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South Asian Economies in Two Imperialist Regimes Between 1950 and 2020[1]

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Abstract

This chapter discusses the evolution of post-colonial South Asian economies using the triad of dominant classes, state and imperialism. Two key insights help us make sense of this evolution. First, the dominant classes such as landed interests, private capital and government bureaucrats in South Asia were able to prevent a radical/progressive restructuring of the economies from the very outset. Any deep crisis that threatened to radically transform the existing social order was solved through an 'imperialist fix', whereby the dominant classes in conjunction with the state sought external help (e.g. 'Green Revolution' in the wake of food crises of 1960s). On the other hand, imperialist countries, when they needed the cooperation of South Asia in their strategic endeavors or when they underwent capitalist crises, used the region (along with the larger developing world that possesses labor reserves, minerals, and serves as a final market), as a 'spatial fix' to solve their crises. It is the coming together of these two processes/fixes that defines the mutual engagement of imperialism and South Asian economies during this period that contained two imperialist orders, one that lasted from 1950 until 1980, and a second one that came into being after 1980.

Keywords: *Imperialism, Regimes of Capitalism, South Asia, Neoliberalism*

I. Introduction

South Asia[2] experienced a steep economic decline during the period, 1750-1950. This was primarily due to British colonial rule that transformed this region from a vibrant production hub to a source of raw materials and tribute, and a market for British manufactured goods (Patnaik, 2006). During 1950-80, the newly independent nations of South Asia implemented Import Substitution Industrialization (ISI) policies aimed at reducing their dependence on imperialist powers. They started experiencing economic growth after a long hiatus, although at a slower pace than the rest of the world. While they were able to develop an expanded industrial base and an educated workforce, their dependence on imperialist nations continued in key areas like technology and food, and in balancing their external payments. During this period, the region's share in the global economy declined (see Section III).

During 1980-2020, as the imperialist countries moved from a regulated economic order to a more laissez-faire one, many South Asian economies were restructured towards becoming more open, private, and market-oriented. The workforce that was educated during 1950-80 became a source of cheap labor power for global corporations. South Asian economies have continued to be suppliers of agricultural commodities for imperialist countries (Patnaik and Patnaik, 2016) as well as emerging economic powerhouses like China, while also adding to their export portfolio - manufactured goods and high-end software and business services. South Asian economies also served as final markets for finished products from the developed world. During this period, the South Asian share in global GDP increased. This chapter contrasts the two imperialist phases after 1950 and shows how relations of dependence of South Asian economies with imperialist countries have been perpetuated differently.

This chapter aims to make sense of the complex trajectories of South Asian economies by focusing on the triad of dominant classes, state, and imperialist regimes. In the coming together of this triad, two ideas become salient: (i) 'imperialist fix', that was useful for South Asian elites to stave off any radical/progressive economic restructuring in the wake of any crisis, and (ii) 'spatial fix' that helped the imperialist countries entrench themselves in the region and to prevent the region from evolving away from capitalism. This latter objective was often achieved through the help of multilateral agencies like International Monetary Fund (IMF) and World Bank that would provide loans and impose conditionalities on these economies in moving forward. A section of bureaucrats, economists and political leaders (particularly in India) did favor an equitable and self-reliant path free of imperialist pressures, but they did not prevail during crises.

The rest of this chapter is organised as follows. Section II presents a brief discussion of the framework used, along with an overview of the two imperialist orders that prevailed during 1950-2020. Section III presents key features of the major South Asian economies (and the overall region) during 1950-2020. Section IV makes sense of this evolution through the triad of dominant classes, state and imperialist interventions in this region. Section V concludes.

II. Two Imperialist Orders Since 1950s

In this section, I briefly outline the framework of imperialism that I use from a broadly Marxian perspective. Imperialism is the control of a nation or a region by a nation or a consortium of nations (and the capitalist classes within them) in order to extract surplus value and/or other economic benefits, and to exercise political and cultural dominance. I focus on the economic and political aspects in this chapter.

The economic aspects of imperialism arise from the capitalist classes in the imperialist nations trying to maximize the extraction of surplus value (accumulation imperative) or garner other economic benefits. This imperative can lead to various imperialist practices, a few of which I list here. First, it can help extract raw materials from the dominated territories that are also used as markets for finished products. Second, it can lead to an export of capital from the imperialist countries to the dominated countries so that it can access cheaper labor power at destination and extract higher surplus. Third, it can lead to a process of primitive accumulation, whereby the peasant/state/collective properties can be annexed or controlled by imperialist capital or its agents in the dominated territories. Fourth, it can also lead to a direct transfer of tribute (like in colonial rule) from the dominated territories to imperialist countries. Fifth, it can lead to a process of unequal international exchange that is unfavorable to producers from the dominated territories. One or more of these strategies can arise out of crises (as a ‘spatial fix’) arising in the imperialist countries, or simply as a way of extracting higher surplus value even during ‘normal’ times (Harvey, 1982).

The strategies for political imperialism (includes territorial logic) range from a direct coercive control by force, or by offering protection from other powers or through the incorporation of nations/countries into a strategic network through the use of various kinds of aid – economic and military.

In the case of South Asia, both these aspects (and cultural dominance) have been at play throughout the colonial and post-colonial periods.

The Two Imperialist Phases Since 1950

The world order that emerged after World War II was a contested one between the US-led capitalist bloc and the Soviet-led communist order. This overarching order lasted until the Soviet system broke down in the early 1990s. The capitalist order transformed itself by 1980, due to its own deep profitability crisis, thereby creating two imperialist post-WWII orders from the capitalist world – during 1950-80 and post-1980.

During the first period, imperialist countries (capitalist order) had an interest in continuing with their dominance of their erstwhile colonies, albeit under the broad hegemony of the US. The dominance had both political and economic dimensions. On the political front, there was an interest in keeping these newly independent regions (including South Asia) from being influenced by the Soviet-bloc or newly-communist China. Of course, this also had economic content. Apart from securing cheap raw material supplies, there was a need to ensure that none of these countries took the communist route. In this process, economic aid (food, intermediate goods and technology) and military aid was used by the US and other imperialist countries to keep such transformations under check. In their domestic policies, the imperialist countries adopted Keynesian policy regimes and a strategy of mass consumption, with reduced capital-labor conflict (post-WWII). The economic focus of imperialist countries was turned inward during this period, and the main motivation to dominate the South Asian countries was political (Alavi 1964), although securing cheap raw materials was always part of the agenda.

By early 1970s, the earlier stable capitalist economic order (especially in the US) became crisis-prone. Inequalities began to decline between 1945 and 1970s as productivity gains were distributed between capital and labor. But the continued flourishing of both capital and labor was premised on rising productivity levels in the US economy. As productivity growth began to slow down by the late 1960s, even as wages continued to rise, profitability began to decline (Boddy and Crotty, 1975). Along with oil price increases by OPEC countries, this also led to severe inflationary pressures. Countries that the US rescued through Marshall plan such as Germany and Japan began to become more competitive and this also had an impact on profitability in the US. At the same time, US was unable to stick to gold-parity of its currency. All of this led to two phenomena over the decade of the 1970s. First, the re-emergence of footloose financial capital (that had been constrained by Glass-Steagall and subsequent legislation) that sought entry into all parts of the globe. Second, there was a strong push to structurally adjust economies within and without the imperialist world, thereby eroding the victories that workers had won over previous decades. At the same time, US productive capital that was facing a profitability crisis also needed a 'spatial fix' beyond their own economies in terms of finding entry into those countries that possessed cheaper labor power. Through the threat of capital flight from their own economies, the bargaining power of workers in the imperialist core was also severely brought down (Patnaik and Patnaik, 2016).

The response to the profitability crisis of 1970s then established a new regime of imperialism. In this, capital from the developed world (both financial and productive) wished to enter hitherto unexplored spaces in the less developed world (including South Asia), to access labor power that had been available only to the national capitals of this region, to more easily extract resources, and serve as markets for finished products in the developed world. Since South Asian regimes were still somewhat inward-looking when this new regime (neoliberalism) emerged, the entry was secured by exploiting the continuing dependence of these regimes to secure loans or precious foreign exchange. The agents/instruments through which this was secured were multilateral agencies like World Bank or International Monetary Fund (IMF) and in the decade of 1990s, the World Trade Organization (WTO). During 1980s and early 1990s, South Asian economies were brought under this new imperialist regime (Bhaduri and Nayyar, 1996).

