

# World Bank President Wolfowitz pledges \$9 billion in loans to India

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During an official visit to India last month, Paul Wolfowitz, the World Bank (WB) president and former US deputy-secretary of defense, strongly endorsed the neo-liberal “reforms” pursued by Indian governments of all political stripes since 1991. To further entrench this strategic shift, he committed the bank to providing India with \$9 billion in loans—\$3 billion annually for the next three years.

Wolfowitz, who gained notoriety as one of the principal organizers of the US’s illegal invasion and occupation of Iraq, was rewarded by President George W. Bush with the presidency of the World Bank earlier this year. His visit to India was part of a South Asia tour that also took him to Pakistan and Bangladesh.

The World Bank loans will ostensibly be used to improve India’s scanty rural infrastructure—irrigation, drinking water, sanitation, roads, electrification, telecommunications and housing—and, under the WB’s policy of promoting “public-private” partnerships, will be directly available to private corporations, including transnationals that specialize in water systems and hydro-power.

Fittingly, Wolfowitz began his visit to India by flying directly to Andhra Pradesh, a south Indian state that has for all intents and purposes become a de-facto colony of the World Bank. During the 1990s, the bank pushed large loans on the state so as to render it dependent on outside financial support. Andhra Pradesh’s crushing debt burden now consumes close to 40 percent of its budget.

Wolfowitz visited parts of rural Andhra Pradesh so he could see firsthand the work being done by the Self-Help Groups (SHGs) that the state government and the bank have heavily promoted. Under this scheme, poor people in rural areas, especially women, are organized into groups charged with creating solutions to fundamental social problems, such as poverty and lack of medical care, through “self-help” and by developing entrepreneurial projects financed through “micro-credit.”

The SHGs are part of a disastrous experiment in social engineering, dubbed “Vision 2020,” that was hatched by a cabal of free-market ideologues from the UK-based Adam Smith Institute, the WB, and McKinsey and Co., a global management consultancy company, in partnership with the government of the former state chief minister, Chandrababu Naidu. Naidu’s disastrous nine-year reign came to an end in May 2004 when he and his Telegu Desam party were swept from power by an angry rural electorate.

With the encouragement of the WB, the SHGs have now spread to many other parts of India. In Andhra Pradesh, they have become the state’s primary vehicle for alleviating widespread rural socioeconomic distress.

Whereas previously the Andhra Pradesh government provided some meager aid in kind, such as seeds and food for rural toilers, the WB

and foreign governments have insisted that such support be ended and replaced by aid in the form of cash and credit. These serve to further the spread of cash-market relations in the countryside and place poor and marginal farmers at the mercy of moneylenders and rich landowners.

Unsurprisingly, Wolfowitz termed what he saw “remarkable” and urged that the SHG experiment be duplicated in Africa and other deprived areas of the world as a means of poverty reduction.

Subsequently, he flew to the capital New Delhi where he met with Prime Minister Manmohan Singh, who originally gained fame as the architect of India’s 1991 “economic reforms,” Finance Minister P. Chidambaram, a neo-liberal soulmate of Singh, and India’s Planning Commission chairman, Montek Singh Ahluwalia.

Speaking to newsmen on August 21, Wolfowitz gushed that “the dynamism shown by India in the last 15 years is phenomenal.” But this praise was only meant to bolster his demand—and that of Indian big business and foreign capital—that the United Progressive Alliance Union government and India’s state governments press forward with the neo-liberal program of deregulation, privatization, tax cuts, the gutting of all restrictions on the laying off of workers and closure of plants, and the slashing of “non-productive” social expenditure (e.g., income and price support programs.)

“India,” lectured Wolfowitz, “can do better.... A couple of percentage [points] more [in annual economic] growth can be possible. But it needs sound fiscal and monetary policies. India has seen 6-7 percent average growth. It has to keep up the efforts.”

Wolfowitz went on to emphasize that “India’s incredible growth story was a policy model to the world. It showed continued development in democracy and open society.”

In focusing on infrastructure improvement, the chief aim of the WB and the Indian ruling elite is not to enhance the living conditions of the rural toiling masses. After all, infrastructure has been effectively nonexistent in rural areas for over half a century since India gained independence. The focus on rural infrastructure is driven by the importance of agriculture, upon which two-thirds of all Indians are dependent for their livelihood, to India’s overall economic development and by fears of the political impact of mounting rural discontent.

While Wolfowitz toasts India’s supposed success, it is all but universally conceded that the May 2004 general elections were a massive popular repudiation of the neo-liberal reforms, with India’s impoverished rural and urban masses massively voting against the Bharatiya Janata Party-led ruling coalition and its mantra of “India Shining.”

