chapter Five are given below:

(7.a) The growth rate of Bangladesh, 2.6 percent for the years 1980/81 to 1989/90 will be compared to Malaysia’s rate of 4.0 percent for the same years, a substantial difference of roughly 54 percent.

(8.a) Sri Lanka’s growth rate of 2.6 percent for the years 1960/61 to 1969/70 will be compared to India’s growth rate of 1.9 percent for the same years.

(9.a) Pakistan’s growth rate of 7.3 percent for the years 1980/81 to 1989/90 will be compared to Bangladesh’s rate of 2.6 percent for the same years which is less than half of the former’s growth rate.

Cross-country growth rates in the agricultural sector associated with four episodes will also be examined. For Episode One, they are: India 9.6 percent, Pakistan 0.7 percent, and Sri Lanka 2.6 percent. These differences are noteworthy. Especially, India’s average growth rate during this period is higher than Pakistan’s by a phenomenal 93 percent, and higher than Sri Lanka’s by 73 percent which is also very substantial.
For Episode Two; growth rates of the six countries in the aftermath of this episode are: Bangladesh 2.5 percent, India 5.6 percent, Malaysia 3.8 percent, Nepal 4.0 percent, Pakistan 2.3 percent, and Sri Lanka 3.0 percent. While there are not many spectacular differences in growth rates across-countries associated with this episode, India's growth rate is higher than Bangladesh's and Pakistan's by more than 50 percent.

For Episode Three; growth rates of the six countries following this episode are: Bangladesh 1.3 percent, India 0.7 percent, Malaysia 2.7 percent, Nepal 6.0 percent, Pakistan 6.1 percent, and Sri Lanka 2.9 percent. Here the most striking feature of cross-country growth difference is the poorest record of India, compared to Pakistan with a roughly 88 percent difference between these two countries.

For Episode Four; growth rates of the three countries following this episode are: Malaysia 3.1 percent, Pakistan 6.3 percent, and Sri Lanka 3.7 percent. Pakistan's rate is twice as high as Malaysia's during this period, and nearly 41 percent higher than Sri Lanka's.

3.2.3 Sectoral Growth Rates: Industry

In Table 3-9, growth rates of output in the industries sector are given. These are annual averages and represent the contribution of industries sector to total output.
### Table 3-9
Growth Differences of SACs: 1950 - 1990
At Sectoral Level — Industry

<table>
<thead>
<tr>
<th>COUNTRIES</th>
<th>Year</th>
<th>Bangladesh</th>
<th>India</th>
<th>Malaysia</th>
<th>Nepal</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Decade</strong></td>
<td>(c)</td>
<td>6.6</td>
<td>18.3</td>
<td>0.7 (b)</td>
<td>18.3</td>
<td>0.7 (b)</td>
<td></td>
</tr>
<tr>
<td>1950/51 - 1959/60</td>
<td>(c)</td>
<td>7.9</td>
<td>4.7</td>
<td>1.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Second Decade</strong></td>
<td>(c)</td>
<td>4.8</td>
<td>9.4</td>
<td>9.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960/61 - 1969/70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Third Decade</strong></td>
<td>(c)</td>
<td>6.0 (d)</td>
<td>5.1</td>
<td>9.2</td>
<td>NA</td>
<td>7.0</td>
<td>4.9</td>
</tr>
<tr>
<td>1970/71 - 1979/80</td>
<td>(c)</td>
<td>18.2</td>
<td>6.9</td>
<td>8.6</td>
<td>6.1</td>
<td>4.0</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Fourth Decade</strong></td>
<td>(c)</td>
<td>4.9</td>
<td>6.7</td>
<td>7.0</td>
<td>NA</td>
<td>7.3</td>
<td>4.6</td>
</tr>
<tr>
<td>1980/81 - 1989/90</td>
<td>(c)</td>
<td>7.3</td>
<td>7.4</td>
<td>8.0</td>
<td>1.3</td>
<td>9.2</td>
<td>5.3</td>
</tr>
<tr>
<td>(1983 - 1985)</td>
<td>(c)</td>
<td>5.4</td>
<td>9.3</td>
<td>2.3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: (b) Excludes Machinery and Equipment (c) Average Annual Rates (d) Excludes Mining
NA: Not Available

Source: Same as Table 3-7

Problems mentioned in the context of agricultural sector are also relevant in interpreting industries sector growth rates. The standard classification for computing output in the industries sector includes mining and quarrying, manufacturing; construction; and electricity, gas and water. However, our focus is only on the manufacturing sector proper. In the case of some countries manufacturing and construction figures are reported in the aggregate, making especially cross-country
comparisons difficult. This important point should be kept in mind while interpreting the industries sector growth rates.