III. Performance of South Asian Economies After 1950

After independence, South Asia can be shown to have two phases: (a) 1950-80, when economic output turned from stagnation/decline of the previous two centuries to positive growth, and (b) 1980-2020, when economic growth accelerated. Figure 1 shows that while South Asia's share in the world economy declined slightly in the first period, it rose in the second period.

[Insert Figure 1 Here]

III.1 Inward Looking and State-Dominated Era: 1950-80

While there is significant heterogeneity among South Asian economies during this period, all governments were keen on implementing ISI policies with a strong public sector presence (with 5-year plans), while not discouraging a private sector. I discuss the performance of these economies in terms of key economic indicators like output, growth, inequality, poverty, economic and employment structure for the evolution of domestic economies and then the changes in exports, imports, FDI, reserves, remittances and so forth in order to track the external economies.

In terms of output, these economies witnessed moderate growth during this period (see Table 1). In comparison to the growth of the entire world, South Asia lagged behind as they attempted to build their infrastructure and industrial base after a destructive period of colonial rule. The shares of different countries reveal that about 80% of South Asia's output is produced in India and this ratio has risen a bit (during 1980-2020), while the four major economies (India, Pakistan, Bangladesh and Sri Lanka) constitute almost 98% of the total South Asian output throughout the period, 1950-80 (and even the second period). A third key observation from tables 2 and 3 is that South Asian economies had low per-capita income and dismal growth and lagged far behind the rest of the world.

[Insert Tables 1, 2 and 3 Here]

From Table 4, in terms of the sectoral composition of output/GDP, by the end of this period, South Asia as a whole derived roughly 30% from agriculture, 30% from manufacturing, and the rest from services (the last two lagging far behind the world proportions). Agriculture grew quite slowly in the first half of the period, improving after 1965, when Green Revolution was introduced (more in section IV).

[Insert Table 4 Here]

From Table 5, the salient feature across the region is that the agricultural sector was the main provider of employment. More than 50% of the workforce (in India, it was close to 70%) was still in agriculture by 1980. Since the proportion of agricultural sector in overall GDP was much lower, what this immediately implies is that South Asian countries had become deeply unequal in a structural-macro way in their early evolution, while also failing to create employment in the faster growing sectors of manufacturing and services.

[Insert Table 5 Here]

Table 6 presents GDP decomposition into demand components. By 1980, consumption (mainly private but also government) dominated overall GDP (close to 80% in the big South Asian economies). Investment came in a distant second (Table 7 presents a comparison with savings rates for India and Pakistan), and net exports were invariably negative for all countries, although the proportion and significance of exports varied quite significantly across the countries. Low savings rates and a very modest influx of foreign capital, loans and aid could explain the low rates of investment in South Asia.

[Insert Tables 6 and 7 Here]

For distribution, I discuss two indicators below in tables 8 and 9 – headcount ratio (absolute poverty) and Gini coefficient (inequality), respectively. With the notable exception of Sri Lanka, all major South Asian nations had extremely high levels of poverty in 1980 with India and Pakistan having over 50% below poverty line. Bangladesh had close to 30% of its population in poverty. Sri Lanka had a solid welfare system in place by the time of its independence. Although Sri Lanka's performance was moderate (similar to other South Asian nations), their welfare system worked well to take care of its population (including education and health).

[Insert Tables 8 and 9 Here]

The story of inequality (income/consumption) is more complicated. This period (for those countries like India for which reliable data are available) witnessed a trend of moderately declining inequality in urban and rural areas and a complex rural-urban gap that exhibits fluctuations. While radical redistribution policies were not implemented, feeble land reforms and creation of public sector employment played a mitigating role. It was the upward mobility among the middle deciles of the population and the reduced distance between the top and middle deciles that resulted in inequality reduction rather than the improvement of people at the bottom (discussed in Vakulabharanam (forthcoming)).

In the external domain, I discuss trade, FDI, external assistance and foreign exchange reserves below. In the domain of trade, from Figure 2, we can observe that for South Asia as a whole, the trade/GDP ratio fluctuated between 10-20%. Among large South Asian nations, only Sri Lanka that was heavily exporting plantation output (like Tea and Rubber) had a high trade/GDP ratio and the rest of the countries are similar to the overall South Asian regional average. India is the most inward-looking country during this period. All the major countries maintained consistent trade and current account deficits (Figure 3). Exports from all major countries were largely primary goods, and low-grade manufacturing goods. As is well known, these goods suffered from unfavorable terms of trade vis-à-vis goods produced in the developed world. At the same time, in order to reduce import dependence, countries needed to produce industrial goods that required imported technology. The above-mentioned deficits primarily arose from the dependence these countries had in obtaining these technological inputs, oil, and food. The trade deficits would have to be balanced primarily by transfers, foreign assistance and loans (aid). We turn to this below.

[Insert Figures 2 and 3 Here]

From Figure 4, we can see that Foreign Direct Investment (FDI) inflows for the region as a whole hovered below 0.5% of GDP by the end of this period. Only for Pakistan (Figure 5), is this figure marginally higher. For Sri Lanka, as it opened its economy in 1977, FDI inflows increased somewhat by the end of this period.

[Insert Figures 4 and 5 Here]

From Table 10, we can look at the picture of external assistance. While both India and Pakistan received external assistance (mainly from the capitalist West), Pakistan received much higher assistance relative to its GDP. However, assistance, loans from multilateral agencies like IMF and World Bank, and the paltry FDI flows were the channels through which South Asian countries paid their current account deficits. Assistance also came in the form of food or military aid, the former becoming necessary to fight off near famines, especially in India during the

1960s. As we can see from figure 6, the Forex reserve situation during this entire period was precarious.

[Insert Table 10 and Figure 6 Here]

This, then, sets up the dependency of these countries on the developed world. Despite the efforts made to develop import-substituting industries, South Asian countries, at the end of this period in 1980, remained quite dependent on wealthy countries (mainly, and in part on Soviet Union). There were unsolved structural issues of employment, high poverty, and extreme external dependence in South Asia by 1980. Structurally, their populations were mainly dependent on agriculture, even as agriculture was shrinking rapidly as a proportion of the overall economy. The policies that were implemented to stave off dependency did not fully solve the problem (due to continued Food, Forex and technological dependence), although some import-substituting industrialization took deep root and created a strong industrial base as well as a viable private sector.

III.2 The Liberalizing and Globalizing Era: 1980-2020

Across South Asia, there was a move towards liberalizing economies after 1980 (encouraging private business interests, deregulation, and export orientation), although the market-oriented path (away from planning) would be more formally adopted during the late 1980s and early 1990s. A more private sector oriented capitalism would replace the public sector centered economy of that period. The internal pressure for this change was exerted by private capitalist classes and urban professionals.

In contrast to the previous period, this period witnessed much stronger growth for South Asia, outstripping the growth of the world economy for the first time after independence (see Figure 1). Indian economy, in particular, began to grow much more rapidly during this period. The same result holds even for growth of per-capita income (see Tables 1, 2 and 3).

In terms of sectoral composition of GDP (Table 4), agriculture further diminishes in proportion in all economies (less than 20% in most), while services take off as the main growth sector. Manufacturing is stagnant in its share of output in most of these economies. Agriculture grew impressively in the 1980s, begins to decline during the later decades, although there are patches of high growth (such as in the 2005-12 period, for the Indian economy). In terms of employment (Table 5), agriculture still caters to about 40% of total employment. Service sector has absorbed much of the employment that agriculture has shed. Manufacturing has absorbed employment at a much slower pace. The structural mismatch between sectoral output share and employment share has persisted into the present.

In terms of a demand-based GDP decomposition (tables 6 and 7), the major change from the previous period is that Consumption declines drastically as a proportion of GDP (it hovers in the 60-70% range) and Investment picks up. Along with investment, exports (and imports) rise quite significantly. This period then witnesses a higher-investment and export-driven growth.

