

# India's Gujral faces crisis of confidence

by Ramtanu Maitra

On Nov. 3, a leading daily, the *Hindu*, reported on an economic performance balance sheet of the present government, drawn up by Prime Minister Inder Gujral. Its ostensible purpose, is to lead people to believe that India's economic fundamentals are sound and that the United Front government's economic policy, now completely in the hands of the Harvard-trained free-market guru, Finance Minister P. Chidambaram, is on the right track.

The prime minister, who avoided attending the G-15 meeting in Kuala Lumpur, where, under the tutelage of Malaysian Prime Minister Dr. Mahathir Mohamad, foreign hot-money investors came under heavy attack, is reportedly busy meeting with his bureaucrats to prepare a smiling mask for the Indian economy. It is necessary to do so, because the economic situation is getting worse, and domestic investors are fast losing confidence in the government's economic policy. According to the *Hindu*, the government is planning to present a set of numbers which would suggest that the economy is doing nicely.

The deception is obvious. For instance, take power generation. Everyone, particularly those involved in manufacturing, knows that the acute power shortage has helped slow industrial expansion significantly. They also know that if this shortcoming, along with others, such as poor rail transport, grossly inadequate port facilities, and the lack of a modern highway system, are not attended to immediately, the Indian economy will go to pot sooner than later. In addition, the dilapidated infrastructure, nurtured with care by the Finance Ministry in order to satisfy the International Monetary Fund (IMF) demands to cut development budgets and thus reduce the fiscal deficit, is steadily criminalizing the Indian economy. If the present trend continues, only thieves, robbers, money lenders, land speculators, and drug runners will flourish.

The *Hindu* says that the government is ready to claim that "many factors delaying private investment in the power sector have been eliminated, and private projects with a capacity of 4,000 megawatts have already been commissioned or are in an advanced stage." And, that "some 30 power projects with a capacity of nearly 17,000 MW have obtained all linkages and received the techno-economic approval of the Central Electricity Authority." Such statements are wholly untrue.

The reality is that less than 500 MW have been commissioned; the other 3,500 MW may take years to be commissioned. Similarly, 30 power projects cleared, means that the

17,000 MW may get commissioned some time in the 21st century. The Gujral government knows (because industrialists have been shouting it from the rooftops for years) that India needs at least 50,000 MW of additional capacity now. Cooking up numbers and covering them with half-truths will do little to convince people.

The document has yet another gem. India's 11 major ports together can handle some 215 million tons of freight annually. By comparison, Singapore's freight-handling capacity annually is some 270 million tons, and Rotterdam's is 285 million tons. Naturally, our ports are a mess, and foreign direct investors and exporters-importers have said so in no uncertain terms.

According to the *Hindu*, the document says that "action has also been taken to decongest the ports, and the waiting time for containers has been reduced to 24 hours, and for other vessels it has been reduced from an average of 21 days to five days." With the government's credibility gap growing by the hour, it would have been wise for the Gujral government to explain what this magical "action" was and how it was achieved. Even if we were to believe this incredulous statement, we still would like to know how India can ever be a major trading nation where waiting time for vessels is five days.

## Bowing to the IMF

The truth behind this public relations exercise, is that the government is endorsing its cutting down on spending for development, and thus sabotaging all infrastructure development plans. The Gujral government is doing this to please the IMF, and treading this dangerous route to reduce the fiscal deficit.

Finance Minister Chidambaram spends his time trying to impress upon the media, and foreign institutions, that the Indian economy is doing better than ever. He also spews out growth figures which are not only absurd in the present context, but disputed as well by all and sundry.

Then, why this game of smoke and mirrors? In order to find an answer to that, one must dip into the IMF annual report of 1997. The report said that the directors of the IMF have urged the Indian government to undertake a more ambitious public enterprise reform program and deeper cuts in public financing, among other unsavory demands. Chidambaram, whose single-item agenda as finance minister has long been to implement standard IMF policies in the guise of economic and financial reform, has little understanding of the role of a sound infrastructure in the process of nation-building. There are many in India, however, who know better.

While the stock and consumer markets in Asia continue to shrink, the Gujral government continues to pledge its faith in the decrepit monetary system. The question, is whether Chidambaram and his co-thinkers in the Finance Ministry will be allowed to do further harm to this poverty-stricken economy, or the people will demand a change in the government's present economic policy.