

# India's Economic Worries Grow: Vajpayee Promises Infrastructure

by Ramtanu Maitra

The elusive monsoon, which will leave much of India's agricultural lands parched and under-cultivated this year, has added to the growing economic concern of Indians. What is evident in Delhi, and elsewhere as well, is that despite repeated utterances by the Finance Ministry, Indians do not believe that the nation's economy is doing well. Jobs are hard to come by, wages are stagnant, and the benefits of the 6%-plus reported gross domestic product growth rate, are reaching only a relatively small fraction of wage-earners.

Indians complain bitterly that Prime Minister Atal Behari Vajpayee, who remains, to date, a respected father figure to most Indians, has not paid any attention to the poor. The Bharatiya Janata Party (BJP), the dominant faction in the 24-party coalition that administers India, is widely known as the "traders' party" and was not expected to be pro-poor. But people expected Prime Minister Vajpayee to move heaven and earth to help the impoverished. With less than two years left before the Prime Minister retires from active politics and India goes to the election hustings again, people have begun wondering what went wrong with the man on whom they had rested so much hope.

What bothers educated Indians most is the endless shouting from the rooftops by the bureaucrats of the Ministry of Finance, about how large India's foreign-exchange reserves have become, under their management. People wonder why these huge sums of money were not invested in the areas which would enhance employment, and would help the poor and the underprivileged.

## Long-Overdue Initiative

A ray of sunshine pierced this gloom on Aug. 15, on the 55th anniversary of India's independence. Speaking from the ramparts of Delhi's historic Lal Qila (Red Fort) for 25 minutes, Vajpayee condemned the anti-Muslim riots in the state of Gujarat last Spring, and alleged that Pakistan was involved in the efforts to sabotage the upcoming state assembly elections in the state of Jammu and Kashmir; he announced that he has ordered the production of medium-range surface-to-surface Agni 2 missiles for the Army.

But what made the speech noteworthy, is that Vajpayee also addressed what people came to hear about: economic re-

covery.

Vajpayee proposed an \$11 billion road-building program, which would link all Indian villages with all-weather, motorable roads for the first time. This, he made clear, is to be in addition to the ongoing \$12 billion in highway construction projects, which are to connect India's North and South, and its East and West, with four-lane highways.

The Prime Minister also promised to launch, soon, a nationwide water-management and water-harvesting program. All these programs would help employ a million-plus unemployed, Indian analysts say. The Prime Minister also pledged a new \$3 billion rail improvement fund, and called for an acceleration in the growth rate of the electric power sector.

Vajpayee combined these specific announcements with a general call for political consensus on infrastructure building: Infrastructure development should be the key to the 10th Five-Year Plan (2002-2006), he said, and could cause achievement of an 8% overall growth, through higher productivity of the economy.

The Prime Minister's initiative was long overdue. The Vajpayee Administration's greatest problem has been its failure to address this vital issue this long. Since it came to power, the BJP-led coalition, ostensibly brainwashed by the growth-at-any-cost crowd, has been busy telling the people how fast the country's GDP was growing. But recently, a special group in the Planning Commission came out with a well-researched study, which should act as an eye-opener to the Prime Minister's Office. The gist of the study shows India's economy may appear to be growing at a 6%-plus rate, but employment is not. It said, that the present level of high unemployment is due to the fact that the kind of economic growth India is enjoying, does not generate employment.

This phenomenon became particularly evident from 1993-94 to 1999-2000, according to the report. During this period, over seven years, India's GDP grew at an average rate of 6.7%, but employment at a paltry 1.07%. During the previous decade—1983-84 to 1992-93—India's GDP grew at an average rate of only 5.2%; yet, employment grew at a far more adequate annual rate of 2.7%.

These figures, and a whole lot more produced by the special group, only gave academic credence to what is observed

daily on the ground. Most people, particularly those who are academically underprivileged, have been left with little option, if they lose their jobs. The popular fear is now: If the drought sets in, what will the vast agricultural labor force do? With almost 50 million tons of foodgrains in its warehouses, India does not have to worry about crop failure, but it must worry about what its farmers would do. And what would happen to the Winter crop? With very little safety net made available by the government, the poor worry about their short-term survival.