In terms of poverty and inequality (Tables 8 and 9), trends of the previous period reverse. Although fiercely debated, official poverty figures show a sharp decline in all countries, while inequality rises sharply. Poverty reduction during the 1980s is widely acknowledged by all parties to the debate, especially in India. Improvement in agricultural growth and rise in rural wages are considered to be the most proximate causes. Post-1990, poverty numbers are hotly contested - this period produces inequality-inducing rapid economic growth.

In the external sector, the trade account witnessed a huge boost during 1980-2020 as these economies globalised more and got interconnected with the rest of the world. For the region as a whole, trade/GDP ratio rises from 20% in 1980 to around 40% by 2019, peaking at 53% in 2012. Both exports and Imports rose from about 10% in 1980 to about 20% in 2020.

One major spurt this period witnesses is in remittances (Table 11). Personal remittances rise steadily from 2.3% to about 4% for the region as a whole. Bangladesh, Sri Lanka and Pakistan register a steeper rise, showing the extent of out-migration from these countries to the middle east and Western countries. External assistance declines in absolute numbers (Table 10) as inflows of foreign capital register a significant increase.

[Insert Table 11 Here]

For the region as a whole, foreign capital inflows increase from close to nothing in 1980 to about 1.5% of GDP by the end of this period (Figures 4 and 5). This ratio peaks before the global crisis of 2007-8 and then declines slightly during 2010-19. The greatest increases are observable in India, especially before 2008, when the ratio increases to about 3.5% and then declines to about 1.5% by the end of the period. A significant chunk of this increase during

2002-8 is that of portfolio capital that tends to be more volatile than FDI. FDI has also increased in resource extraction industries (e.g. Coal, Aluminum and Iron) after 2000. Indian Economy also began to witness FDI outflows during this period (about 1.6% just before the global crisis), which is an interesting phenomenon in itself (Figure 7). Foreign exchange reserves increased substantially for the region as a whole during this period, while Indian economy registers the highest increase (Figure 6).

[Insert Figure 7 Here]

To sum up, this period saw South Asia being integrated with the world economy to a much greater extent than during 1950-80. However, vast increases in intra-country inequalities and instability of the world economy since 2007 makes this integration deeply problematic. On the one hand, South Asian elites have found a way to make gains for themselves in South Asia and elsewhere, while a vast majority of working people reel under an increasingly unequal regime that excludes them. On the other hand, a volatile world economy directly impacts South Asian economies making them much more vulnerable.

IV. The Triad of Class Structure, State and Imperialism in South Asia

In this section, I explain the role of imperialism in the evolution of South Asian economies using the triad of imperialism, class structures and the state.

In all South Asian countries, from their independence until now, there has been a deep intermeshing of dominant class agendas and state policies with imperialist agendas (Ahmed 1972, Bhambhri 1985, Mannan 1990, Nuruzzaman 2004 and Kelegama, 2000). While countries have taken different paths, the following similarities can be observed. First, elites and states were quite keen on preventing radical social transformation. To the extent that progressive policies have been implemented, these have largely been in response to popular movements. Second, while imperialist countries had an uneven engagement across South Asia (given their political and economic motivations), they always abetted the prevention of radical transformation. Third, South Asia was part of the ‘spatial fix’ for crises or strategic endeavors in the metropolitan region, whereas for South Asian elites, there was always an ‘imperialist fix’ for domestic crises that would have required progressive restructuring. It is this symbiotic relationship that helps us understand the evolution of South Asian economies.

How did these three processes come together in the selected countries – India, Pakistan, Sri Lanka and Bangladesh? In India, dominant classes at the time of independence were the powerful landed classes/rich peasants, emerging private sector capitalists, and the western-educated state bureaucrats/civil servants. The landed interests were able to successfully prevent the state from undertaking any largescale land reform process during the 1950s and in the later period. The emerging private sector capitalists ensured that the state provided various kinds of support to their endeavors, while ensuring that tendencies towards a socialist reorganization were always kept under check. The bureaucrats kept the Indian state oriented towards the imperialist West and ensured partly that ties to the Soviet bloc were under check (even when they formed). India, right after independence, professed a policy of non-alignment and led the movement to begin with. But, it was never able to steer clear of either imperialist West or Soviet bloc and was always conflicted between these two forces - economic aid largely came from the West, while military aid came from the Soviet bloc. The elite classes ensured that they always had adequate representation in national and sub-national legislative bodies to prevent radical policies.

In Pakistan, through this whole period, the state has been more powerful in comparison to civil society (Alavi, 1973). An early alignment of the state with US (by early 1950s) that continued into the post-1980 period for the strategic interests of the latter (in the middle-east) meant that the military wing of the state remained strong relative to civil society elites. This also served the national security imperative in Pakistan vis-à-vis its larger (economy, population) neighbor, India. Bureaucrats in Pakistan resembled their Indian counterparts. The state in Pakistan definitely served the interests of landed-classes, military, state functionaries, and regional interests of the province of Punjab. Other regions (e.g., East Pakistan before the formation of Bangladesh, Baluchistan, Federally administered Tribal Areas, Pakistan-controlled Kashmir and Gilgit-Baltistan) have never been adequately represented in its post-independence history. There has also been a private sector capitalist class that has grown stronger over time with significant support from the state. The military is the largest landowner (also with a real estate portfolio) and an industrial conglomerate maintaining a vast empire under the title of Army Welfare Trust. Pakistan has also flip-flopped between dictatorship and democracy, arising out of domestic crises and imperialist imperatives. There has also always been a strong rightwing

Islamic group (Mullahs) which has typically gained from state patronage, despite apparent differences (Akhtar, Amirali and Raza, 2006).

The case of Sri Lanka is a little different from the above cases. The dominant classes were similar at the time of independence - landed interests, capitalists (plantation sector), and western-educated bureaucrats and politicians – but there were key differences. Sri Lanka used its plantation revenues to set up a broad-based welfare state that was very unique in comparison to its neighbors. In addition, until 1970s, there was enormous contestation within the elite between one group committed to private sector capitalism and another pushing for egalitarian policies. The latter group won power in early 1970s and implemented progressive land reforms and nationalised the plantation sector. After 1977, when Sri Lanka embarked on market-oriented liberalization policies ahead of its South Asian neighbors, there was a rapid emergence of an urban private-capitalist class that has grown dominant in the subsequent decades. Especially after liberalization, Sri Lanka relied heavily on aid, assistance and inflows of capital from the imperialist countries in order to achieve economic growth (Kelegama 2000). Since independence, there has also been deep contestation between the Sinhala elite and Tamil elites and workers, a contest that turned bitter during 1980s to late 2000s, when the Tamil freedom groups were brutally suppressed.

Bangladesh emerged as an independent country in 1971 after waging a war with Pakistan primarily due to uneven development and siphoning of resources from East to West Pakistan to benefit both the capitalist classes and military (located in West Pakistan). Just before its formation, Bangladesh witnessed deep contestations between leftist forces (a range of communist parties and National Awami Party) that represented peasants and urban working poor and a coalition of landed interests, middle-class bureaucrats and other middle classes (represented by Awami League) that favored a less radical East Pakistan. In the war for independence (supported by India), state power was handed over to the latter group, which resulted in the state consistently resisting policies towards radical redistribution (Alavi 1973, Ahmed, 1972). Over time, Bangladesh has developed its own private capitalist class that caters to domestic needs and has been vibrant in the export sector (especially garments). Since the early 1980s, Bangladesh has been liberalizing and opening its economy, integrating itself with the post-1980 imperialist order. There has also been a flow of external aid and assistance into Bangladesh that plays an important role in setting the priorities of the state (Mannan 1990). Like Pakistan, Bangladesh had bouts of dictatorship (first two decades of independence) combined with electoral democracy.

Evolution of South Asian Economies using the Class-State-Imperialism triad during 1950-2020

There was widespread agreement in the early development discourse that newly independent countries have to develop their own manufacturing base and pursue ISI policies to escape the dynamic inefficiencies associated with unfavorable movement in terms of trade for primary goods (Bruton 1989). South Asian economies followed this prescription. Since these countries were coming out of broad-based, progressive independence struggles, there were also demands from below for egalitarian redistribution of land and other resources. The elites, with the help of the state, were able to thwart these demands. In the domain of education, the elites pushed for greater investments in secondary and tertiary education, which served their interests while leaving a large population without access to basic literacy and primary education (except Sri Lanka). These had consequences.

