

India: UPA government forced to put disinvestment plans on hold

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India's United Progressive Alliance (UPA) government announced the temporary suspension of its disinvestment/privatisation programme last Thursday, after a member of the Congress Party-led coalition threatened to quit the government if it proceeded with the sale of a 10 percent interest in the Neyveli Lignite Corporation (NLC).

The threat from the Tamilnadu-based Dravida Munnetra Kazhagam (DMK) was made in the third day of an indefinite strike by 19,000 NLC workers. The strike had forced the NLC to halt its lignite mining operations and to almost halve its power generation.

The NLC, India's largest lignite mining and lignite power-generating company, is an important supplier of electricity to Tamilnadu and the three other south Indian states, Kerala, Karnataka, and Andhra Pradesh.

Tamilnadu Chief Minister and DMK President M. Karunanidhi told the press, "When the Union Government is not in a position to accept the demand of the workers, the DMK is thinking whether to continue in the Union Government and be a party to the decision of the Union Government. I have instructed our Union Ministers to inform this stand to the Prime Minister."

Taken aback by Karunanidhi's announcement, Indian Prime Minister Manmohan Singh held hurried consultations with Congress Party President Sonia Gandhi and two key Congress cabinet ministers—Finance Minister P. Chidambaram and Defence Minister Pranab Mukherjee—before instructing his media advisor to issue the following statement:

"There have been representations from some of the constituents and allies of the United Progressive Alliance about the process of disinvestment in some public sector enterprises. Taking into account their concerns, the Prime Minister decided to keep all disinvestment decisions and proposals on hold, pending further review."

Singh and other Congress leaders have subsequently been at pains to insist that the "review" of the government's disinvestment programme in no way constitutes a retreat from either their commitment to implementing further neo-liberal economic reforms or to the partial or complete sell-off of many of the country's public sector companies, including profitable ones such as NLC.

According to the *Hindu*, "sources close to Sonia Gandhi" said she wanted it known that the Congress's plans to improve education, public health care and rural employment opportunities could be realised "only in the context of faster growth and

increased resource mobilisation" (i.e., disinvestment revenue).

Planning Commission Deputy Chairman Motek Singh Ahluwalia said Friday, "The reform agenda is very, very wide ranging. Quite frankly I do not think that [the prime minister's] statement would prevent moving on a wide range of things which are absolutely crucial."

Singh's press advisor has dismissed as baseless and utter nonsense press reports that his boss offered to resign over the disinvestment controversy.

Karunanidhi has tried to claim that the DMK never approved of the government's plan to sell off a 10 percent stake in the NLC. But the UPA cabinet, which includes six DMK ministers, sanctioned the sale at its June 22 meeting, and the DMK as a partner of the UPA and a member of the previous Bharatiya Janata Party (BJP)-led coalition has supported a raft of disinvestment-privatisation decisions.

Only after the NLC strike had erupted, forcing significant power cuts, did the DMK leadership publicly oppose the disinvestment scheme, let alone threaten to quit the government.

According to press reports, the NLC strike enjoyed strong support from the entire population of Neyveli, which lies 400 km south of Chennai. Contract employees joined the strike, and shopkeepers and small traders staged a *bandh* (business shutdown). A government offer to give the NLC workers stock in the company was angrily rejected by the strikers.

In preparation for a possible attempt to break the strike by declaring it illegal, the DMK government deployed large numbers of police to Neyveli. Three thousand police from a dozen Tamilnadu districts were sent to the Neyveli area, as well as 1,500 members of the Central Industrial Security Police Force.

But ultimately, the DMK leadership decided that an all-out confrontation with the NLC strikers was too politically dangerous at this juncture. In elections in May, the DMK, succeeded in unseating its archrival, the AIADMK, as Tamilnadu's government after mounting a campaign replete with populist promises. But its support fell far short of expectations and it failed to win a parliamentary majority. Further complicating matters for Karunanidhi, the DMK-allied union at the NLC had been compelled to support the anti-disinvestment strike.

The Congress, meanwhile, feared the defection of the DMK would render it even more politically dependent on the Communist Party of India (Marxist) (CPI [M]) and its Left Front. (The UPA survives in office only because of the Left Front's parliamentary

support.)

