

# India: Behind the rout of the Telugu Desam Party—a portrait of World Bank social engineering

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Last month's electoral rout of the Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) government brought into sharp relief the enormous gulf that separates India's ruling elite from the toiling masses. The BJP's claim that India is "shining" appealed to an elite gone giddy over a foreign investment and stock market boom. But for hundreds of millions of workers and small farmers, the "India shining" propaganda only served to underscore the government's callous indifference to their plight. That the electoral repudiation of the BJP and NDA was a rejection of the program of economic "liberalization"—privatization, deregulation and the dismantling of public and social services—that all Indian governments have pursued since 1991 was underscored by the devastating defeat suffered by the BJP's ally in the south Indian state of Andhra Pradesh (AP), the Telugu Desam Party (TDP).

The decade-old TDP state government in AP was long held up by the World Bank and the international business press as a model for all India. AP Chief Minister Chandrababu Naidu, who liked to refer to himself as the CEO for Andhra Pradesh, was hailed for having led the drive to make the state's largest city, Hyderabad, an IT (information technologies) hub.

But in last month's Lok Sabha election and a concurrent AP state election, the TDP and BJP suffered a debacle. Of the 42 seats allotted AP in India's lower house of parliament, the TDP won 5 and the BJP none. In the state election, the Congress, which was allied with the Left Front, won a landslide after mounting a campaign that made a calibrated appeal to popular discontent over unemployment and the lack of state support for agriculture—the economic sector that provides the majority of the state's population with their livelihood. What proved particularly popular, after years of electricity rate increases arising from a World Bank-inspired reorganization of the state's power industry, was a Congress promise to provide farmers with free electricity. The TDP won just 47 of the 294 seats in the Andhra Pradesh legislature, and the BJP two.

The high voter turnout provided a further indication of the popular character of the anti-TDP-BJP tide. More than 70 percent of the AP electorate voted in the Lok Sabha election, giving the state one of the highest voter participation rates in all India.

The TDP was one of a cluster of regional parties that came to play a major role in politics at the all-India level during the 1990s. Parties that explicitly identify with one of India's ethno-linguistic groups have long played a role in Indian politics, but only in the 1990s did they come to play a major role on the all-India stage. Two interconnected processes lie behind this change: the erosion of popular support for the Congress, the traditional ruling party of the Indian bourgeoisie; and the dismantling, beginning in 1991, of the nationally regulated economy that the Congress had set in place in the first two decades of independence.

Founded in 1983 by a former movie idol, the TDP protested against the

Congress central government's alleged indifference to the state's economic development and repeated interventions in the internal affairs of the state Congress party. Along with the Tamilnadu-based Dravida Munnetra Kazhagam (DMK) and Assam's Asom Gana Parishad (AGP), the TDP supported the short-lived National Front government of V.P. Singh, a Congress dissident in 1989-1990. But the TDP first gained a real share of power at the national level between 1996 and 1998, when it was one of the main constituents of the United Front government, a combination of regional and caste-based parties, which was supported and largely held together by the Communist Party of India (Marxist)-led Left Front.

The United Front government pressed forward with the economic "reforms" initiated in 1991 by the Congress government of Narasimha Rao, but nonetheless was hailed by the Stalinists as a "progressive, secular" bulwark against the Hindu supremacist BJP.

However, after the 1998 Lok Sabha elections, which saw the BJP again emerge as the largest party, the TDP—notwithstanding the secular label the Stalinists had bestowed upon it—cut a deal with the BJP. For fear of losing electoral support from Andhra Pradesh's substantial Muslim minority, the TDP publicly professed to be neutral between the NDA and its parliamentary opponents, but in practice it functioned as a close ally of the BJP and its NDA coalition. After the 1999 elections, the TDP dropped the claim to neutrality. Although it did not formally join the NDA, its 28 seats made the TDP the Hindu supremacist party's largest parliamentary ally, and it repeatedly sprang to the BJP-NDA's defence at times of crisis, such as following the 2002 BJP-fomented communal carnage in Gujarat.

The BJP-NDA rewarded the TDP state government of AP for this support by giving it essentially carte blanche in its pursuit of foreign investment and close relations with the World Bank.

In an earlier period, India's regional parties were associated with the attempts of various regional elites to pressure the Congress central government to allocate greater resources to their state. Over the past decade, by contrast, the growing importance of regional parties has been associated with the increasing rivalry among the states and the various regional elites in the race to attract foreign investment and the direct courting of foreign capital.

The TDP and similar formations like the DMK and AIADMK have been in the forefront of a wholesale reorientation of state policy. The shift has been from directing economic development, on behalf of the native bourgeoisie, to acting as a facilitator for private investments, especially foreign capital, through privatization, deregulation, new restrictions on worker rights, corporate tax breaks, financing highways and other infrastructure projects through cuts to public and social services, and providing public funds to augment private capital.

To free up funds to facilitate foreign investment, especially in the

information technologies and business processing sectors, state policy in respect to agriculture has gone through a similar reorientation: from support of farming interests through irrigation projects and free electricity to outright neglect, the end result of which has been both an increase in peasant militancy and suicides.

None embraced this new paradigm with more enthusiasm than the two-term chief minister and leader of the TDP, Chandrababu Naidu. The sweeping social engineering implemented by this simple-minded ideologue at the direction of the World Bank and foreign consultants not only has resulted in horrendous suffering but has also left the state treasury saddled with huge foreign and domestic debts. According to the Indian Planning Commission, these amounted to \$11 billion by 2001 with an annual interest payment of more than \$1 billion.