Land reforms would have promoted equality while boosting agricultural productivity. Since this was stymied early on in most of these economies, there was a genuine problem with self-sufficiency in food. This led to the first axis of imperialist dependence. Several of these countries relied on US and other countries to obtain food aid in the 1950s and 60s. As food aid became difficult to obtain by the mid-1960s, these economies moved to implement 'Green' Revolution technologies (hybrid seeds, chemical fertilizers, tube well irrigation, and pesticides) (Griffin 1979). Much of the technical knowhow for Green Revolution was obtained from the US and corporate philanthropic foundations (e.g., Ford or Rockefeller). Failure in implementing radical redistribution policies led elites to implement an 'imperialist fix'. Rural areas, where much of the poverty of these countries was concentrated, could not witness major poverty reduction during this period - the region had more than 55% in absolute poverty (as noted in section III).

In the industrial sector, all South Asian countries aimed to develop a strong public sector that would produce a range of commodities (heavy industry to light consumer goods). Especially in the more advanced industries, these countries did not have the technical knowhow. They relied primarily on the US-led imperialist West to obtain these inputs and knowhow. Given the savings constraints and limited foreign exchange, this led to two other kinds of dependency. First, it pushed these countries to seek loans, assistance and aid mainly from the imperialist West, although a small portion of aid (especially to India) came from the Soviets. Clubs in the US and other imperialist nations played the role of generating aid for particular South Asian economies. Loans were also obtained from multilateral agencies like IMF and World Bank, and typically these loans always came with conditionalities. For instance, India was asked to devalue its currency vis-à-vis US dollar in 1966. Second, after an initial resistance to foreign capital (especially in India), by the late 1950s, foreign capital was allowed to form partnerships with domestic capital and transfer technology as part of arrangements to their subsidiaries (Weisskopf, 1973).

A fourth axis of dependency developed due to military aid that these countries sought from either the imperialist West or the Soviet bloc. This led to a significant expenditure of precious resources for the sake of national security (away from the development imperative) and perpetuated dependence. The professed strategy of non-alignment that countries like India actively promoted stood defeated.

By the end of the first imperialist order (1950-80), while South Asian countries had achieved moderate GDP growth and very low per-capita GDP growth (as discussed in section III), they were already deeply rooted in a relationship of dependency. The creation of a public sector generated some employment during this period, and the middle-income deciles in urban areas witnessed improvement, thereby reducing urban inequality for the whole period. The solution to low per capita growth and high poverty levels could have been a deeper appreciation for the need for internal transformation – a focus on labor intensive industrialization, and progressive land reforms. However, the entrenched elites went for the 'imperialist fix' by globalizing and liberalizing their economies (Bhaduri and Nayyar, 1996).

Through the 1980s, all these economies began to realign themselves with the second imperialist order that promoted privatization, greater openness (trade and capital flows), and a market orientation. Any vulnerability in their balance of payments also meant that IMF and World Bank could impose conditionalities that would promote privatization of domestic economies, and trade and capital account liberalization in the external sector. As discussed above, the imperialist countries aimed to find a spatial fix for the profitability crisis that their capitalist classes were facing and they found it in the developing economies, including South Asia (with its labor reserves). In South Asia, the elites had grown richer, more educated and more determined to strengthen their position by the end of the first period. Liberalizing a moderately growing economy seemed like the right strategy for these classes.

The second period ushered in faster growth for South Asia as discussed in section III. The external situation improved in terms of a rapid rise in exports, reserves and foreign capital inflows relative to the first period. Absolute poverty has declined (although the numbers are hotly contested (Patnaik, 2007, Subramanian. 2011)). One may conclude that the neoliberal or globalizing period was much more successful than the first period.

In reality, the second period has been extremely successful for the elite classes. Their incomes and wealth began to rise sharply during the period of economic globalization. However, the deep contradiction of this period is that this rise in prosperity has been accompanied by sharp increases in inequality along the lines of a widening urban-rural gap, within-urban class-based inequalities and a rising gap between formal and informal workers. This period has also witnessed a sharp increase in primitive accumulation processes, whereby collective, state-owned and petty property (peasant lands) have been increasingly appropriated by elite classes, both domestic and foreign (Vakulabharanam, 2010). South Asian economies have become sharply polarised with a small (largely city-centered) elite at one end, being beneficiaries of globalization and at the other end, vast majorities suffering from extreme forms of disenfranchisement (Pasha, 2000).

As shown in Section III, segments of South Asian capitalist classes are now investing in global ventures, as is visible in the higher FDI outflows from South Asia. In sharp contrast, formal employment has been largely stagnant in these economies through this period. There has been a deepening of agrarian distress in several of these countries with India witnessing a spate of more than 300,000 farmer suicides (Vakulabharanam and Motiram, 2011). The distress-induced migration to urban areas has pushed a lot of these rural workers into low-paying, inequality-inducing urban informal markets. Overall, this period has brought about a highly inequitous South Asia.

V. Conclusion

The current juncture in South Asia is characterised by three intersecting phenomena. First, the region as a whole has witnessed significant slowdown in growth over the post-2014 period, and this also coincides with the overall slowdown of the global economy. Individual countries now face a significant demand constraint since they have become more unequal, while becoming more open at the same time. Greater openness was supposed to be the demand provider, and this would have worked in a rapidly growing global economy, but this has not been the case after the global crisis of 2008. There is a greater need in these economies to implement progressive redistribution, also in part to boost demand. However, South Asian elites might thrive on globalizing themselves (as witnessed from the increases in FDI outflows and export of skilled labor), and therefore, necessary changes may not be forthcoming without major popular struggles.

The second major phenomenon is that elites (especially in India and Sri Lanka, but also in other countries) have chosen to back authoritarian religious/ethnic nationalisms and populist leaders in order to foster growth and promote a stronger nationhood. It is not clear if this model would work well even for the elites in the medium term since what it has actually done is to divert attention away from failing economies, while focusing political mobilization towards divisive identity issues instead of resurrecting economic dynamism.

In terms of the changing world order, especially in the South Asian context, there is a third key phenomenon that is reshaping the region. The US-Pakistan imperialist connection has slowly begun to unravel and is being replaced by China-Pakistan proximity. China has also expanded its economic presence in the region – it has invested in the China Pakistan Economic Corridor (as part of its Belt and Road initiative) in Pakistan, and in ports and other infrastructural facilities in Sri Lanka. At the same time, Indian state and elites have moved closer to the US and show a deeper hostility towards China. As a multi-polar world order emerges, Pakistan and India have once again realigned themselves to be on the opposite sides of this order.

These three intersecting phenomena will shape South Asian economies quite significantly in the coming years. At this time, there is no imminent and deep imperative in these realignments for a progressive restructuring of these economies or intra-regional relations.