Industries sector growth rates 1b to 6b listed below are rates between decades.

(1.b) For Bangladesh, the industries sector growth rate during the years 1970/71 to 1979/80 was 6.0 percent and it dropped to 4.9 percent during 1980/81 to 1989/90. This is an 18 percent decrease between the two decades.

(2.b) For India, the growth rate for the years 1950/51 to 1959/60 was 6.6 percent and it dropped to 4.8 percent during 1960/61 to 1969/70, a decrease of 27 percent. The growth rate then rose to 6.7 percent during 1980/81 to 1989/90.

(3.b) For Malaysia, the growth rate for the years 1970/71 to 1979/80 was 9.2 percent and it dropped to 7.0 percent during 1980/81 to 1989/90, a 24 percent decrease.

(4.b) Nepal's average growth rate in the industries sector is not available to compute on a decadal basis, and therefore its rates are not included for analyses in this section.

(5.b) Pakistan's growth rate for the years 1950/51 to 1959/60 was an astonishing 18.3 percent and it decreased to 9.4 percent during 1960/61 to 1969/70, a drop of nearly 49 percent. During 1970/71 to 1979/80 it dropped again to 7.0 percent rising slightly to 7.3 percent during 1980/81 to 1989/90.
(6.b) Sri Lanka’s growth rate during the years 1950/51 to 1959/60 was a 
dismal 0.7 percent, which rose to an impressive 9.9 percent during 1960/61 to 
1969/70. It decreased to 4.9 percent during 1970/71 to 1979/80, a drop of nearly 50 percent which is very substantial.

Let us now look at the three cross-country growth rates identified in Section 
3.2.2. They are:

(7.b) The growth rate of Bangladesh, 4.9 percent for the years 1980/81 to 
1989/90, will be compared to the growth rate of Malaysia, 7.0 percent for the same period, with a striking difference of approximately 43 percent.

(8.b) Sri Lanka’s growth rate of 9.9 percent for the years 1960/61 to 
1969/70 will be compared to India’s growth rate of 4.8 percent during 1960/61 to 
1969/70, which is less than half of the former country’s growth rate.

(9.b) Pakistan’s growth rate for the years 1980/81 to 1989/90, 4.6 percent, 
will be compared to Bangladesh’s growth rate of 4.9 percent for the same period.

Cross-country growth rates in the industries sector associated with the four episodes will also be examined. For Episode One, they are for India 7.9 percent, 
Pakistan 4.7 percent, and Sri Lanka 1.7 percent. The difference in growth rates 
between India and Sri Lanka during this period is 78 percent which is indeed very substantial.
For Episode Two; growth rates for different countries in the aftermath of this episode are: Bangladesh 18.2 percent, India 6.9 percent, Malaysia 8.6 percent, Nepal 6.1 percent, Pakistan 4.0 percent, and Sri Lanka 2.8 percent. Here, some of the differences are indeed quite substantial. Especially noteworthy are the differences between Bangladesh and Sri Lanka, with the former having more than 19 times the rate of output growth of the latter. The other striking difference is between Malaysia and Pakistan, with the former having more than double the rate of output growth of the latter.

For Episode Three; growth rates following this episode are: Bangladesh 7.3 percent, India 7.4 percent, Malaysia 8.0 percent, Nepal 1.3 percent, Pakistan 9.2 percent, and Sri Lanka 5.3 percent. The difference in growth rate between Pakistan and Sri Lanka is 42 percent which is very substantial.

For Episode Four, growth rates of the three countries following this episode are: Malaysia 5.4 percent, Pakistan 9.3 percent, and Sri Lanka's, the smallest 2.3 percent. Pakistan's rate is higher than Sri Lanka's by 75 percent which is indeed quite striking.

3.3 TO SUM UP

In the foregoing sections we have first presented brief profiles of the six South Asian Countries. These profiles included the recent political developments in those countries and their physical features, language, and religion. They also contained descriptions of major changes in the structure of the economies and other indicators of
social development in those countries. These profiles have been given there in the hope that they will serve as a background for understanding the ensuing discussions of growth differences.

The country profiles were followed by an overview of growth differences among and within the SACs for the years 1950 - 1990. This overview is organized in three sections: One, Aggregate Growth Rates; two, Sectoral Growth Rates: Agriculture; three, Sectoral Growth Rates: Industry. In these sections we have identified six period-wise growth rates (1-6) and three (7-9) cross-country growth rates, both at the aggregate and sectoral levels. We also noted growth differences of the SACs associated with the four episodes for examination in the following chapters. Aggregate growth rates are examined in Chapter Four followed by sectoral growth rates in Chapters Five and Six.