### **Drought's Domino Effect**

People in the rural areas, particularly in the northern states of Haryana, Punjab, Gujarat, Rajasthan, and western Uttar Pradesh, are worried that if the monsoon remains fickle, as it was throughout July and the early part of August, the Kharif (monsoon) crop will be mostly destroyed. The lack of moisture in the ground because of the inadequate monsoon rains will affect the Winter crop. Northern India, unlike the southern Indian peninsula, is not expected to receive any significant rainfall after the monsoon season ends in September.

The domino effect of the agricultural hardship will be felt in the lack of demand for manufactured goods, fertilizer, and farm implements. Some farmers are also buyers of very many durable consumer goods. This will particularly affect the small and medium-sized manufacturers who depend heavily on the consumptive power of the agricultural labor force.

Because almost 25% of India's GDP comes from the agricultural sector, its shrinking will also reduce the government's revenues significantly. From what Vajpayee said from the ramparts of Lal Qila on Aug. 15, it is evident that the administration will be pumping more money into the non-Five-Year-Plan programs (in India, new jobs are created largely through the development programs identified in the Five-Year Plans) to generate fresh employment. However, lower revenue earnings may eventually affect the government's ability to expand such programs, unless it is done quickly now.

It must also be noted, that India's defense spending is growing fast and sure. The war-like situation that prevails in its Western front, where Indian Kashmir borders Pakistani Kashmir, is consuming a lot of hard-earned revenues, and it is unlikely that India will get a reprieve on that front in the short term. In other words, India's defense spending will continue to widen the gap between revenue and overall spending.

### **Behind the 'Politics As Usual'**

Despite the problems that confront Delhi, the powers-that-be in the Indian capital are only thinking about their electoral future. Within the BJP, preparations are afoot to hail the next chief, which, under the present arrangement, will be the Deputy Prime Minister, L.K. Advani. It is now a certainty that Advani will be leading the party to the next polls in 2004.

People are not too sure how to react: While Advani is considered a tough politician, his affinity (or, is it his weakness?) to attach to the more orthodox Hindu religious faction within the BJP, and his poor grasp of the nation's economic problems, are disliked by most Indians—Hindus and Muslims alike. Advani's name also evokes the memory of the BJP government's failure to prevent recent killings of Muslims in Gujarat, or the sectarian demolition of the Babri Masjid mosque, located on a Hindu holy site, in 1993.

It is evident that despite the irrational populism of a few, a vast majority of Indians, Hindu and Muslim, would not like such anarchic and barbaric events to occur again. While it is not certain that Advani would act in future according to his present image, people nonetheless are apprehensive. Furthermore, Advani's close ties with Israel make him a suspect in the eyes of all Muslims—and many Hindus—in India.

Also increasingly suspect, are the "politics as usual" in Indian-U.S. relations. Most Indian observers, as well as some government officials at a high level, have begun to question America's obsession with the war against terrorism. Most believe that the war against terrorism is a mere façade, behind which its real intent is to expand militarily in Asia. Some point out that the American interest in the Central Asian region, because of its huge hydrocarbon reserves, is the driving force behind this anti-terrorist campaign. They also point out that the anti-terrorist campaign has brought Pakistan back under Washington's fold. Reduced to an almost-failed state, Pakistan has emerged once more as an important geostrategic ally of the United States.

The protagonists of this argument claim that Washington walks on a tripod in West Asia—Saudi Arabia, Israel, and Egypt are the legs. And, Pakistan is a vital support to Saudi Arabia. Therefore, Indian analysts believe, Washington wants Pakistan to emerge again as a force in Central Asia, as in the Cold War days, when it was America's forward nation against the Soviet Union, as an ally for playing a role in Central Asia.

Under such circumstances, these analysts in New Delhi say, India-United States relations cannot move forward much further.

But neither has India been able to make much headway in improving its overall relations with either China or Southeast Asia. The members of the the Association of Southeast Asian Nations (ASEAN) grouping, are eager to work out their economic and strategic relations with the United States, and with China. They appear, to New Delhi, not at all interested in bringing India into their larger scheme of things. China, on the other hand, has remained cool to the Indian overtures and continues to promote Pakistan's military strength to maintain a balance of power in South Asia. With regard to the ASEAN nations, an Indian economic shift toward concentration on hard economic infrastructure—modern transport, water management, power generation, etc.—will definitely improve India's prospect of active state-to-state relations.