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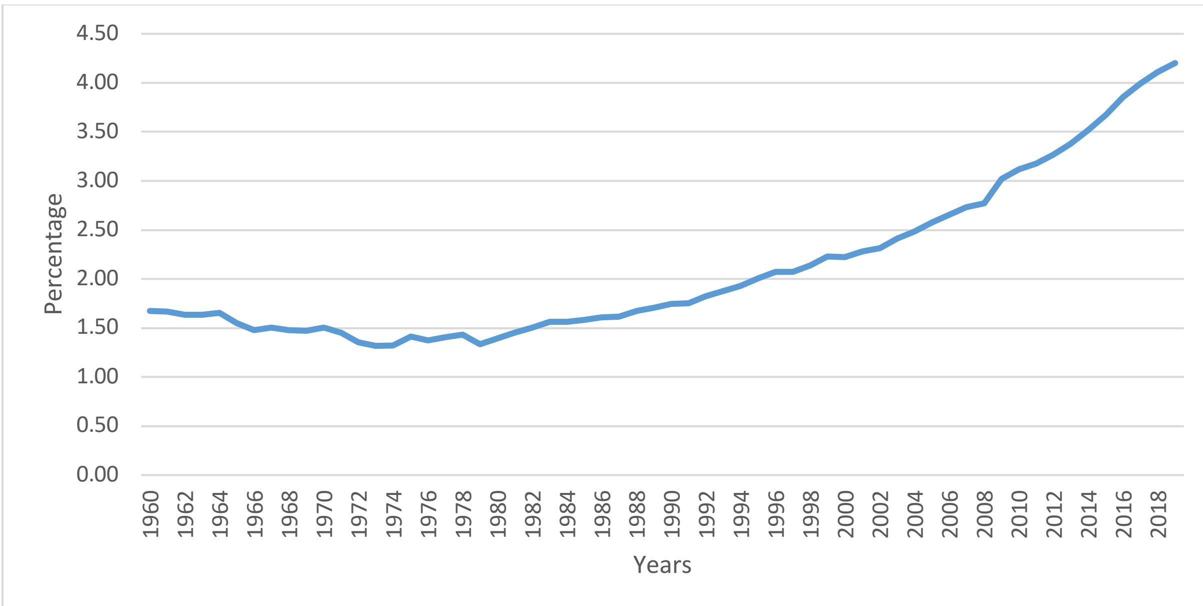
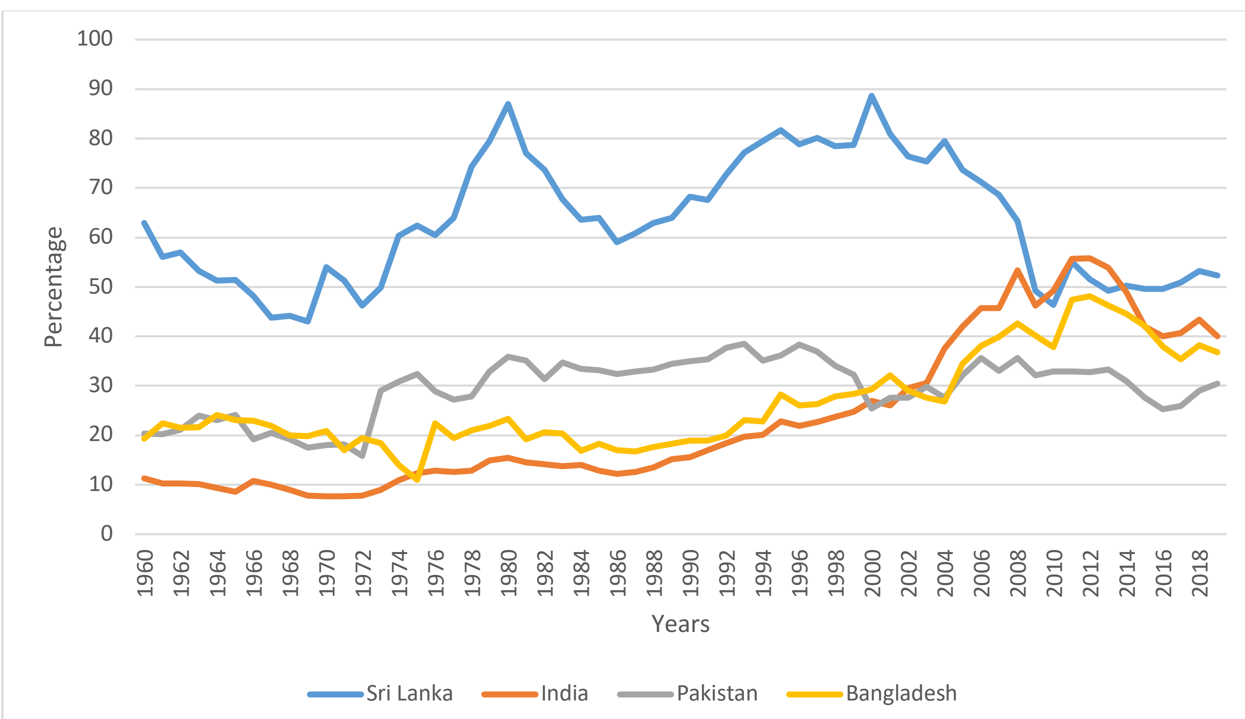
Table and Figures

Figure 1: South Asian GDP as % of World GDP



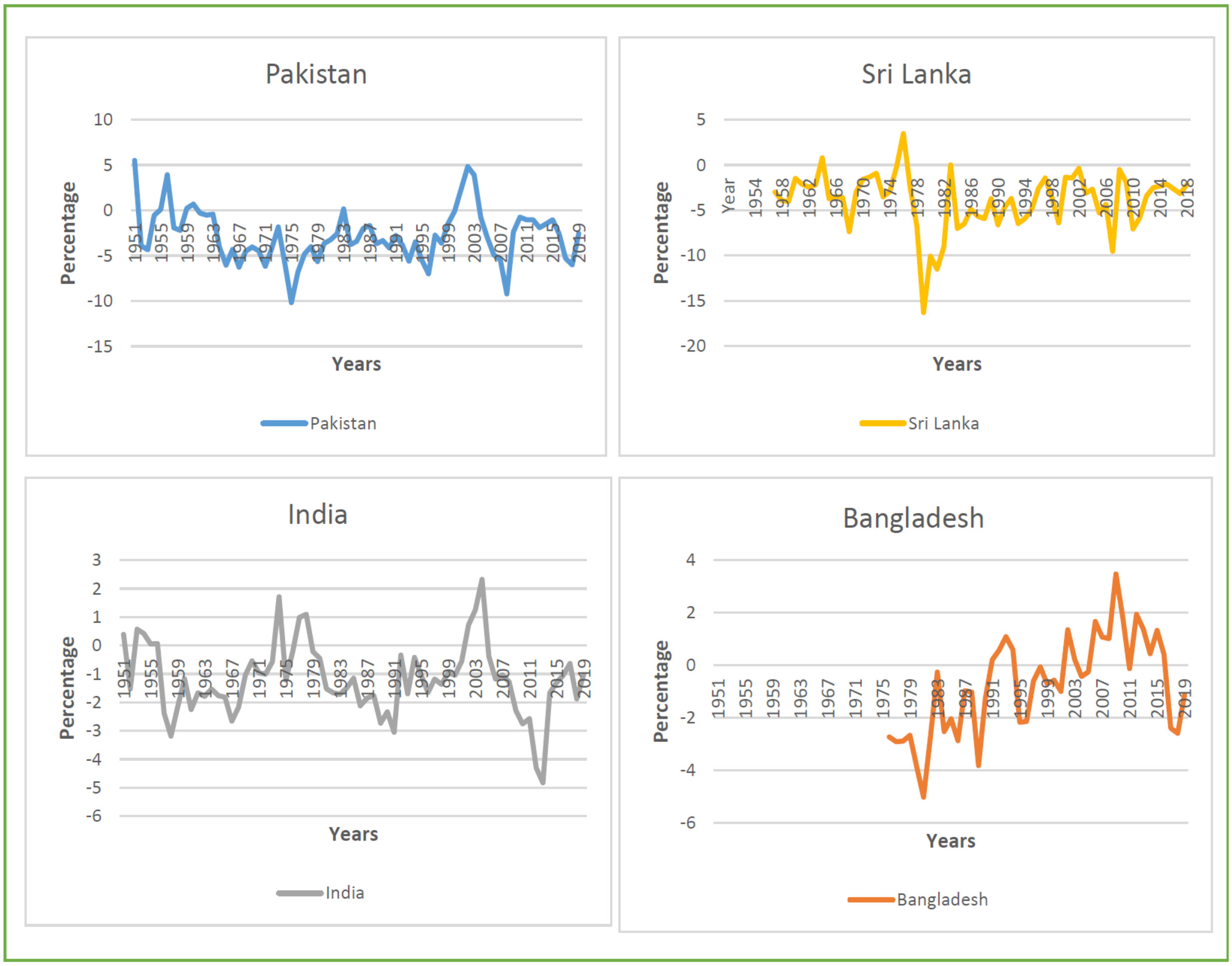
Source: World Bank Development Indicators

Figure 2: Trade as a % of GDP for major South Asian Countries (1960-2018)



