

# Backfiring reforms

**A think-tank in Mumbai recommends a reorientation in the reforms process**

In an unambiguous indictment of the path charted out for India's economic liberalisation, the Strategic Foresight Group (SFG) of the International Centre for Peace Initiatives warns that extending the "present policy mix" for another decade will lead to a stagnating economy, collapse of civil society, internal conflicts, deteriorating relations with neighbouring countries, growing corruption, inefficient governance, and erosion of values. In the second scenario of a break-up, the report cautions that if the situation were to aggravate, it could lead to a complete disaster, with different parts of the country moving in different directions – "formally united, but economically and psychologically divided".

Titled *Rethinking India's Future: Prosperity of the Periphery*, SFG's study notes that only a change in the policy mix will lead to a breakthrough. "This will increase productivity and growth, not just for a narrow section of the society, but also for the people living in the periphery," it asserts. "There will be a metamorphosis, giving rise to dynamism, resolution of conflicts, peaceful and mutually-benefiting relations with neighbouring countries, governance practised with high moral principles, and respect for the country in world affairs."

This breakthrough scenario envisages a transformation of the entire rural economy. The SFG team, that has compiled the report, emphasises that if the country succeeds in transforming itself by 2010, it will succeed in eliminating poverty, improving job opportunities and efficiency levels, curtailing corruption, fundamentalism, crime, conflicts and state repression. This could help sustain a 9

per cent GDP growth, twice that prevailing today, reduce employment in the agricultural sector by half, expand the "Bike economy" to 30 per cent of the population – with the "Bullock cart economy" shrinking to 66 per cent – and improve ties with our neighbours with an assured place in the global decision-making chambers, perhaps, including the UN security council.

The report explains that disparate development has given rise to three different economies in India as reflected by their consumption pat-

ter archaic laws like restrictions in the selling and movement of agricultural produce, heavy controls on industry, a discriminatory direct tax regime, and several other limitations," the report regrets.

SFG accordingly postulates that India's future trajectory will have to meet the challenge of rural employment, demand for food products, and land and water availability. To achieve an agro-industrial revolution, it recommends a level playing field through deregulated agriculture, a drive for education, information, training of rural youth and a massive marketing effort to shift from traditional family-based farming to modern farm management and food processing. It also calls for eliminating middlemen by abolishing the Agricultural Produce Marketing Committee,

removing all entry barriers in food processing, reducing excise and customs duties on farm equipment, food and milk processing machines, bulk coolers and cold chains, removing all state government subsidies for cooperative societies and introducing a simple, comprehensive and strict Food Safety Act to ensure internationally-competitive hygienic standards.

The report also theorises that geo-economic indicators betray a divide across India into "growing states" and "stagnant states". The former accounts for states like Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan, Tamil Nadu and West Bengal, while the latter comprises Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Orissa, Uttar Pradesh, Uttaranchal, and the north-east.

Besides, it draws a direct correlation between inadequate growth opportunities in India's rural economy and violent conflicts in three regions. It points out that it is essentially flawed governance, at times extending to repression of the people, and lack of connectivity that have

compounded naxalism in Central India and militancy in Jammu & Kashmir and the north-east. It contends that while the conflict in J&K has existed since 1947, it took a violent turn only in 1987 when rural opportunities dried up in the state due to land fragmentation and the administration's inability to expand public expenditure. Fortunately, for naxal-ridden Andhra Pradesh, recent village development programmes have helped diminish public support for the naxalites, forcing the latter to call for dialogue with the state authorities. According to the report, Sikkim and Meghalaya experience scarcely any major conflict, despite being poor multi-ethnic societies engulfed by conflict-wracked states, simply because they have focussed on overall growth and productivity of the rural economy.

SFG president Sundeep Waslekar says *Rethinking India's Future* is his organisation's second report, following *The Future of Pakistan*, which was launched last May. "Two more reports are scheduled for release in the near future," he adds.



terns. The "Business class economy", constituting 2 per cent of the population that inhabits merely 15 cities in the country; the Bike economy segment, comprising 15 per cent; and the Bullock cart economy, encompassing 83 per cent. The report ascertains that India's economic reforms have mainly benefited the business class, ignoring "the periphery". Industrial delicensing, permission for foreign direct investment, opening up of telecommunications, insurance and the capital market, and reduction of import duties have led to sectoral growth, which has primarily benefited the narrow business class. "The periphery remains shackled with