In order to develop “first-rate” infrastructure to support computer, telecommunications and industrial development, the TDP government slashed public services and borrowed huge funds from the World Bank and the British government’s Department for International Development (DFID).

A report issued by the World Bank, entitled *Andhra Pradesh: Agenda for Economic Reforms*, became the blueprint for the new economic policy. The implementation of these policies envisaged 80 percent of the funds to be obtained from foreign sources. The world Bank and DFID assumed the role of overseer of state policy.

The World Bank and DFID urged the selling off of state-financed public sector enterprises (PSEs) to private investors. These PSEs had long played a crucial socioeconomic role in the state by providing employment, free medical care to their employees’ families, and lower-priced consumables in sectors such as dairy, transportation and electricity. The “reforms” also required elimination of all subsidies to agriculture, on which three quarters of the state’s 75 million people depend for their livelihood.

The World Bank was well aware that the implementation of such policy would have disastrous consequences in rural areas where most were destitute marginal farmers and seasonal laborers. Nevertheless, it insisted on enforcing this barbarous agenda on a stringent and accelerated schedule.

Both the World Bank and DFID directed Naidu to form a new agency called the Implementation Secretariat (IS) as a way to bypass the state parliament. The staff of the IS were mainly expatriate British consultants from a right-wing British think tank, the Adam Smith Institute.

The IS, with the connivance of the Naidu government, resorted to wholesale looting of public enterprises by selling them off at bargain prices. Thousands of workers were laid off through the “Voluntary” Retirement Scheme (VRS) for which the World Bank granted \$26 million covering 70 percent of the estimated cost, with the remaining 30 percent coming from the state.

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The power-sector reform—which involved splitting the integrated state-owned APEB (Andhra Pradesh Electricity Board) into separate generation, transmission and distribution companies with generation open to private competition—resulted in a massive increase in electricity rates, provoking a huge backlash that culminated in bloody demonstrations. The agitation from June to August 2000 alarmed both the World Bank and the Naidu government. Mainly led by the Stalinist parties, the protests forced the government to institute a small rollback in rates and postpone further hikes.

Based on the World Bank report, the TDP government issued its own report, entitled *Vision 2020*, which served as a blueprint for the “Vision” statement that the BJP issued during the recent election campaign. The TDP documents set a goal of transforming AP from a mainly agricultural state to a developed economy like Singapore by 2020. Information technology, biotechnology and other knowledge-based industries were to

play a central role in this transformation. According to the TDP plan, its achievement would require sustained investment totaling \$750 billion over a 20-year period—an amount several times greater than the total FDI inflow into all of India during the past decade.

Agriculture was to be transformed by mechanization, with smaller farms consolidated and contracted out to private corporations and farmers pressured into giving up their land to agribusinesses. Private corporations would then supply seeds and other inputs, to be “repaid” by the farmer over a specified period. The produce itself would be owned by the corporation and the farmer paid a wage for his labor, thereby transforming him into an agricultural laborer.

The report further stated that the farmers should be made dependent on commercial seeds—thus enriching transnational seed companies—replacing the current practice of saving seeds from the previous harvest.

The agricultural policies implemented by the Naidu government had severe consequences with hundreds of debt-ridden farmers committing suicide. With the closure of rural banks, many farmers have been driven to borrowing from private moneylenders with usurious interest rates of 5 percent per month. Farmer suicides, previously rare, have become a common occurrence across much of India as a direct result of both state policy and the NDA government’s economic “reforms”.

The reforms have also devastated the traditional handloom industry, which had long provided employment to large numbers of worker-artisans. The distress has been so great that hundreds have committed suicide. The weavers, who previously relied upon the state government for marketing and modernization, have been unable to compete with more modern power looms. In 1998, the Andhra Pradesh State Handloom Cooperative Society, which had provided marketing support and loans to the state’s weavers, effectively collapsed, with the TDP government choosing not to intervene.

Under Naidu, the AP government has built technology parks in direct competition with Bangalore, the “Silicon Valley” of India, and has transformed Hyderabad into an IT magnet—so much so that it is now dubbed “Cyberabad.” For his obedient role as the regional satrap of the World Bank, Naidu was hailed as a great reformer by the international financial community and was rewarded with a personal visit from former President Bill Clinton and Microsoft Chairman Bill Gates.

Despite Naidu’s obedient role, the liberalization policy can hardly be claimed as a success even by traditional capitalist measures such as growth rates and volume of FDI. According to a study by the Centre for Economic and Social Studies (CESS), AP’s 5.31 percent annual growth rate between 1993-1994 and 2000-2001 was below the national average of 6.31 percent. When compared with the pre-liberalization period of 1980-1981 to 1990-1991, the growth rate of the gross state domestic product (GSDP) has actually declined, falling from 5.50 percent to 5.31 percent.

According to the Confederation of Indian Industries (CII), in terms of FDI, AP ranks eighth behind such states as Maharashtra, Delhi, Tamilnadu, Karnataka, and Gujarat. From 1991 to 2002, while Maharashtra was the leading destination with a 17.32 percent share of all FDI, Andhra Pradesh attracted a mere 4.65 percent, with most of it confined to the IT sector.

The devastating defeat of the TDP and BJP in the recent state and Lok-Sabha elections in Andhra Pradesh makes palpable the deep hostility of the masses to neo-liberal economic policies. These policies, which are an undisguised assault on workers and farmers, can only be opposed by Indian workers based on a socialist program that links the struggles of India’s toiling masses with an independent worldwide movement of the working class against capitalism.





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