

Market reforms fuel regional divisions

India creates first new states in 30 years

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Three new states will come into existence in India on November 1. Chhattisgarh, Jharkhand and Uttaranchal are to be carved out of the larger states of Madhya Pradesh, Bihar and Uttar Pradesh respectively. The legislation to create these new entities, the first in 30 years, was pushed through the upper and lower houses of the Indian national parliament in August in a matter of days.

The prime mover behind the new states, Home Minister L.K. Advani, claimed they had been established to “fulfil the aspirations of the people”. But the movements for statehood in each of the three regions, while in some cases having historical roots, are comparatively recent phenomena. They have surfaced and come to prominence only in the 1990s—the outcome of centrifugal forces set in motion over the last decade as governments have implemented the program of market reform and economic deregulation.

India's existing states were established in the first two decades after independence as part of the so-called national project—to unify the many disparate language, ethnic, regional and religious groups that formed part of the British Raj into a single nation. The project was flawed from the outset as the region was partitioned along religious lines into Pakistan and India in 1947 amid communal pogroms. Moreover, the creation of states on a linguistic basis was fraught with petty rivalries, political payoffs and the stoking up of regional and ethnic chauvinism. Fratricidal riots in Bombay state in 1960 led to its division into the linguistic states of Maharashtra and Gujarat.

Since 1991, when the Congress (I) government initiated the first stages of economic reform, two interconnected processes have been at work to further undermine national cohesion, intensify rivalries between regions and throw up new demands for political and economic autonomy.

The first is globally mobile capital's relentless search for the highest rates of return. Having gained access to the Indian economy, it has created tiny oases of economic development in places such as Bombay, Hyderabad, Madras and Bangalore and bypassed vast tracts of the country. Economic disparities between states and within states have grown, as has the social polarisation between rich and poor.

Free Trade Zones have sprung up, a few businessmen have grown extraordinarily wealthy and a thin layer of the upper middle class has prospered at the expense of millions of workers, who have lost their jobs through restructuring, corporatisation and privatisation. Government subsidies and assistance have been successively cut from tens of millions of farmers as well.

“Global India”—those who have benefited from the economic reforms and participate in global finance and investment—represent a tiny fraction of India's population of one billion. In 1999-2000, 5 million people, just 0.5 percent of the population, earned a massive 4,000 billion rupees or about US\$89 billion on the Indian stock market—an amount equivalent to the total output of the agricultural sector, upon which 670 million people depend for their livelihoods.

The second factor is the political response in Indian ruling circles to

these economic and social changes. As the role of the national government in regulating economic activity has successively diminished, so the focus of political attention has shifted from the national to the international sphere. Paradoxically, this has led to sharp competition between different regions and cities as cliques of businessmen and politicians vie to make “their” locality an attractive source of cheap labour for international investors.

New political groupings and parties have sprung into existence exploiting linguistic, ethnic, regional and caste differences to fashion loyalties on the basis of regional chauvinism and communalism. Tamil Nadu, for instance, is dominated by political parties that, in varying degrees, appeal to a vision of a “Tamil nation” which extends beyond the Indian state to Tamils in Sri Lanka, Malaysia, Fiji and elsewhere.

The main national parties—Bharatiya Janata Party (BJP), the majority partner in the ruling National Democratic Alliance (NDA), and the chief opposition party, Congress (I)—are increasingly riven by similar tendencies. Both parties have all but abandoned the national project, appealing instead for support on the basis of regional, caste and communalist differences. Significantly, the two parties came together in the parliament to steamroller through the legislation creating the three new states.

In the past, Congress (I), which claimed the mantle of the struggle against British colonialism and stood for Indian unity, might have opposed the creation of the new states. But in the parliament in August, the only opposition came from parties that represent sectional and regional interests. Their main objection was that the new states threatened the vested interests of the regional elites—either directly, or indirectly by giving an impetus to the carving up of other states.

This opposition came from both sides of the parliament. The ruling NDA coalition includes a hodgepodge of regional parties—the Samata Party, JD-U, Shromani Akali Dal, Telugu Desam Party (TDP), Biju Janata Dal (BJD), Shiv Sena and Trinamool Congress—all of which voted against the establishment of the new states. On the other side of the parliament, the Rashtriya Janata Dal (RJD), the Samajawadi Party (SP), the Communist Party of India (Marxist) and the Communist Party of India (CPI) opposed the legislation. In the case of the CPI-M, its leaders were concerned that West Bengal, where the party has dominated the state government for more than two decades, may be the next on the list of states to be broken up.

As a result, the BJP and Congress (I) had to come together to pass the legislation. While both parties have particular political barrows to push, their decision to unite on this issue reflects the feeling among layers of the bourgeoisie that one method of pressing ahead with economic deregulation is to break up the existing states and fuel rivalry among a larger number of smaller, more economically dependent states.

Business India, a fortnightly magazine, pointed to these concerns after the Indian government failed to introduce the new states legislation in May. Arguing for economic “efficiency,” it claimed: “The past three

decades have shown that smaller states are economically and financially more viable, administratively better governable and manageable in all respects. Kerala, Punjab, Haryana, Gujarat and more recently Goa and Delhi prove the point. On the other hand, bigger states—measured in terms of both geographical spread and demographic size—like Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan, Andhra Pradesh, Maharashtra and West Bengal, suffer from debilitating maladies.”