The DMK only asked for the UPA to suspend the NLC disinvestment, but the Congress-leadership deemed it wise to suspend the entire disinvestment programme, which is supposed to raise some 10,000 crore rupees (\$2.2 billion)—money that the government badly needs to meet its revenue projections.

The Congress leaders calculated that reversal of the NLC disinvestment decision would only stiffen the resolve of other workers to oppose the government's disinvestment and privatisation plans. The 5,000 workers at the National Aluminum Company (Nalco) plant in Angul, Orissa, had begun an indefinite anti-privatisation strike June 23, and employees of the National Mineral Corporation were set to begin an agitation on July 7 against the disinvestment of 15 percent ownership in the company.

Second, by placing the entire disinvestment programme on hold, the Congress leaders hope to force their UPA allies to recognise that they cannot dissent from unpopular measures affecting their states without threatening the government's entire agenda.

In the coming weeks and months, Singh and the other top Congress leaders plan to extract a firmer commitment from the DMK and other UPA allies of their support for its disinvestment-privatisation programme.

Said Congress spokesman Abhishek Singhi, "Till this exercise of give and take is complete in depth, things [disinvestment] have been put on temporary hold. There is no doubt a holistic and constructive solution will emerge after a proposed discussion in the near future."

The unions seized on the UPA's decision to temporarily suspend its disinvestment-privatisation programme to order an immediate end to the various anti-disinvestment strikes.

The CPI (M), for its part, has heaped praise on the DMK, claiming that its about-face on the proposed NLC share sell-off constituted a forthright stand against disinvestment and one that has transformed the disinvestment of profit-making public sector units into a "national issue."

Having defused the political threat constituted by the NLC strike and the popular opposition to the NCL share sale, Karunanidhi is now claiming that he never threatened to bring down the UPA. Rather, he says he simply warned his party would have to consider its place in the cabinet if the government persisted with the NLC share sell-off.

Indian big business has expressed frustration, if not exasperation, with the government's decision to suspend, if only temporarily, its disinvestment-privatisation programme. On Thursday and Friday, the value of Bombay Stock Exchange stocks, especially those constituting its Public Sector Unit index, fell sharply.

The corporate media took both the DMK and Congress Party leadership to task for the disinvestment retreat. "[T]he government's decision to put the disinvestment process on hold has made it look weak and vacillating within the country and abroad," complained the *Hindustan Times*. The government "appears to be buffeted by the whims of its allies, who, in turn, are unburdened by any principle, ideological or otherwise."

Several of the editorials drew a contrast between the actions of the DMK and the Left Front, which routinely denounces the government for its "anti-people" socio-economic programme and

for aligning India with the Bush administration, yet has never threatened to bring down the UPA government. "There is a major difference," declared the *Deccan Chronicle*, "between the perception of the Left parties and regional organisations like the DMK, as the former have decided to bark, while the Tamil Nadu party has demonstrated its willingness to bite if an issue affecting its base is involved."

The UPA's decision to place its disinvestment-privatisation programme on hold exemplifies the fragility of the Congress-led government. Elected two years ago on the basis of a calibrated appeal to popular opposition to poverty and economic insecurity, the UPA has pursued neo-liberal policies no different from those implemented by the BJP in the face of repeated worker and popular protests, including growing anger over recent oil and food price prices.

Playing a crucial role in the government's survival and the realisation of corporate India's ambitions to make India a major site of cheap-labor services and manufacturing are the Stalinists of the CPI (M) and their Left Front. While sustaining the UPA in power through their parliamentary votes, the Stalinists systematically work to divert the mass opposition to the neo-liberal agenda of Indian capital into limited strikes and protests aimed at pressuring the Congress, the traditional ruling party of the Indian bourgeoisie, to implement the Common Minimum Programme—the ostensible programme of the UPA and a document based on the fiction that it is possible to pursue neo-liberal reform with a "human face."

Following the recent crisis in the UPA, CPI (M) elder statesman and Politburo member Jyoti Basu rushed to reiterate the Stalinists' intention to sustain the Congress-led UPA in office for a full five-year term. "We want this government to continue," said Basu last Friday. "We do not want to bring it down."



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