

62. Touching the horizon

By Gopal Krishna Agarwal,

Gross domestic product (GDP) is the broadest measure of the health of the economy. Real GDP is defined as the total money value of final goods and services produced by labour and property located within a country during an accounting year. Gross value includes that part of fixed capital also which is consumed during the year that is, depreciation. It does not include net factor income earned abroad. GDP is a measure of domestic production, it includes production within national borders regardless of whether the labour and property inputs are domestically or foreign owned.

By 2050, India is projected to become the third largest economy in the world, behind China and the US, according to a recent report by Goldman Sachs. By another estimate, China, India, Russia and Brazil could outrank the combined economic might of today's Group of Six (G-6) and the UK by the middle of this century. According to the Organisation for Economic Cooperation and Development (OECD), in its latest issue of the Science, Technology and Industry Scoreboard, India has spent about \$19 billion on research and development in 2000-01, putting it among the top 10 countries with the highest R&D spending. The World Bank says India can achieve economic growth of 8 percent during the Tenth Plan period only if it undertakes comprehensive reforms and reduces its internal debt and fiscal deficit. The International Monetary Fund forecast says India's economy is on an upward trajectory and its GDP is expected to record "close to 7 per cent" growth this year, and the target is 8 per cent growth in future.

The 11 per cent growth in exports and 19 per cent growth in imports clearly indicate an economic turnaround in the country. The export growth rate is the second highest in the world, next only to China, and hoists India's

share of world trade to a high of 0.8 per cent. Foreign exchange reserves have reached an all-time high of \$91 billion.

Experts, however, caution that some "pressure points" still exist in the economy, largely on account of subsidies on food and some petroleum products. Moreover, in order to achieve a high growth rate at the national level, it is important to identify areas of high growth potential both in terms geographical as well as sectoral. In India, being a huge country with vast interregional and intraregional disparities, decentralisation of resources, planning and decision-making should be the main strategy.

The government adheres to the view that the private sector and the market must play an important role. There are areas, such as infrastructure development, where gaps are large and the private sector cannot be expected to step in significantly.

The government assigns the highest priority to agricultural development, because growth in this sector is likely to lead directly to the widest spread of benefits, especially to the rural poor. It is pointed out that the first generation economic reforms had concentrated on re- forms in the industrial sector and now agriculture should take its place. Second, the growth strategy of the Tenth Plan must ensure rapid growth in such sectors that are most likely to create high quality employment opportunities-sectors such as construction, tourism and trans- port deserve support. We need to sincerely examine whether the re- sources used for poverty alleviation schemes and for various types of subsidies in the name of the poor may be more effective in alleviating poverty or if they are directed to various types of asset creation programmers in rural areas.

In the expenditure control area, two areas need focus-first is subsidies, both direct and indirect, and the second is the pension liability of the government, which is the fastest growing component of current expenditure. Currently, these liabilities are unfunded and signify a claim on the general revenues of the government. If the government is successful in strongly moving towards its goal of economic prosperity, India is bound to emerge stronger. The goal is in sight, the path is clear, the rest is up to us.

