



DATUK
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NATIONAL KEY ECONOMIC AREA

LEST WE ABANDON AGRICULTURE

Economic growth is inclusive when agriculture is transformed and integrated in development efforts

ECONOMIC growth the world over has come about through a tectonic shift from agriculture to manufacturing. Malaysia is no exception. Since independence, we have shifted our focus away from agriculture to manufacturing. Such a restructuring has caused a four-fold shrinking of agriculture's contribution to gross domestic product (GDP) even as the share of manufacturing has doubled.

The country's Economic Transformation Programme consolidates our shift to manufacturing. It focuses on 13 national key economic areas or NKEAs. Manufacturing and services figure largely in them. Even the fourth industrial revolution that is sweeping across the world advocates technologically-advanced manufacturing. And manufacturing remains at the heart of our development planning.

Malaysia's economic journey, and those of other nations, bear out Arthur Lewis's seminal thesis. In 1954, Arthur Lewis, a Nobel prize-winning economist, argued that, if we want development, we should shift people from the low productive, if not unproductive, agriculture sector to the highly-productive manufacturing sector.

Africa lends further credence to Lewis's thesis. There, productivity in manufacturing is five times that of agriculture. India did not see a transformation to its economy until it sounded the death knell in 1991 to the "Licence

Raj" — a term used to describe all forms of regulation that was then strangling the economy. Economic liberalisation jump-started India's moribund economy. Since then, the share of agriculture in national output has shrunk by more than two-thirds. The share of the manufacturing sector has almost doubled.

In a carefully-designed industrial policy, Singapore attracts manufacturing that is relevant to creating stable jobs. Supported by 69 specialised research institutes and a highly-acclaimed vocational education, small- and medium-sized enterprises, or Mittlestand, remain the pillar of German manufacturing. Propped up by extensive infrastructure development, China's economic backbone is manufacturing. Similarly, South Korea has put its faith in huge conglomerates, or chaebols, to shift to manufacturing and speed up economic transformation. Although the United States and the United Kingdom are downsizing their manufacturing bases, their past economic growth owe much to manufacturing. In a similar pattern, manufacturing is the springboard for economic transformation in emerging countries.

There must be a purpose to all this economic transformation we witness around the world. That must be to bring about inclusive growth to prosper all segments of society. Malaysia has almost eradicated poverty. India has commendably lifted 200 million people above the poverty line. It has halved the number of poor.

Despite this shimmering achievement, India still has a long way to go. Measured by the percentage of people living on the equivalent of US\$1.90 (RM8) or less per day, India's poverty rate is 22 per cent as opposed to China's 6.5 per cent. China's economic transformation is demonstrably more inclusive given that



A padi field in Sungai Besar, Sabak Bernam, Selangor. Given the country's food security policy, agriculture should retain its pride of place in the national economy. FILE PIC

its poverty rate in the 1980s was 88 per cent. Notwithstanding, China too has quite a way to go in narrowing income disparity among its populace. The World Bank considers a Gini coefficient, a widely-used measure of inequality, above 0.40 to represent severe income inequality. China's Gini coefficient was 0.49 in 2012. India's is 0.36.

Alas! The US cannot claim that its growth has been inclusive. This is because the richest one per cent absorbed 60 per cent of the growth between 1977 and 2007. So much so that Amartya Sen, a Noble Prize winning economist, cautioned in 2007: "The country's west and south may come to look like California while the north and east is more like sub-Saharan Africa."

It is undeniable that manufacturing, together with the services sector, has been instrumental to our inclusive growth. It has helped lift the population out of poverty. However, that should not lull us into pushing agriculture to the sidelines. Given our food security policy, agriculture should retain its pride of place in our national economy.

Agriculture offers a strong foundation for the development of rural communities as well opportunities in the non-agriculture sector. Its continued development can help blunt the cost of living by lowering food prices. Hence, the smart choice of agriculture as one of the NKEAs.

More needs to be done to improve agricultural productivity, especially in family farms. Technology can come to the rescue. For example, in aqua farming a lot of energy is needed to aerate and maintain the cleanliness of ponds. Harnessing renewable energy, such as solar, can substantially cut costs and keep such

farming sustainable.

The rural transformation centres and well-functioning agricultural institutions have greatly improved the marketing and processing infrastructure. To make agriculture more sustainable, block-chain technology can be deployed to document the processes incurred across the food chain. Such transparency will engender greater confidence in its production and distribution. The consequent increased demand can ensure greater economies of scale in production and lower prices.

Increased investments in agricultural research and extension can also promote productivity and lower costs. For example, China has developed a rice strain that can grow in salt water. The harvest therefrom can feed 200 million people. We are blessed with a good climate and soil. So we do not have to invent a technology to make land fertile as China has done to convert its barren deserts into fertile plains. However, we can exploit artificial intelligence and big data analytics for triple cropping, or more, of rice production, make soil management sustainable, and effectively treat diseases afflicting our farms.

Dynamic agricultural practices and policies can foster rural development. It can even stem the flow of rural migrants to cities in search of employment. When agriculture is transformed and well integrated in our development efforts, we can then say that our economic growth is truly inclusive.

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