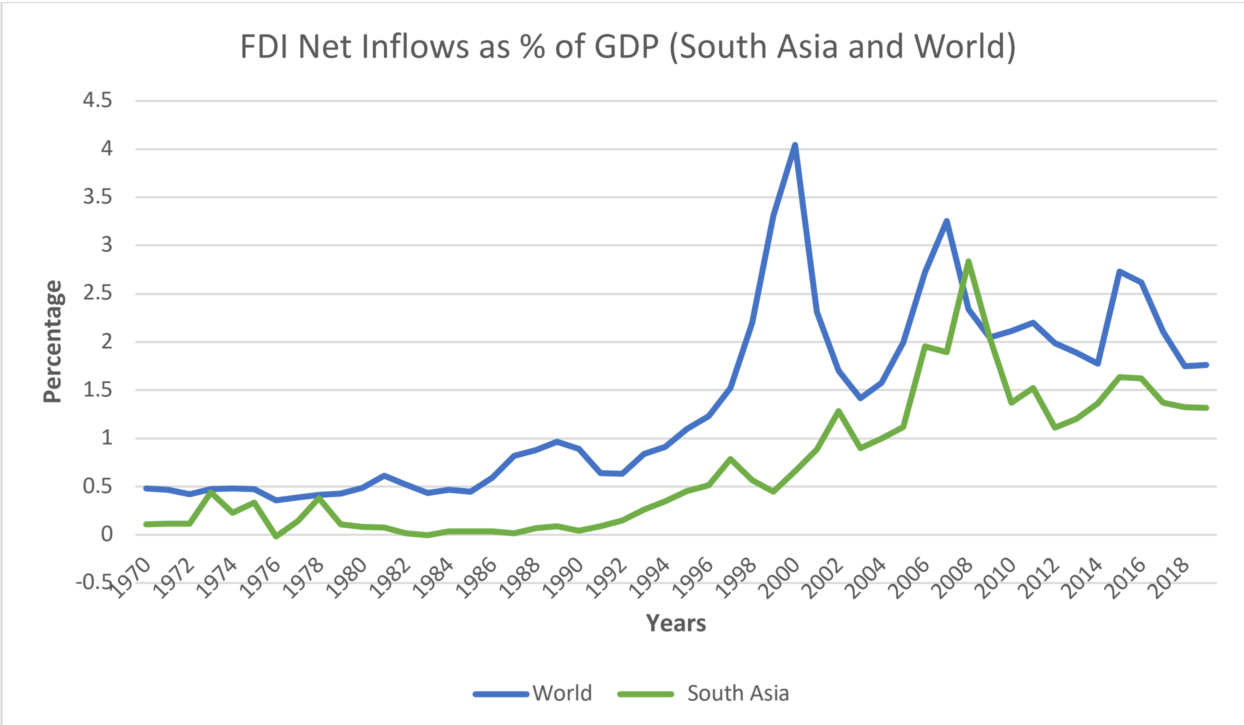
Source: World Bank Development Indicators

Figure 3: Current Account Balance as a % of GDP of Major South Asian Economies (1951-2018)



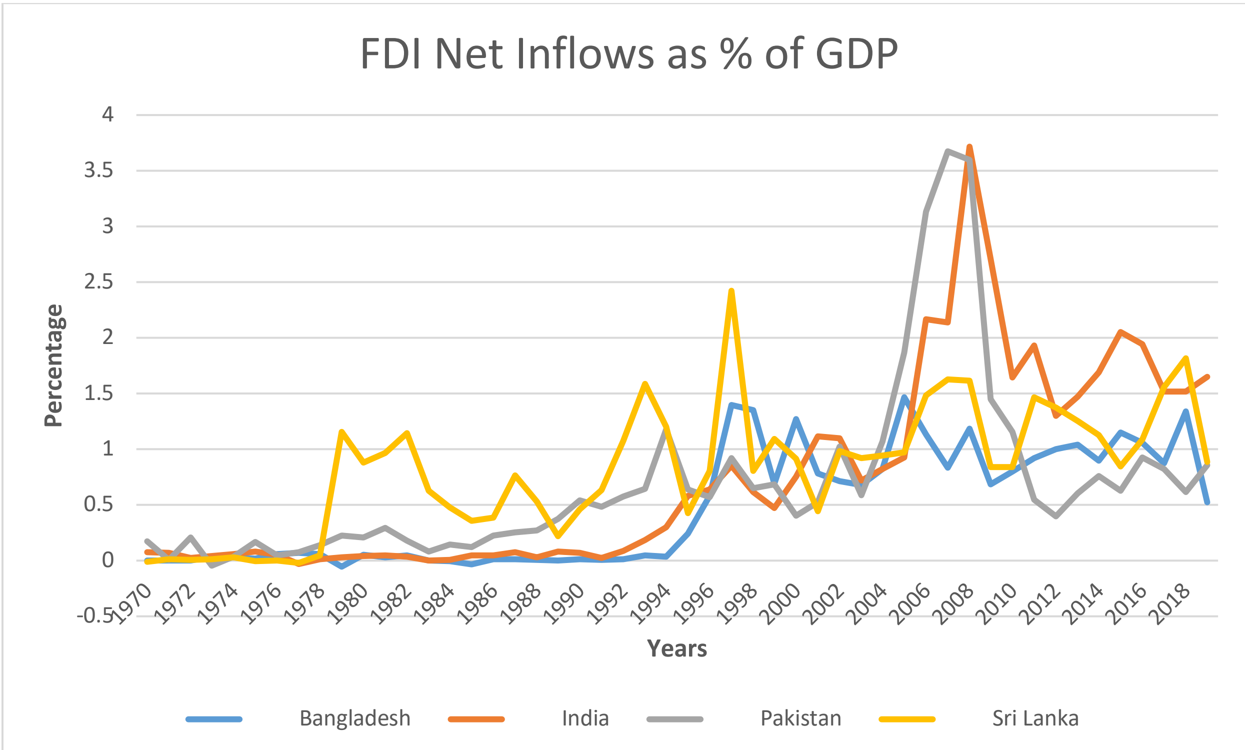
Source: World Bank Development Indicators, Handbook of Statistics India, RBI, Various Years, Annual Report, Sri Lanka Various Years, Handbook of Statistics, Pakistan, 2015

Figure 4: FDI Net Inflows for South Asia and World (1970-2018)



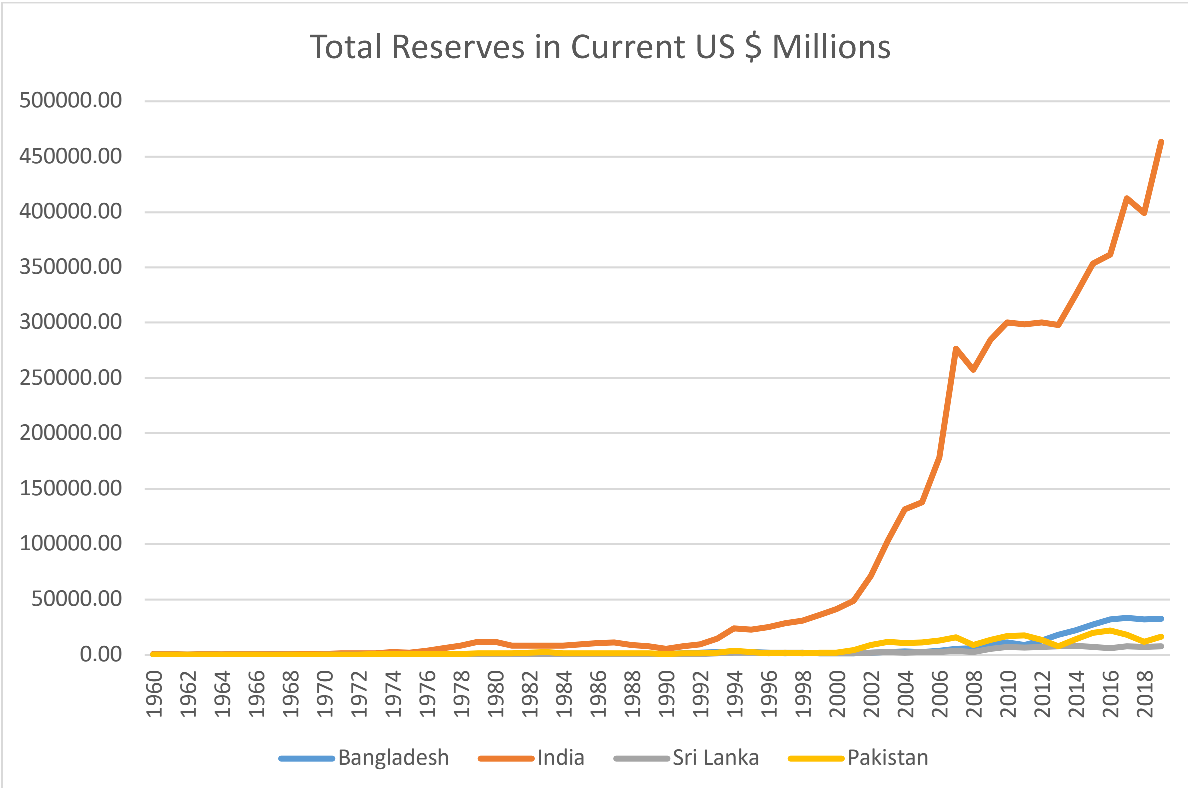
Source: *World Bank Development Indicators*

