

# India's Congress-led government to do big business' bidding

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India's Congress Party-led government, which won re-election in this month's general election, has rushed to reassure big business that it will do its bidding, accelerating the pace of neoliberal reform and reining in a rapidly escalating budget deficit.

No major changes in socio-economic policy will likely be implemented prior to the 2009-10 Union budget, which is to be tabled in early July. But Prime Minister Manmohan Singh and Finance Minister Pranab Mukherjee have repeatedly emphasized the urgency of returning India to rapid, 9-percent or more annual economic growth and this, they argue, is only possible by promoting foreign investment and pursuing privatization and other pro-investor and "market" reforms.

The world economic crisis has battered India's economy, causing exports to fall dramatically and industrial production to contract. Under the combined impact of slumping tax revenues and the various economic stimulus measures that the government has taken since last fall, the Union government's budget deficit has risen sharply. In the fiscal year that ended April 1, the deficit was equal to 6 percent of GDP, a far cry from the initial target of 2.5 percent.

Speaking Wednesday, Mukherjee said the government would have to continue to borrow heavily in the short-term to restore "growth and employment." "However, we are equally committed to the process of fiscal consolidation over a period of say two to three years."

Manmohan Singh made a similar commitment Thursday, while strongly suggesting that the government will seek to justify the sell-off of Public Sector Units by touting them as a means of raising funds for transport, telecommunication, and energy infrastructure projects. "Fiscal prudence and disinvestment of Public Sector Units—all these issues will be tackled by the Finance Minister in the Budget," Singh told reporters after a second swearing-in ceremony for his 78-member Council of Ministers. "We would ensure," insisted Singh, "economic growth momentum, but at the same time fiscal prudence will be kept in mind."

On Friday, Petroleum and Natural Gas Minister Murli Deora announced that a proposal to deregulate petroleum and diesel prices will be put to the cabinet in the next six to eight weeks.

To the delight of big business, the Congress Party has also demonstrably asserted its authority over its United Progressive Alliance (UPA) coalition.

Big business often criticized the Congress during the UPA's first term for bowing to pressure from its coalition partners and especially from the Stalinist-led Left Front, which supported the UPA from "outside" the government from May 2004 through June 2008. Manmohan Singh and the Congress leadership greatly enhanced their credibility with, and support from, India's corporate elite, when they repudiated the Left Front's support last July, placing the government's parliamentary majority at risk, so as to press forward with the implementation of the Indo-US civilian nuclear treaty and a "global, strategic partnership" with Washington.

In a show of the Congress' new strength, it has denied representation in

the new cabinet to the parties of the so-called Fourth Front, the Samajwadi Party (SP), the Rashtriya Janata Dal (RJD), and the Lok Janasakti Party (LJS). These parties contested the elections separately from the Congress after seat-sharing negotiations collapsed. But they had supported the UPA government (the RJD and LJS having cabinet representation), proclaimed during the election campaign that they would continue to do so, and were included in the UPA's list of supporters when Manmohan Singh submitted a post-election letter to the president demonstrating that he could command a parliamentary majority.

The Congress also brushed aside a request from another of its allies, the West Bengal-based Trinamul Congress, that the UPA partners draft a Common Minimum Program outlining their governmental objectives. Following the 2004 elections, a Common Minimum Program had served as a means of cementing both the UPA coalition and its alliance with the Left Front. But the Congress, its position in the parliament having been greatly strengthened, is determined to have completely free hands.

The formation of the new cabinet was delayed for almost a week because the Congress took a hard line with the Tamil Nadu-based DMK in negotiations over which ministries it would be allotted.

Initially sections of India's corporate elite were agitating for Montek Singh Ahluwalia, the deputy chairman of the Planning Commission and a free market ideologue, to become the finance minister. But the selection of Pranab Mukherjee, previously the external affairs minister, was warmly applauded by big business.

Considered to be the "Number 2" in the government, Mukherjee is an old Congress Party hand with long ministerial experience. In 1984, when India was facing mounting economic problems, he, then serving as finance minister, brought down a tax-cutting budget that was hailed by big business.

Mukherjee's appointment indicates that the Congress leadership recognizes that notwithstanding its strengthened parliamentary position, its big business agenda will encounter popular opposition and needs therefore to be piloted by a skilled political operator. Mukherjee, who hails from West Bengal, was in charge of the Congress' relationship with the Left Front during the first four years of the UPA's previous term and has long experience in using a combination of sops and threats in working with the Stalinists.

## Heightened class conflict

The claims of the Congress Party leadership and India's corporate media that the election results constitute a "massive mandate" for the government are, to say the least, much exaggerated. The Congress won just 28.5 percent of the vote. This was a 2 percentage point increase in its

share of the popular vote from 2004, but provided the Congress with a bounty of 60 additional seats in the 543-member Lok Sabha.