The magazine continued: “One argument from the other side of the fence is that bigger states will enjoy economies of scale as regards infrastructural facilities. For instance, it may be more expensive for a small state to set up say an elaborate telecom network, for it cannot parlay it over a larger area. But the answer to this lies in privatisation of these services. Where a small state may not expand its services to other states, a trans-state corporation surely can.”

But if the function of these new states is not to provide infrastructure, then what exactly will be their role? As far as *Business India* is concerned, it will certainly not be to dispense the public education, health and welfare services so desperately needed by the Indian masses. Big business and investors are looking to the establishment of these smaller states for less costly administrations that are likely to be more amenable to their requirements. After all, if one state does not meet the demands of investors then capital will either go elsewhere, or foster separatist sentiments in those areas that are of special interest.

These political and economic processes can already been seen in the way in which the three new states have come into existence.

The Chhattisgarh region of Madhya Pradesh accounted for 45 percent of the state's income, derived mainly from mines and industry. Recent testing at the Raipur Deobhog mines has shown that the new state has the potential to emerge as one of the world's richest diamond regions. According to a report last month in the *New Indian Express*, “the moneybags and MNCs” are already making a beeline for the new state even before it has been officially established. The South African diamond giant De Beers has plans to explore 12,000 square kilometres in the area.

Despite its comparative economic development, the vast majority of people in Chhattisgarh are extremely poor. Eighty percent are farmers who rely on a single crop and for the remainder of the year are forced to migrate to other states in search of work. Local politicians have sought to channel the widespread frustration and despair into parochial calls for a greater say over the region's resources.

While demands for a separate state have been raised in earlier decades, the Chhattisgarh movement only began to take off after 1991 when the BJP espoused the Chhattisgarh cause in order to make electoral inroads into the region and Congress (I) followed suite. The Chhattisgarh Rajya Sangarsh Morcha was only formed in May 1999 from groups who trace their history back to a group of intellectuals who established the Chhattisgarh Self-respect Forum in 1994.

Jharkhand is being created by splitting off the most economically developed areas of Bihar, one of India's poorest and most backward states. The break-up will be a financial disaster for Bihar, which will lose an estimated 20.2 billion rupees of its total annual revenue of 42 billion rupees. At the same time, it will retain 65 percent of the population. As one member of the ruling Rashtriya Janata Dal (RJD) in Bihar exclaimed during the parliamentary debate: “The bifurcation will leave us with only floods, feuds and sand!” The parties in Bihar demanded compensation of 1, 799 billion rupees, but the matter has been buried in a parliamentary committee.

While the movement for a separate Jharkhand state among the tribal people of the region traces its origins back nearly 70 years, it has lain dormant for decades. As economic restructuring began to hit the steel and coal industries in the 1990s, local political figures again started to agitate for a separate state and organised strikes and protests. The state government of Bihar conceded a measure of local government through the

establishment of the Jharkhand Autonomous Areas Council (JAAC) in 1994, but this only fuelled further agitation.

Uttaranchal is in some ways a more disturbing case. Its establishment does not involve the carving out of the more prosperous areas of Uttar Pradesh, but the reverse. Most of the new state consists of economically backward areas in the foothills of the Himalayas that lack adequate roads, medical services and schools. Doubts have been expressed in the media as to whether the new state is viable at all.

Behind the creation of Uttaranchal is the politics of caste, stirred up by the Hindu chauvinist BJP in the early 1990s among the so-called forward or higher caste people of the hill districts. In 1990 the Uttar Pradesh government sought to give concessions to the backward or lower castes in the form of a quota of government jobs and greater access to educational opportunities.

Educational and job “reservations” or quotas for lower castes have not eradicated the caste system but institutionalised it. The BJP has opposed the reservation system not from the standpoint of lifting the living standards and opportunities of all social layers, regardless of caste, but rather of demanding an end to “discrimination” against forward castes. The party seized upon the hill people of Uttaranchal as an example to “prove” its point—that poor, higher caste layers were losing out because of the reservation system.

The caste-based protests, connected with the BJP's Hindu extremist agenda, were transformed into a movement for a separate Hindu state. The borders have been deliberately drawn to include the lowland districts of Udham Singh Nagar and Hardwar—the latter contains important Hindu religious sites. The move has fuelled resentment and protests among “plains” people who fear they will be disadvantaged in the new state.

The situation in Uttaranchal only underscores the reactionary character of all these movements based on caste, religious, language and ethnic differences. The result is to set the working class and oppressed masses against one another—“plains people” against “hill people,” high caste poor against low caste poor, tribal people from Jharkhand against other Biharis—and to divert attention from the real source of the social crisis, which lies in the profit system itself.

Other new states are likely to follow Chhattisgarh, Jharkhand and Uttaranchal. Already there are demands for statehood for the resource-rich Vidarbha region in the state of Maharashtra on India's western coast. In its article, *Business India* nominated Rajasthan and West Bengal as other states that it considers large and inviable. However, by promoting the establishment of smaller and smaller states and fostering petty parochialism for its own short-term interests, the Indian ruling class is paving the way for a political and social disaster—the Balkanisation of the subcontinent and its descent into ethnic, caste and communal conflicts and wars.



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