India implementing raft of “pro-investor” measures

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10 December 2014

Under intense scrutiny and pressure from Indian and international big business, India’s six month-old Bharatiya Janata Party (BJP) government has begun implementing a raft of neo-liberal, “pro-investor” reforms.

Already the new government has made major regressive changes to labour and environmental regulations, accelerated the Indian state’s disinvestment and privatization program, announced major spending cuts, and signaled its intention to slash price subsidies and dramatically scale back social welfare programs.

Prime Minister Narendra Modi, an arch Hindu-communalist who became the darling of big business because of his readiness as Gujarat’s Chief Minister to push through development projects and suppress strikes, has pledged that the next Indian budget, slated to be tabled in late February, will go much further. It will, he claims, deliver “transformational” change.

The Indian ruling elite is desperate to revive India’s flagging growth rate and, toward that end, to attract international capital. For most of the past three years, India’s economy has been growing at less than five percent per year. This is a far cry from the eight percent annual growth recorded during the previous decade. While eight percent growth is unheard of in the major advanced capitalist countries, it is generally held to be the minimum needed to absorb the massive number of young people who are to enter the labor force over the next decade and for the Indian elite to have any prospect of realizing their ambition to transform India into a major force in the world economy.

Growth spiked last spring, in part because of a surge in foreign investment fueled by the election of a majority BJP-led government. But in the quarter ending in September it slumped again, declining from an annual rate of 5.7 percent to 5.3 percent. This jolt and the deteriorating economic situation in many of India’s major markets, including the European Union and Japan, has further intensified the pressure from both Indian and international capital for the BJP government to immediately implement sweeping or “big bang” reforms.

Modi and his ministers are, for their part, anxious to demonstrate that they have got the message. In recent weeks they have either implemented or promised ”pro-growth”—in reality unbridled pro-big business—policy changes on a vast array of fronts.

• **Labor Law “Reform”**: Acting on the orders of the BJP government, India’s president gave his assent last month to a bill passed by the BJP government in the northern state of Rajasthan that strips the minority of workers employed in the “formal” sector (i.e. larger state and private enterprises) of basic rights. The legislation empowers companies employing less than 300 workers to lay off workers and close facilities without government permission, makes it more difficult for workers to form unions, and limits factory inspectors’ powers to intervene when workers are abused.

The Labour Minster in the BJP central government is encouraging other state governments to follow Rajasthan’s lead, saying that New Delhi favours each of the 29 states of the Indian Union amending labour laws to “suit” local conditions.

Meanwhile, India’s national BJP government has acted to further undermine workers’ rights by pushing through parliament a law (the Factories Amendment Act, 2014) that removes hundreds of thousands of smaller companies from the ambit of various labour laws, including the Industrial Disputes Act, Factories Act, Employees State Insurance Act, and Maternity Benefits Act. Previously, all companies employing 10 workers (if operating powered machinery) and 20 if not, had to adhere to these laws, which provide workers with certain minimal benefits and protections. Under the just passed Factories Amendment Act, 2014, states can exempt companies with less than 40 workers from all these laws, thereby subjecting their workforces to even more ruthless exploitation.

Modi is also pushing through measures to dismantle India’s already woefully inadequate system of factory inspection. Henceforth, India is to rely on a bogus system of company self-certification, in which companies are given the primary responsibility for monitoring their compliance with factory standards including health and safety regulations. As part of this system—and in violation of the ILO conventions India nominally adheres to—surprise inspections are to be largely if not completely eliminated.

• **Social Spending Cuts**: Recently, the government ordered an across-the-board 10 percent cut in “non-plan” expenditure for the remainder of fiscal year 2014-15, on the grounds that, otherwise, New Delhi will be unable to meet its pledge to reduce the fiscal deficit to 4.1 percent of GDP.

The brunt of these cuts will fall on working people in the form of reduced expenditure on public services and social welfare measures, since interest payments on the public debt (which account for more than 20 percent of the total budget of $294 billion), the military, and the salaries and pensions of government employees are all excluded.