Figure 5: FDI Net Inflows for Major South Asian Economies (1970-2018)



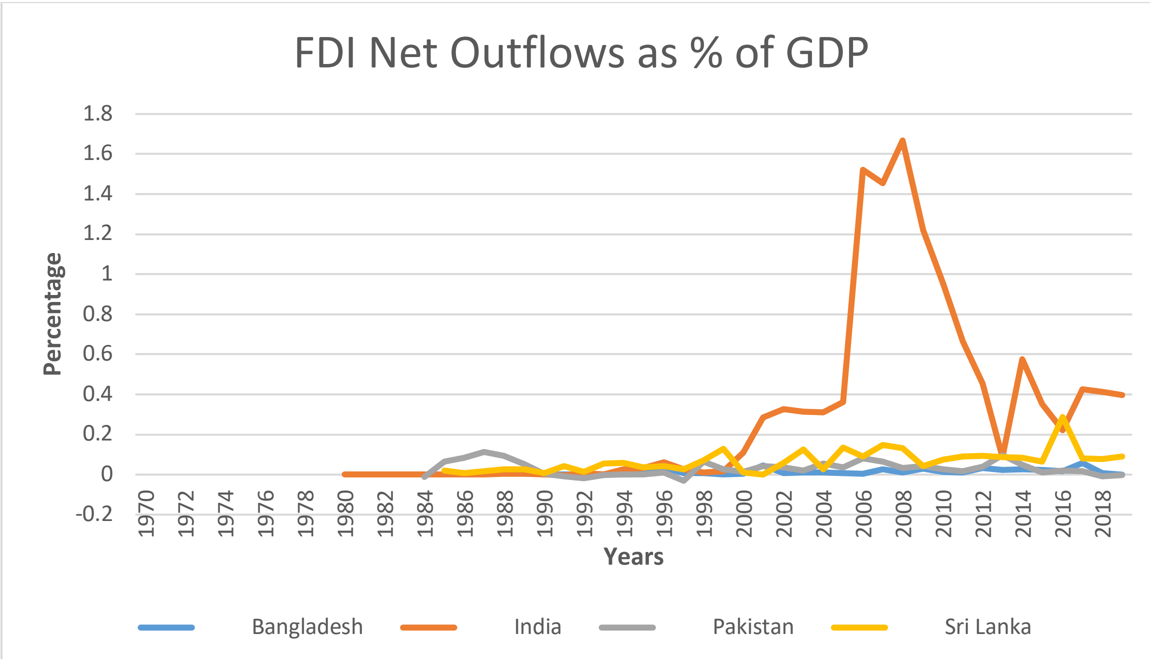
Source: World Bank Development Indicators

Figure 6: Foreign Exchange Reserves in South Asia (1960-2018)



Source: World Bank Development Indicators

Figure 7: FDI Net Outflows as a % of GDP from South Asian Countries



Source: *World Bank Development Indicators*

Tables

Table 1: GDP of South Asia and World since 1960*

GDP at 2010 Constant US $ in Billions							
Year	Bangladesh**	India	Sri Lanka	Pakistan	South Asia	World	Share of top four economies in South Asia GDP
1960	17.86 (9.40)	148.77 (78.25)	5.92*** (3.11)	13.59 (7.14))	190.13	11355.94	97.91%
1970	26.41 (9.16)	219.86 (76.30)	8.89 (3.08)	27.29 (9.47))	288.19	19167.47	98.01%
1980	28.63 (7.37)	295.59 (76.12)	13.67 (3.52)	43.13 (11.10)	388.35	27870.57	98.11%
1990	42.42 (6.41)	507.57 (76.67)	20.61 (3.11)	79.33 (11.98)	662.06	37905.34	98.17%
2000	67.01 (6.03)	873.36 (78.58)	34.27 (3.08)	116.75 (10.50)	1111.47	49940.90	98.19%
2010	115.28 (5.59)	1675.62 (81.31)	56.73 (2.73)	177.17 (8.60)	2060.78	66113.12	98.25%
2019	209.97 (5.88)	2963.95 (82.99)	87.47 (2.45)	256.73 (7.19)	3571.27	84944.41	98.51%

* Reliable data are available from 1960 in the World Bank database.
** Until 1972 Bangladesh refers to East Pakistan
*** The series starts from 1961. This is the 1961 figure.
The share of the individual economy in the South Asian output is presented in parentheses.
Source: World Bank Development Indicators

Table 2: GDP Per Capita in South Asia (1960-2019)

GDP Per Capita at Constant 2010 US $						
Year	Bangladesh**	India	Sri Lanka	Pakistan	South Asia	World
1960	372.03	330.21	585.91*	302.09	331.90	3746.06
1970	411.18	396.01	711.84	469.44	403.79	5204.43
1980	359.46	422.90	909.32	552.62	431.20	6287.17
1990	411.16	581.22	1189.66	736.95	584.08	7178.94
2010	781.15	1357.56	2799.65	987.41	1257.50	9551.34
2019	1287.82	2169.14	4011.68	1185.46	1945.37	11069.79

*1961 GDP
** Until 1972 Bangladesh refers to East Pakistan
Source: Author's Calculation from World Bank Development Indicators.

Table 3: Compound Annual Growth of GDP and Per Capita – South Asian Economies

Compound Annual Growth Rate - GDP						
Period	**Bangladesh**	**India**	**Sri Lanka***	**Pakistan**	**South Asia**	**World**
1960-1980	2.39% (-0.17)*	3.49% (1.24)	4.50% (2.22)	(3.07) 5.94%	3.64% (1.32)	4.59% (2.62)
1960-2019	4.27% (3.33)	5.20% 4.28)	4.75% (3.88)	5.11% (1.98)	5.10% (3.94)	3.47% (1.46)
1980-2019	5.24% (1.95)	6.09% (2.26)	4.87% (2.08)	4.68% (0.81)	5.85% (2.06)	2.90% (0.74)

* Per capita growth in parentheses.
Source: Author's Calculation from World Bank Development Indicators.

Table 4: Sectoral Decomposition of GDP (South Asia and World)

Sectoral Decomposition of GDP						
YEAR	**South Asia**			**World**		
	Agriculture	**Industry**	**Services**	**Agriculture**	**Industry**	**Services**
1970	40	23	37	9	37	53
1980	29 (-0.23%)	29 (5.44%)	43 (4.59%)	7 (1.24%)	38 (4.09%)	55 (5.77%)
1990	27 (4.73%)	30 (5.84%)	43 (5.48%)	5 (-0.29%)	32 (1.37%)	62 (5.07%)
2000	22 (3.18%)	30 (5.32%)	48 (6.48%)	3 (-2.32%)	29 (1.79%)	68 (4.08%)
2010	16 (3.03%)	34 (7.71%)	50 (6.80%)	4 (5.85%)	29 (2.84%)	67 (2.64%)
2018	16 (6.48%)	29 (4.39%)	55 (7.76%)	4 (2.87%)	28 (2.42%)	67 (3.57%)

Note: In parentheses we have sectoral growth rates
Source: UNCTAD and World Bank Development Indicators

Table 5: Employment Shares of Different Sectors in South Asian Countries (1950-2019)

