

# New Indian government to heed demands of big business

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Indian Prime Minister Atal Vajpayee and other leaders of the Hindu chauvinist Bharatiya Janata Party (BJP) have vowed that the new coalition government they head will make "economic reform" its top priority and not shrink from taking "hard decisions."

Speaking Monday, just minutes after being invited by President K.R. Narayanan to form the government, Vajpayee signaled that his coalition will heed the demands of Indian and foreign capital for a rapid restructuring of India's state, public sector and regulatory regime to boost profits and investment returns. "We have a clear and decisive majority," said Vajpayee. "We are committed to a second generation of reforms."

In 1991, with India facing state bankruptcy, the then-ruling Congress party abandoned India's decades-old national economic development strategy and launched an aggressive campaign of privatization, deregulation and tariff reduction to attract foreign investment. Big business, however, complains that since the run-up to the 1996 Lok Sabha (parliament) elections, economic reform has taken a back seat to the jockeying for power among India's political elite.

It is now demanding a new "reform" push, including privatization of most public sector units, greater leeway to lay off and fire workers, major cuts to social spending, a drastic reduction in subsidies and price supports, and increased state expenditure on energy, transport and telecommunications infrastructure.

The BJP-led National Democratic Alliance, like the Congress (I), included many of these demands in its election manifesto. But with the polls completed, it is becoming even more forthright in its intentions.

Addressing a meeting of BJP MPs Sunday, Vajpayee said his government would have to take "hard decisions." He cited last week's 40 percent increase in

diesel fuel prices, which is expected to translate into a 20 percent increase in freight costs, as an example. Several of the BJP's allies in the NDA have criticized the hike, but Vajpayee indicated the increase would not be rolled back, even partially. He said he was aware the hike would be a burden for the common man, "but there was no way out."

Finance Minister Yashwant Sinha has warned that the new government will have to take "politically painful steps" to tackle a rapidly widening budgetary shortfall. Sinha denied that the recent military clash with Pakistan over Kashmir and India's subsequent crash military procurement campaign are at the root of the budgetary crisis.

"It's not the Kargil situation ... there are other pressures which are far more worrisome." He said that to meet the shortfall the new government will have to implement both tax increases and spending cuts and dramatically accelerate the sale of state-owned companies. There is, said Sinha, "no soft solution." According to the Finance Ministry, the budgetary deficit for the current year will be 6.1 percent of GNP, a far cry from the target of 4 percent set in the budget.

Both Indian and foreign investors have enthusiastically endorsed the NDA's election triumph. On Monday, the Bombay Stock Exchange's Senex index closed above 5,000 for the first time ever.



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