The Modi government has also signaled that it plans to permanently scale back the MNREG (Mahatma Gandhi National Rural Employment Guarantee) scheme that was enacted with great fanfare in 2005 by the previous Congress Party-led government. It legally guarantees one member of every rural household 100 days of employment at Rs. 100 per day ($1.64). In reality, it has provided nationally, on average, a mere 45 days of employment. The BJP government has said it is considering restricting the program to India's 200 poorest districts.

The government has also repeatedly said it will take further steps to reduce price subsidies for liquid natural gas cylinders, kerosene, fertilizers, and potentially some foodstuffs. It has instructed a newly created budget-cutting committee, the Expenditure Management Commission, to examine the issue. Said Finance Minister Arun Jaitley last week, "I do hope in the next few months, maybe earlier that they are able to come out with some interim recommendations to us so that we can proceed with the rationalization" of subsidies.

• **Land expropriation**: The BJP government has served notice that it plans to amend the "Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013," so as to make it much more "investor friendly." This legislation, which came into force last January, was adopted after years of social unrest. In scenes repeated over much of India during the past decade, small farmers and villagers bitterly contested the drive of the Indian and various state governments to hand over the land from which they eked out their livelihood to big business.

While the previous Congress Party-led government worked closely with big business to fashion a law that would facilitate their development projects, India Inc. has complained that the provisions of the Land Acquisition Act are too onerous.

The BJP has yet to table its amendments, but it has indicated it intends to slash the amount of compensation big business has to pay villagers dispossessed of their land and lower the percentage who must "voluntarily" agree to sell before a company can force all whose land it covets to sell.

Speaking of the Land Acquisition law last weekend, Finance Minister Jaitley said, "Unless some changes are made and the processes are eased that law is going to have an adverse impact on the future growth of the Indian economy."

• **Disinvestment and Privatization**: The government plans to sell off further significant stakes in a number of profitable PSUs (Public Sector Units), including Coal India Ltd. and the National Hydro Power Corporation, with the aim of raising Rupees (Rs.) 584 billion (approximately $9.5 billion) in the fiscal year ending in March 2015. This target is a huge 270 percent increase from the previous year's Rs 158 billion.

This divestment drive is being closely watched by credit-rating agencies and other high representatives of finance capital, since the proceeds are to go towards meeting the targeted reduction of this year's fiscal deficit to 4.1 percent of GDP.

According to a finance ministry official, the government plans to give "attractive discounts" to retail customers to encourage their participation in the sell-off. In other words, enterprises built up over decades through the labor of the working class are to be sold off for a song if necessary and so as to appease the international investors whose interests are represented by the credit-rating agencies.

Jaitley has also announced that the government is considering completely selling off "loss-making PSUs." Many of these are loss-making because New Delhi, under Congress and BJP-led governments alike, starved them of investment so it could continue to shovel tax concessions to big business and the rich, and as part of a deliberate plan to justify their sale to private investors.

• **Foreign Investment**: The government is also moving to increase the cap on foreign investment in several sectors. Already in its first budget, the BJP raised the cap in the defence sector, allowing foreign companies to take 49 percent ownership (up from 26 percent) of Indian arms manufacturers. It now plans to raise the cap to 49 percent in the insurance sector and to allow 48 percent foreign ownership of banks. A major reason the government is anxious to open up the banking sector to greater foreign investment is that the banks are weighed down by huge portfolios of "non-performing loans" and are in urgent need of tens of billions of dollars in recapitalization.

Until recently, there was a consensus in the Indian elite that railways should be off limits to foreign investment. Now the government is proposing to allow 100 percent foreign ownership in railway "infrastructure projects." This is to be an important element in a massive reorganization of India's railways that is to be financed to a large degree through increased fares and freight charges that will bite into the meager living standards of the vast majority of India's population. Last month the Minister of State for Railways Manoj Sinha vowed "tough" steps would soon be taken to improve the railways' finances, adding, "Many will not like it, but we have to do it."