

THE AGRICULTURE DEBATE

Talks between India, Brazil, United States and European Union on reviving the stalled WTO negotiations have been stalemated at Postdam on the issue of agriculture. The US was not willing to reduce domestic agricultural subsidies while India and EU were unwilling to give greater market access to agriculture imports. In the end, everyone is a loser. The US pays huge subsidies to prop up inefficient agricultural production while consumers in India and Europe are deprived of cheaper goods. But India contends that it cannot sacrifice the livelihood of millions of farmers to secure these benefits.

Some experts have suggested that India should focus on the opening up of services sector in the developed countries instead of taking a protectionist stance regarding agriculture. They contend that agriculture is not India's strength. Indian farmers need protection because their cost of production is higher than in other countries. True, the US exports certain agricultural commodities on the strength of domestic subsidies, but other countries export other commodities without such support. Palm oil, for example, is imported from Malaysia because cost of production of groundnut or mustard oil in India is high. Thus, say experts, India must back off on agriculture and focus on expansion of services exports where India could have a clear competitive edge.

The share of agriculture in the national income has dwindled from 90 percent at the time of independence to 19 percent now. But nearly 60 percent of Indian population is still dependent on this sector. A large number of persons are on board the sinking ship! It is necessary to help them board the airplane of services before allowing the boat of agriculture to sink. India cannot abandon agriculture until, say, 30 crore jobs are created in the services sector. Now that is a tall order. The jobs in services like software, call centres, music, editing, research, translation, banking, insurance, transport and tourism are high paying but few. The Government must get its arithmetic right. It is necessary to make a quick estimate of the number of persons that can be absorbed in various service sector jobs. In that proportion, and in that proportion alone, should agriculture be allowed to die. It is necessary to build a strategy of taking out say 20 crore persons out of the 30 crore presently engaged in agriculture and redeploy them in services quickly.

A capital subsidy scheme should be initiated in backward regions for the services sector along the lines of capital subsidy scheme for manufacturing industries that was in vogue in the eighties. This will jump start the spread of services in the hinterland- from Bangalore to Chitradurga.

This measure will take time to bear fruit, however. Till that time it is better to keep WTO negotiations on hold.

Other developing countries are reported to be restless with Indian rigidity on agriculture. India must explain to these fellow travellers that speedy opening of agriculture will be disastrous for them as it is for India because prices will decline more' The developing countries will ultimately have to conquer the world by building upon their strengths-India in services, China in manufacturing, Singapore in banking, Saudi Arabia in oil and so on.

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