India’s prime minister pledges to accelerate neo-liberal ”reform”

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Within hours of the Congress Party-led United Progressive Alliance (UPA) government reviving Indira Gandhi’s populist cry of “Garibi Hatao” (Banish or Eliminate Poverty) as its main slogan, Prime Minister Manmohan Singh and other leading government figures were pledging before big business audiences that the UPA will accelerate the implementation of neo-liberal reforms.

Initiated in 1991, these reforms—privatization, cuts to social and public services, the dismantling of agricultural price supports, deregulation, and tariff and corporate tax cuts—have resulted in a dramatic growth in unemployment, economic insecurity and social inequality. While India’s business elite celebrates a foreign investment and stock market boom and the emergence of Indian-based transnationals, hundreds of millions of Indians struggle to survive on less than a dollar per day. The deplorable state of basic public services is exemplified by the fact that Indian state expenditure on education represents less than 3 percent of the country’s GDP and on healthcare less than 1 percent.

On the same day as the UPA’s “Garibi Hatao” announcement, Singh and other ministers flew to Bombay to inaugurate an ambitious business-oriented 115 billion rupees ($2.5 billion) Mumbai (Bombay)-Delhi Dedicated Freight Corridor (DFC) project. This is part of a plan by the Indian ruling elite to create dedicated freight railway lines to move goods between the country’s major metropolitan areas. It is scheduled to be completed within the next five years.

According to Manmohan Singh, the DFC is “the single biggest project being taken up by the railways” since independence in 1947. The resources made available and the urgency shown by the UPA government for such projects that cater to corporate interests have not been extended to eliminating the atrocious living conditions of India’s poor.

In his speech Singh warned that poor infrastructure will harm the nation’s growth and said the government’s priority is to invest in ports, airports, roads and railways. He did not even mention poverty elimination as a government priority.

Singh promised 35 billion rupees or about $775 million for a number of large infrastructure projects in Mumbai, India’s most important financial center. Summing up his promises to Mumbai’s business elite, Singh said, “Everything put together, this implies investment on a massive scale in the infrastructure of Mumbai. Once completed, Mumbai will have much better transport, communication and sewerage facilities.’’

To realize this vision, Singh called for “freeing” public land currently occupied by shanty-town dwellers for “development”: “I have asked the Centre and the state government to evolve a programme for welfare and rehabilitation of slum dwellers so that public land can be freed.” While Singh made precise announcements of the money his government is committing to the infrastructure projects desired by business, he affixed no rupee amount to his “rehabilitation” promise.

One reason for this is that Mumbai municipal authorities have already launched their own program to “free” public lands. During the past year, municipal employees and security forces have demolished slums in the middle of night using bulldozers and terrorizing and uprooting tens of thousands of people.

Three days later in an address to a “building infrastructure” conference, Singh said his government will finalize in the “coming weeks and months” a framework for public-private infrastructure partnerships. This framework, said Singh, will include “assured returns to investors even while protecting consumer interests.”

Singh contended that it will be difficult to attain the government’s goal of boosting economic growth from the current 8 to 9 percent per annum to 10 percent unless $320 billion is invested in public infrastructure over the next five years.

Since “public resources available for investment in physical infrastructure will be limited ... it is imperative,” declared Singh, “that we explore avenues to increase investment in infrastructure through a combination of public investment, public-private partnerships (PPPs) and exclusive private investments, wherever feasible.”

The UPA government has been constantly revising upwards its estimates of the sums needed to modernize India’s physical infrastructure. Singh’s current projection is more than double the sum the government said was needed less than 12 months ago.

By invoking such large amounts, which are clearly far beyond the financial capability of the Indian capitalist state, Singh is preparing the political groundwork for justifying new measures to court private capital through tax cuts and other incentives and for justifying cuts in “non-productive” public expenditure, that is income-support programs.

Indian big business supports rapid infrastructure development not only because it will facilitate the exploitation of India’s natural and human resources. It views infrastructure PPPs and their “assured returns” as crucial to its efforts to enter into partnerships with foreign firms and to gaining the capitalization and leverage to compete in the world arena.

But Manmohan Singh's most significant interaction with India's business elite came on Friday, October 6, just two days after his government had sought to burnish its badly tattered image as a protagonist of the poor, when he attended a business awards dinner. Hosted by the *Economic Times*, the dinner was cast as a celebration of 15 years of economic reform.