Sectoral Shares of Employment												
	Bangladesh			India			Pakistan			Sri Lanka		
Year	Agriculture	Industry	Service	Agriculture	Industry	Service	Agriculture	Industry	Service	Agriculture	Industry	Service
1951-60				72	11	17						
1961-70				73	11	15	59	17	24	53	10	37
1971-80	79	5	16	74	11	15	55	18	27	55	12	34
1981-90	59	11	30	68	14	18	54	19	27	51	20	29
1991-00	51	13	36	57	18	26	48	18	34	36	24	40
2001-10	48	15	37	58	18	23	43	21	36	30	26	43
2011-20	41	20	39	44	25	31	38	25	37	25	28	47

Note: For India 1951-60 refers to the year, 1951, 1961-70 to 1961, 1971-80 to 1973, 1981-90 to 1983, 1991-00 to 1994, 2000-10 to 2005, and 2011-20 to 2017.
For Bangladesh 1971-80 to 1975, 1981-90 to 1985, 1991-00 to 1991, 2000-10 to 2005, and 2011-20 to 2017
For Pakistan 1961-70 refers to 1965, 1971-80 to 1975, 1981-90 to 1985, 1991-00 to 1991, 2000-10 to 2005, and 2011-20 to 2017
For India 1961-70 refers to 1963, 1971-80 to 1973, 1981-90 to 1981, 1991-00 to 1995, 2000-10 to 2005, and 2011-20 to 2019.

Source: Statistical Year Book of Bangladesh (Various Years), NSSO Employment and Unemployment Survey (Various Years), Statistical Year Book of Pakistan (various years) and 50 Years of Pakistan : Volume II (1947-1997), Sri Lanka Labor Force Annual Survey Report (various years)

Table 6: GDP decomposition (Demand-based), 1950-2018.

Share of Components in GDP										
	Bangladesh					India				
YEAR	Consumption	Government	Investment	Exports	Imports	Consumption	Government	Investment	Exports	Imports
1950-51						90	6	11	7	7
1960-61						89	7	14	4	7
1970	98	1	6	6	9	80	9	16	4	4
1980	86	4	22	5	15	78	10	21	6	9
1990	85	5	18	6	14	67	11	28	7	8
2000	78	5	23	14	19	64	12	26	13	14
2010	74	5	26	16	22	55	11	40	22	27
2018	71	6	31	15	23	59	11	31	20	24
	Pakistan					Sri Lanka				
YEAR	Consumption	Government	Investment	Exports	Imports	Consumption	Government	Investment	Exports	Imports
1960-61	92		23	10	26					
1970	80	8	15	6	8	76	6	21	21	23
1980	87	8	17	10	18	83	5	36	27	45
1990	75	11	18	11	15	79	7	23	26	33
2000	78	8	15	12	14	74	7	28	33	42
2010	80	10	16	14	19	68	8	30	20	27
2018	82	12	16	9	19	70	9	29	23	30
	South Asia					World				
YEAR	Consumption	Government	Investment	Exports	Imports	Consumption	Government	Investment	Exports	Imports
1970	79	9	18	6	7	57	16	28	11	11
1980	74	12	28	9	16	57	17	28	18	19
1990	69	11	27	9	13	58	17	25	19	19
2000	64	11	26	15	16	60	16	24	24	24
2010	56	11	37	22	25	57	17	25	29	28
2018	60	11	31	19	24	57	16	26	29	29

Source: UNCTAD, 50 Years of Pakistan : Volume I (1947-1997) and National Account Back Series 2007 (1950-51 to 1999-2000), India.

Table 7: Savings and Investment Rates for India and Pakistan (1950-2017)

Year	India		Pakistan	
	Savings Rate	Investment Rate	Savings Rate	Investment Rate
1950-51	9.50%	9.30%		
1960-61	11.59%	14.27%	6%	10.53%
1970-71	14.32%	15.14%	14%	14.31%
1980-81	17.77%	19.17%	13.69%	17.66%
1990-91	22.93%	26.03%	14.20%	17.93%
2000-01	23.68%	24.26%	15.68%	17.22%
2010-11	33.68%	36.50%	13.63%	16.36%
2016-17	30.00%	30.06%	12.00%	16.20%

Source: Author's Calculation from National Accounts Statistics, Various Issues, India, Handbook of Statistics, Pakistan, 2015 and Statistical Supplement 2019-20, Pakistan.

Table 8: Poverty (Headcount Ratio) in South Asian Countries (1950 – 2019)

Poverty Rate in Selected Countries							
Year	**India***	**Year**	**Bangladesh****	**Year**	**Sri Lanka*****	**Year**	**Pakistan******
1951	46						
1961	48			1963	47	1963	40.24
1970	52	1973	50	1973	18	1970	46.53
1983	53	1983	40	1982	34	1979	30.68
1993	35	1995	35	1991	26.1	1990	22.1
2000	25	2005	25	2002	22.7	2001	34.5
2011	11	2010	19	2010	8.9	2010	15.06
				2016	4.1		

**Poverty Line (monetary equivalents for India and other countries) – Rural: Equivalent of 2400 cal/person: Urban: 2100 cal/person. These calorie counts have been altered after 2005 and are subject to debate and controversy (see Motiram and Vakulabharanam, 2015).*
*** 2122 calories/person + non-food allowances*
**** LKR 1423 monthly per capita expenditure, 2002 (adjusted for other years)*
***** 2350 calories/person.*
Source : Datt et al 2016, Hossain B (2014) and Household Income and Expenditure Survey, Sri Lanka 2016, and Cheema and Sial (2014).

Table 9: Inequality in South Asian Countries (1950-2016)

Inequality (Gini Coefficient) in Selected Countries							
Year	**India**	**Year**	**Pakistan**	**Year**	**Bangladesh**	**Year**	**Sri Lanka**
1950-51	0.37					1963	0.51
1959-60	0.39	1963-64	0.39	1973	0.36	1973	0.41
1970-71	0.31	1969-70	0.34	1985	0.38	1985	0.46
1983-84	0.33	1984-85	0.37	1995	0.43	1990	0.43
1993-94	0.33	1993-94	0.4	2005	0.47	1995	0.46
2004-05	0.36	2004-05	0.3	2010	0.46	2002	0.47
2009-10	0.37					2009	0.49
		2015	0.34	2016	0.48	2016	0.45

Source: Vakulabharanam (Forthcoming), Asad and Ahmad (2011) and World Bank Development Indicators, Chowdhury and Hossain 2019, Household Income and Expenditure Survey, Sri Lanka2016

Table 10: Net Official Development Assistance for Major South Asian Economies (1960-2018)

Net Official Development Assistance for Selected Countries (Decadal Aggregates in 2015 Constant US$					
Year	**Bangladesh**	**India**	**Sri Lanka**	**Pakistan**	**South Asia**
1960-70	NA	71078.22	2036.30	28372.14	105045.26
1971-80	21200.24	43049.33	5082.31	20905.67	94548.72
1981-90	24804.71	35350.44	8942.58	15993.34	91386.37
1991-00	14887.21	22275.06	4854.17	9460.55	59796.30
2001-10	14310.46	18798.09	5905.26	20483.01	102996.09
2011-18	19723.10	20648.06	2660.29	21105.98	112338.98

Source: Author's Calculation from World Bank Data.

Table 11: Personal Remittances to South Asia (1975-2019)

Personal Remittances, Received as % of GDP					
Year	**Bangladesh**	**India**	**Sri Lanka**	**Pakistan**	**South Asia**
1975		0.44	0.23		0.43
1980	1.87	1.48	3.77	8.66	2.28
1985	2.26	1.06	4.88	8.15	1.99
1990	2.46	0.74	4.99	5.01	1.39
2000	3.69	2.75	7.07	1.31	2.75
2010	9.41	3.19	7.27	5.47	3.98
2019	6.07	2.90	8.03	8.00	3.89

Source: Author's Calculation from World Bank Data.

Endnotes

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[1] I thank Sripad Motiram and Danish Khan for their comments on an earlier draft. Kishorekumar Suryaprakash provided excellent research assistance.

[2] South Asia consists of India, Pakistan, Sri Lanka, Bangladesh, Nepal, Afghanistan, Bhutan and Maldives. This chapter engages with India, Pakistan, Sri Lanka and Bangladesh, which contribute about 98% of output.