

Kerala stares at Dutch Disease

[Shyam P V](#), TNN Apr 26, 2013, 04.51AM IST

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THIRUVANANTHAPURAM: The state might soon have to deal with the Dutch Disease, a negative development trend pushed by several positive development indicators.

The Kerala Perspective Plan-2030, prepared by the National Council of Applied Economic Research (NCAER), raises this concern. Dutch Disease is defined as development that results in a large inflow of foreign currency, with an increase in exploitation of natural resources, and a simultaneous decline in the manufacturing sector.

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"Kerala has a growth rate of 8% at present but the state is still considered as investor-unfriendly with negligible employment opportunities for the educated. At least 77% growth in Kerala comes from construction, trade, transport, communication, hotel and restaurants, real estate ownership and other services, but most of them are essentially low productivity sectors due to absence of competition, economy of scale and technological advancement. It is thus assumed that after a point of time, these sectors will slow down and the growth rate will be pulled down below 4%," said Dr Aradhna Aggarwal, senior fellow at the council.

The perspective plan is an initiative of the planning board that is being touted as a first in the country to evolve a consensus for long-term planning. The government had entrusted the council to prepare a draft, which will form the basis of the Vision-2030 programme launched by the UDF government.

Dr Aradhana said it was high time that Kerala found a strategic framework for sustainable and inclusive growth based on experiences on a global scale, else the state would soon be under the threat of 'Dutch Disease'. The number of unemployed youth has touched 40 lakh in the state and this will result in a paradoxical situation called 'Resource Curse'.

The report pointed out that economic development requires continuous upgrading of resource allocation from low productivity to high productivity tradable sectors. The high productivity tradable sectors are characterised by technological progress, capital accumulation and economy of scale. However, in Kerala, growth is not accompanied by the required structural transformations either in the terms of gross state domestic product or employment.