Joining Singh at the Mumbai festivities were Finance Minister P. Chidambaram, Deputy Chairman of the Planning Commission Montek Singh Ahluwalia, the governor of Reserve Bank of India (RBI), Y.V. Reddy, and the chairman of the prime minister's Economic Advisory Council, C. Rangarajan.

In addition to being pivotal figures in the current government, Singh and the other four, held—as the *Economic Times* underlined by dubbing them the "sultans of reform"—key posts in the Narasimha Rao Congress government, which in 1991 launched the drive to dismantle India's nationally regulated economy.

The *Economic Times'* annual "Awards for Corporate Excellence 2006" ceremony acts as a get-together of India's economic and political elite. This year it was attended by over 900 corporate CEOs, investment bankers, and heads of marketing companies. One newspaper report claimed that those in audience own or lead corporations representing 90 percent of India's GDP. While this claim is no doubt a considerable exaggeration, it nevertheless points to the enormous social polarization in contemporary India.

To the delight of the business leaders, Singh used a 20-minute address and a subsequent question and answer session to underline his personal commitment and that of his government to further reforms, including labor reform (that is, the gutting of restrictions on layoffs and plant closures), greater private and foreign participation in the financial sector, full rupee convertibility, and Special Economic Zones (SEZ).

Singh even paid homage to the *Economic Times*, the business newspaper of India's largest press empire. "I must place on record," said India's prime minister, "the unwavering commitment of the *Economic Times* to economic liberalization and reform. In those early years, the *Economic Times* stood by us, supported us and guided us."

Asked about the government's commitment to setting up SEZs, in which corporations enjoy massive tax concessions and subsidies, strikes are effectively banned, and regular labor standards are waived, Singh declared, "They are part of a new policy paradigm we have evolved. SEZ has come to stay."

Singh said he remained "very hopeful" about labor reform, adding that he and Finance Minister Chidambaram have been meeting with the leaders of the Left Front every "two to three months" with the aim of evolving a "broad-based consensus" in favor of giving employers greater power to shed workers and contract out work. Deferring action pending such a "consensus" is one of the few sops the government has given the Communist Party of India (Marxist)-led Left Front in exchange for the Front's MPs propping up the UPA government in parliament.

In their remarks to the *Economic Times* dinner, Chidambaram and the other three sought to flesh out the government's neo-liberal agenda.

"What we need," affirmed Finance Minster Chidambaram, "is not less reforms but more reforms.... Our neighbours in East Asia have done it in the 1970s and '80s, now it is our turn. What is required is a resolute pressing ahead of reforms."

Specifically, Chidambaran said the government would work for reform in the energy sector—that is, the reduction and scrapping of price subsidies, meaning increased power costs for consumers—and for public pension reform—that is, allowing the savings of public sector workers to be used as a source of private capital with the financial risk borne entirely by the workers.

"Financial sector reforms must be completed by this fiscal (year end), declared Chidambaram. "The PM (prime minister) has put his weight behind the need for reforms in pensions, insurance and banking. Look at the opportunities we are missing, the growth and wealth we are denying." Needless to say, corporate India was enthused, if not entranced by the UPA leaders' promises. Declared the *Economic Times*, "India Inc. bowed to the entrepreneurial spirit of a New India and went back home confident about the hands that held the reins of power and policy-making."

Prime Minister Singh did raise one caution: "If the growth process is not agriculture friendly"—in other words, if the 60 percent of Indians who live off agriculture continue to suffer severe economic dislocation—"then the political process could derail growth."

But Finance Minister Chidambaram said that concerns about "equity" should not be allowed to get in the way of maximizing the growth of profits and investment: "If we achieve growth, I am confident that a democratic system will ensure equity."

The reality is that the Indian bourgeoisie's pursuit of a socially incendiary socioeconomic program that benefits the few at the expense of the vast majority has been accompanied by a mounting assault on basic democratic rights. The Supreme Court has issued a spate of court rulings that expand management rights and illegalize popular opposition to business and government, including a ruling that declared government workers have no constitutional right to strike.

The threat of terror attacks has been invoked to justify laws greatly expanding the repressive powers of the state. And the Indian ruling elite—as most graphically illustrated by the rise of the Hindu supremacist Bharatiya Janata Party (BJP)—increasingly resorts to the whipping up of caste, communal and national-ethnic divisions and violence to try to deflect social discontent.