

# India: government program gives assurances to big business

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The new Indian government of Prime Minister Manmohan Singh released its Common Minimum Program (CMP) late last month, aimed at further reassuring local and international capital of that its interests will be guaranteed over the next five years. The ruling United Progressive Alliance (UPA) offers an “abiding commitment to economic reforms,” adding that they should be applied “with a human face”.

Singh came to power last month at the head of a Congress Party-led coalition, which includes a number of smaller regionally-based parties, after the surprise defeat of the previous government led by the Hindu supremacist Bharatiya Janatha Party (BJP). Central to the BJP’s defeat was the hostility of the urban and rural poor to the devastating impact of the economic reform measures on their living standards.

Despite Congress’s efforts throughout the campaign to assure big business, Indian stocks fell precipitously on news of the election result. Congress leader Sonya Gandhi rapidly stood aside in favour of Singh, who as finance minister in the early 1990s, was responsible for opening up India to foreign capital. While share prices rebounded, the Singh government is well aware that it must satisfy the demands of big business for further economic restructuring.

The Common Minimum Program sums up the basic dilemma confronting the government and the ruling class as a whole: how to implement through parliament an agenda that is inimical to the interests of the vast majority of the population. The program seeks to disguise its assurances to big business with a series of empty pledges and promises designed to placate the masses. To perpetrate this fraud and to prop up his minority government, Singh will crucially rely on the Left Front, led by the Communist Party of India-Marxist (CPI-M). Even though the Left Front is not formally part of the ruling coalition, the Common Minimum Program was only finalised after negotiations with it.

The structure of the document betrays its purpose. It is full of grand statements and fine sounding but vague promises to assist working people and the poor. Its “six basic principles” include, that “each family is assured of a safe and viable livelihood”, “to enhance the welfare and well-being of farmers, farm labour and workers” and to provide equality for women, the oppressed castes and religious minorities.

The program also has lengthy sections on everything from employment to education and health. But even the limited promises underscore the immensity of the social crisis facing the masses. The UPA promises to guarantee “at least 100 days of employment... every year at minimum wages for at least one able-bodied person in every rural, urban poor and lower-middle class household”.

Even if such a pledge were to be implemented it would only begin to address the chronic poverty resulting from widespread unemployment and underemployment in rural areas, where the majority of India’s population lives. Economic reforms have cut agricultural subsidies and other forms of assistance to small farmers, placing many in a dire financial situation and leading to a spate of suicides.

Similarly, the program pledges the “fullest implementation of minimum wage laws for farm labour” and to “strive for the elimination of child labour”. In other words, many farm labourers fail to receive even the bare legal minimum in wages and child labour is rampant. The new government will “strive” to change this appalling situation, but offers no guarantees.

In reality, the UPA partners, along with the Left Front and the Stalinist CPI-M, are all well aware that few, if any, of the promises can be kept. Their program is self-contradictory. While promising to significantly increase outlays on education, health care, agriculture and infrastructure, such as ports and highways, the document declares that within 90 days it will outline a plan to eliminate the shortfall between government revenue and expenditure by 2009.

Currently the federal budget deficit stands at around \$25 billion, or 4.8 percent of GDP. The only way to slash the deficit is to increase taxes, direct or indirect; sell state-owned assets and enterprises; make even deeper cuts into existing government spending, including on essential services such as health, education and welfare.

The key sections of the Common Minimum Program are buried toward the end of the document, where economic policy is outlined.

Over the past decade, levels of foreign direct investment have risen markedly as corporations have increasingly sought to exploit India’s cheap educated labour, particularly in areas related to IT services, transforming India into what is hailed as

“the office of the world”. But as big business and the Singh government recognise, any halt or even slowdown in investment would have severe consequences for the Indian economy.

The new administration’s policies are thus tailored to meet the demands of foreign investors for further economic restructuring. As the program states: “The UPA will take all necessary steps to revive industrial growth and put it on a robust footing through a range of policies, including deregulation, where necessary incentives to boost private investment will be introduced.”

It declares: “FDI [Foreign Direct Investment] will continue to be encouraged and actively sought, particularly in areas of infrastructure, high technology and exports and where local assets and employment are created on a significant scale... The country needs and can easily absorb at least two to three times the present level of FDI inflows.”

In the financial sector, the new government hints at the deregulation that has been long demanded by local and foreign investors. “Competition in the financial sector will be expanded. Public banks will be given full managerial autonomy.”

On another key issue, such as changes to the country’s labour laws, the program proceeds cautiously. Proposed changes under the BJP government to widen the ability of companies to hire and fire at will provoked widespread opposition among workers. “The UPA rejects the idea of automatic hire and fire, it recognises that some changes in labour laws may be required,” the program states.

To impose the changes and suppress opposition, the Singh government intends to use the services of the trade unions, particularly those dominated by the Left Front. “The UPA will pursue a dialogue with industry and trade unions on this issue before coming up with specific proposals,” the program declares. It foreshadows a series of “tripartite consultations” between government, industry and the trade unions and calls for “labour-management relations... marked by consultations, cooperation and consensus, not confrontation”.

Similarly, on the issue of privatisation, the new government has phrased its program cautiously—in part to forestall opposition to the inevitable loss of jobs and conditions, but also because sections of big business are concerned to ensure key industries remain in Indian hands. The “navarathna [most precious gems] companies”—a reference to nine major public sector corporations—will remain under state ownership.

At the same time, however, state-owned companies and banks will be “encouraged to enter the capital market,” will be able to sell stock to private investors and will be given full autonomy to operate as profit-making enterprises. In other words, these public sector corporations will be guided not by social need but by the dictates of the capitalist market and profit. As in other countries, the inevitable consequence of such “corporatisations” will be downsizing, the erosion of working

conditions and eventual full privatisation.

Big business generally reacted favourably to the program. Vincent Duhamel, chief executive officer of Hong Kong-based State Street Global Advisors, told the media: “The CMP contains nothing that was not expected and there is no surprise here.” According to *Asia Times*, “Indian stockbrokers and business leaders have termed the CMP as ‘encouraging’ and ‘not so harmful’.”

An editorial in the British-based *Financial Times* noted that the Common Minimum Program was a “hodgepodge” that made some concessions to left-wing parties. “The plan, however, contains no nasty surprises for investors, or at least none that were not flagged several days in advance. And the program is not quite as alarming as it might first appear to economic liberals.”

The newspaper went on to point out that the concessions were largely symbolic. “Take privatisation. The ban on privatising profitable enterprises is explicit, but Mr Singh, was equally explicit yesterday in saying that minority stakes in such companies could be sold... Abolishing the ministry responsible for privatisation, and replacing it with a Disinvestment Department in the Finance Ministry, is a rhetorical gesture to placate the left, not a practical step to end the sale of state assets.”

None of this has stopped the CPI-M from enthusiastically supporting the Singh government. CPI-M spokesman Sitaram Yechuri stated: “We are satisfied by the final CMP... If it [the CMP] is implemented in its present form, I see no reason why this government shouldn’t last for five years.” The Left Front and the CPI-M have refused to take posts in the cabinet. But the CPI-M has accepted the post of parliamentary speaker, helped give the populist gloss to the Common Minimum Program and has proposed the establishment of “a coordination committee” to oversee its implementation.

The Left Front and CPI-M are positioning themselves as the political safety valve for the inevitable opposition that will develop to the Singh government as it is compelled by market dictates to dump its limited promises to working people and the poor, and accelerate the program of economic restructuring.



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