

63. Wealth: agriculture plus services

By Gopal Krishna Agarwal,

Rachel Carson, in her landmark book *Silent Spring*, has stated that the power of an idea can be greater than political power. In the economic development of country, there are two factors at the creation of wealth and its distribution. Distribution is without doubt very important but unless we create wealth, distribution has no significance.

At present there are a lot of discussions on the direction India's economy should take. We have so far failed to develop a model suited to our needs. The Nehruvian model emphasised development through centralised planning. The emphasis was on industrialisation, to the relative neglect of agriculture, this process was continued by subsequent Congress governments. There was an over-emphasis on socialism culminating in the 1969 bank nationalisation. This opposition to capital and private ownership led to situation where we started sharing and distributing poverty. The country has to provide work opportunities to everybody but not jobs. Providing job security may only breed lethargy and inefficiency. The government's responsibility is not in the distribution of the acquired wealth of some individuals but equality of opportunities and distribution of resources.

Economic activities are generally classified into three categories: the primary, secondary and tertiary sectors. India's developmental module should emphasise the primary and tertiary sectors. This is because 70 per cent of our population live in villages and depend on the primary sector. Agricultural produce accounts for a major portion of our GDP. The overall economic development depends on the purchasing power of our people, which in turn relates to agricultural production. In other words, the demand push developmental model depends on agricultural production. We know that the backbone of our economy is agriculture. The standard of living of people here has to be uplifted. It is agriculture alone which can provide employment to millions of rural youth and help arrest rural-urban migration.

At the national level, rural infrastructure has to be developed by the government, which includes a functioning road network, organised markets, cold storage and warehousing facilities, the availability of capital at low interest rates,

and so on. The time has also come to end the subsidies on fertilizers and encourage organic farming practices. This may result in a reduction in yields but research has shown that over a period of four years yields from organic farming increases while that from the use of chemical fertilizers and pesticides decrease. This switch will save subsidies of approximately Rs 1,72,000 crore every year.

In the international arena, we need to protect our agriculture, retail trade and small scale sector from the onslaught of international manufacturers. With growing food production, burgeoning foodstocks, the poor storage facilities along with the demand for increasing minimum support prices, if we are also forced to remove tariff barriers in agriculture we could find ourselves in a spot. Our negotiators should, therefore, insist on a minimum import quota based on GDP as prescribed under the Agreement on Agriculture earlier. Reduction in tariff and non-tariff barriers has to be linked to reduction in trade distorting subsidies by the developed countries.

Where India does have a comparative advantage is in the tertiary, or services sector. India has a cost-cum-competence advantage in professions like law, accountancy, design, engineering, tax consultancy, financial and IT services. Doctors, MBAS, chartered accountants, nurses, lawyers and many other professionals are available in India at a much lower cost than elsewhere in the world. This is a major strength. Many multinationals are setting up their R&D centers, business process outsourcing facilities and product development centers in India. Indian IT firms can provide world class services at one-tenth the cost that an US company, for instance, would incur. At the international level, we have to push for the opening up of services sector under Mode 3 and Mode 4, ie, there should be free mobility of manpower across countries and complete reciprocity with developed nations. Mutual recognition agreements should be put in place so that our professionals get recognition and opportunities in those countries.

What about the manufacturing sector? Building the infrastructure required entails capital expenditure and is risk-ridden in a world where technologies get obsolete very quickly. Take the case of BSNL, which has the world's most extensive networks of copper wire. But this may no longer be an advantage since people are switching rapidly to wireless telephony. It makes sense, then, to concentrate on developing the agriculture and services sector.