Collapse of Balco strike opens way for further privatisation in India

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The collapse last month of a protracted strike against the privatisation of the Bharath Aluminium Company (Balco) is being hailed in the media and by big business as a green light for the Indian government to press ahead with the sell-off of major state-owned industries.

An agreement was signed on March 2 to sell Balco's largest plant at Korba, in the state of Chatisgarh, to the private corporation, Sterlite Industries. The 7,000 Korba workers, organised under the BBSAS (Joint Committee for the Defence of Balco), which included the Balco branch representatives of the seven major trade union federations in India, went on strike the following day, demanding that the privatisation be revoked.

Sixty-seven days later, on May 8, the BBSAS leadership abandoned opposition to the sale and pushed through a return to work. The workers were told that the privatisation would be settled through a petition to a regional court to be heard on July 17. The trade unions accepted a court-brokered agreement with the new Sterlite management that workers would be paid two months wages and that there would be no retrenchments or victimisations.

Within 48 hours, Sterlite reneged on the guarantee of no retrenchments, laying off 2,000 contract workers on May 10 on the grounds that their contracts had expired. The management then reinterpreted the pay agreement, declaring the two months pay was an advance on workers' future wages, not backpay for the duration of the strike.

The end of the Balco strike was greeted with jubilation by sections of Indian big business. The day after the strike ended, Sterlite's shares increased by 4.6 percent on the Bombay stock market.

The National Democratic Alliance (NDA) government is currently implementing a budget aimed at further opening up the once highly regulated Indian economy. Privatisation is a key component. During the next financial year, the government intends to raise 120 billion rupees (US$2.5 billion) from the sale of major state-owned assets. The sell-off of the Balco Korba plant for 5.5 billion rupees ($120 million) was the launching pad of this agenda and a test of the trade unions' response.

Sharekhan, an investor services company, assessed the outcome: “Balco was a test case between the forces of the new order and the rearguard action of the old order. The former triumphed... The workers failed to achieve their main goal to stall the privatisation of the company.”

It praised the government for being “firm” and “refusing to bow to pressure and having its way in the end.” Posing the question, “What does Balco teach us?” Sharekhan answered. “Balco taught that the fight has gone out of all unions... This success will now make the government bold enough to press ahead with the divestment of the state-owned overseas telecom service VSNL (Videsh Samchar Nigam), Air India, Indian Air Lines, and a host of other publicly owned companies on its agenda...”

The government is aware that the role of the trade union federations will be essential in pushing through this program. Two discussions have been held between Prime Minister A.B. Vajpayee, the Minister of Labour and the leaders of all the major trade union federations since the end of the Balco strike. The Labour Minister has stated they are steps towards regular consultation between the union leadership and the government.

Vajpayee's call for a consultation framework is based on an understanding of the trade union bureaucracies. During the past decade all have collaborated with administrations in Delhi as they have pushed forward with the free market economic deregulation demanded by institutions like the International Monetary Fund (IMF).

The discussions with the unions are explicitly based on privatisation continuing and new labour laws going ahead that permit retrenchments in companies with less than 1,000 workers to be carried out without government approval. Vajpayee had declared these measures to be indispensable for making Indian industry competitive and attracting foreign investment. He told the media: “There is no chance of turning back on the economic reforms... In the changing times, we have to stand in competition in the global market.”

Based on the Balco experience, the government has developed a strategy of privatising Public Sector Units (PSUs) in a piecemeal fashion, to avoid any large-scale resistance from the working class. An official of the Disinvestments Department, the specially established unit overseeing the privatisation program, said that it planned to sell companies with a small labour force first, such as VSNL with 3,000 workers. It will then sell larger companies such as Hindustan Zinc with 10,000 workers, Hindustan Copper with 11,000 and the National Aluminium Company with 6,500. He told the press that such a course of action “would help us to minimise opposition from unions to a large extent.”

For their part, the trade unions have made clear that opposition will be minimal in any case. Representatives of the Indian Trade Union Congress (INTUC), which is affiliated to the main opposition Congress party, have stated they are only against the privatisation of profit-making corporations and are calling only for adequate retrenchment pay to laid-off workers. A representative of the HMS (Hindu Mazdoor Sangh), an unaffiliated but pro-Congress union body, has declared that as the government was amenable to these conditions, consultations could proceed.

A white paper is to be presented in July on the privatisation of state corporations. Of the 48 companies controlled by the Department of Heavy Industry, 34 are believed to be making losses so their sale is expected to be unopposed by the main trade union bodies.

The trade unions led by the Communist Party of India-Marxist (CPI-M), having participated in the joint campaign committee at Balco throughout the strike, did not sign the final deal and were critical of the outcome. The CPI-M newspaper put the blame for the collapse of the strike on everyone and everything from the “weakening resistance” of the workers to the failures of the Supreme Court and the state government—the only exception being their fellow strike leaders who had drawn up and signed the agreement. While the CPI-M duly hailed “the heroic struggle of Balco workers” and insisted that “the struggle will continue,” its union leaders had no intention of continuing any campaign and joined the other union bureaucrats in consultations with the government.

Opposition to privatisation does exist among some layers of the Indian establishment who have benefited in the past from the state control of key industries. In the state of West Bengal, for example, which is ruled by a CPI-M led coalition, foreign and private companies have been encouraged to enter into joint ventures with state-owned industries rather than buying them outright. This has ensured a share of the profits still flows to state government.

All along the main thrust of the CPI-M's criticism of the Balco privatisation has not been the loss of jobs but the impact of “the policies of NDA government that are immensely harming the national interest.” While this nationalist demagogy in support of Indian capitalism is nothing new for the Stalinist CPI-M, it is now bringing them into alliance with extreme rightwing organisations. In its comment lamenting the outcome of the Balco strike, the CPI-M newspaper pointed with pride to the “unity” achieved in the April 25 “anti-globalisation” strike in Bombay—where the CPI-M unions worked hand in hand with the fascistic Shiv Sena party to denounce the government for selling out Indian interests.