India’s agricultural sector represents about a third of the country’s

total Gross Domestic Product (GDP). But while the service sector and industry have experienced growth rates of over 8 percent in recent years, agriculture has been mired in crisis. For the period from 1996 to 2005, the annual agricultural growth rate fell to 1.1 percent from an average annual growth rate of 3.2 percent during the 1980-96 period. The 1.1 growth rate was barely a quarter of the 4 percent agricultural growth target that the government had set for the 10-year period of 1996-2005.

The lack of rural infrastructure is a serious impediment to improving agricultural growth and in particular to the development of agribusinesses producing for the world market.

The fact that Wolfowitz made his first major foreign tour as the head of the WB to South Asia indicates the importance the bank attaches to this region.

While claiming a mission of poverty alleviation, the bank has systematically aggravated social conditions in countries throughout Asia, Africa and Latin America by tying financial assistance to the imposition of neo-liberal policies that involve the dismantling of social and public services and the opening of domestic markets to the transnationals. In particular, the bank has been instrumental in pushing for the privatization of water-supply, electricity and other crucial public services.

India is the largest “customer” of the WB with cumulative borrowing of \$60 billion since 1949. The country’s total external debt now amounts to \$120 billion. With debt repayment and military expenditure consuming 60 percent of the annual budget, this leaves precious little resources for pressing social needs.

The Indian government has estimated the cost of infrastructure improvement over the next seven years at \$100 billion or more. It is a foregone conclusion that the Indian elite will be unable to muster even a small fraction of such funds without turning to foreign capital.

Powerful sections of Indian big business see this need for foreign loans, and the consequent compulsion of satisfying lenders who share their vision of transforming India into a low-wage haven for international capital, as a mechanism for overcoming popular resistance to neo-liberal policies.

Institutions like the World Bank and Asian Development Bank (ADB) already exercise enormous influence over government policies. The WB’s Indian section maintains a large staff of 145 persons in New Delhi who follow the country’s political development in great detail in order to intervene effectively on the side of free-market policies.

The bank also realizes that the miserable state of the Indian infrastructure is one of the main bottlenecks to enhancing the country’s attractiveness to Western capital.

The WB’s policy prescriptions inevitably involve the use of highly-paid private consultants who then dictate the privatization of public services such as water supply, electricity and transport. These consultants effectively overrule state governments, reducing the elected officials to the role of regional satraps of the bank.

The incompetence of the Indian ruling elite to solve even elementary problems is glaringly highlighted by their inability to reliably supply clean water to the nation’s capital. A water crisis in New Delhi, has allowed the WB to intervene, with the approval of the Indian government, and begin privatizing the Delhi Jal (water) Board. This has already resulted in substantial increases in water rates.

In New Delhi, Wolfowitz was met by demonstrators who denounced WB policies in India, saying they have led directly to water scarcity. They charged that WB-supported projects, such as the building of

large dams and deep-drilling of tube-wells, have caused aquifers to run dry, thus aggravating the water crisis.

With the scrapping in 1991 of the Indian bourgeoisie’s state-led national economic development strategy there has been a noticeable devolution of power from the central government to regional state-elites, who compete with each other for external loans and foreign capital. The WB has taken advantage of this phenomenon and has played a central role in dictating social policies to the states.

The most potent example of this is in the state of Andhra Pradesh under the previous chief minister Chandrababu Naidu. Under Naidu, the AP government willingly adopted India’s first state-level World Bank Economic Reform Programme (APERP) in 1997. Naidu was hailed by both the International and local English-language press as a modernizer who wanted to convert this poor and backward state, with dilapidated infrastructure, into another “Singapore.”

Almost a decade of implementing WB directed policies in the state has resulted in a transfer of state assets such as electricity infrastructure to private capital without any social benefit. The effect of cuts in social programs has been devastating in the rural areas of Andhra Pradesh. Millions of farmers have been pushed over the edge, forcing them into unmanageable indebtedness. Farmers suicides, previously either unheard of or rare, now number in the thousands each year and have become a fixture of social reality.

While the Stalinist Communist Party of India (CPI) and the Communist Party of India, Marxist (CPI-M) denounced Wolfowitz’s visit to India, they accept that the WB loans are necessary, choosing to ignore that these are always tied to strict policy prescriptions. The hypocrisy of these moribund parties was glaringly illustrated when the CPI secretary Bardhan said that bank’s “arm-twisting” of the Delhi water board “has gone much beyond” the arm-twisting “permissible under the conditions of the loan.”

Fourteen years of privatization, deregulation and budget cuts in India have resulted in a huge increase in inequality, unemployment and economic insecurity. The architect of the Iraq war now aims to use the other stock-weapon of imperialism, credit, to wreak social havoc on India in the interests of US and world capital.



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