Under conditions of unprecedented economic growth during the first four years of its five years in government, the Congress-led UPA made some modest social spending increases which buoyed its support in parts of rural India. But its victory was above all due to a sharp reaction against the hate-mongering of the Hindu supremacist Bharatiya Janata Party (BJP) and popular opposition to the pro-investor policies implemented by the Left Front state governments of West Bengal and Kerala. (See: *Indian elections* Stalinist Left Front suffers debacle in its West Bengal bastion)

That said, the Congress and its UPA government clearly have emerged strengthened from the elections and the ruling elite is both anticipating and demanding that its traditional party of government seize on this as an opportunity to accelerate the drive to transform India into a major cheap-labor producer for world capitalism.

On May 18, the first day that the Bombay Stock Exchange was open after the elections results had been tabulated, share values jumped 17 percent, its biggest ever single-day gain. So big was the jump, it triggered restrictions on trade fluctuations that forced the suspension of trading for the remainder of the day.

“Manmohan Singh will no longer be troubled by the pulls and pressures of smaller parties. The communists [i.e. the Communist party of India (Marxist)-led Left Front] are out,” enthused Amit Mitra, secretary general of the Federation of Indian Chambers of Commerce and Industry (FICCI).

“The new government,” continued Mitra, “will have no excuse anymore. It has to go for the big-ticket reforms that will bring our annual economic growth back to 9 percent and bring long-term foreign money into India. We urgently need this money for our large infrastructure projects.” Listing the priorities of new government he added: “The easy, low-hanging fruits are the banking, pension-funds and insurance-reform bills that the communists held back for years.”

Big business has long been pushing for the raising of the foreign-equity cap in the banking and insurance sectors, privatization of government-employee pension funds, the opening up of the retail sector to increased foreign investment and the sell-off of Public Sector Units, including the highly profitable *navratna* (crown jewel) companies, many of which are in the oil and power generation sectors.

Big business is also determined to see the government push ahead with the long-discussed “labour reform,” that is the gutting of restrictions on layoffs and plant closures that currently apply to larger enterprises.

The *Times of India* in a May 25 editorial urged the UPA to eschew increased social expenditure and concentrate on “tough decisions.” “[W]ith the total government deficit central and state at close 11 percent of GDP, the government must prioritize fiscal responsibility and resource mobilization. ... [Rural] employment guarantee or promised food security can’t be indefinitely funded through government borrowing. Nor can populism in the form of loan waivers [to indebted farmers] become a habit.

“[T]he government,” continued the *Times of India*, “will need to revive disinvestment. ... It’s also time for tough decisions on subsidy rationalization and deregulation of fuel pricing. Labour reform will be the toughest to handle...[but] should nonetheless be on the agenda.”

During its first term, because of a massive influx of foreign capital, record economic growth, and last but not least the crucial political support provided it by the Left Front, the Congress-led UPA was able to effect a balancing act, pushing through neoliberal reforms, while doling out desperately needed crumbs, in the form of increased poverty alleviation expenditure, to the poor. (At least 25 percent of India’s 1.1 billion people live on less than \$1 US per day and more than 70 percent on less than \$2 per day.)

The world economic crisis, however, is making this balancing act

increasingly impossible to maintain and will drive the UPA into open conflict with the working class and toilers.

## India’s predatory ambitions

Big business is also looking to the UPA government to take a more assertive role in world affairs, a role commensurate with its ambitions for India to become the regional hegemon and, indeed, a world power. The Indian press has been full of articles in recent weeks deploring the growing influence of China in South Asia and outlining the Indian “interests” at stake in the various crises engulfing Pakistan, Sri Lanka, and Nepal.

Both Mamohan Singh and the newly appointed External Affairs Minister, S.M. Krishna, have ruled out an early resumption of India’s “composite peace dialogue” with Pakistan, which was suspended after the terrorist attack in Mumbai last November. “We stand ready to extend a hand of peace and friendship,” declared Krishna. “But Pakistan must take credible action to dismantle the infrastructure of terrorism.” At a press conference Wednesday, the head of India’s air force said India had come close to mounting an attack on Pakistan in the aftermath of the Mumbai attack.

The retention of A.K. Antony as Defence Minister sends a definite message. Antony has presided over a massive expansion of India’s military budget, as New Delhi seeks to develop a blue-water navy and an advanced missile capability, and expand its air force and nuclear “deterrent.” Under Antony, India has also greatly expanded its military cooperation with the United States.

According to media reports, the UPA is looking to further expand India’s ties, including military ties, with the US. An unnamed senior Indian government official told Reuters that the Indo-US Logistics Support Agreement (LSA), which has been on hold for more than two years, will soon be finalized. That agreement would allow both countries to refuel and service military ships and planes at each other’s ports and bases.

Needless to say, such an agreement provides far greater tangible benefits to the US, which is already an Indian Ocean power and is embroiled in wars engulfing Afghanistan, northwest Pakistan and Iraq, than to India.



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