Evaluating Indian economic reforms – I

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It is often said that the Indian economy is bossy, meaning it is excessively easy. In fact, the problem is that it is excessively easy to be bossy. This is because the government has been successful in promoting a growth strategy that is based on a series of reforms and initiatives. However, the success of the economic reforms has been mixed, with some sectors benefiting more than others.

The Indian government's new economic programme adheres to an orthodox pattern associated with the IMF/World Bank. Its adoption of a comprehensive set of policies is aimed at limiting the role of government in a number of different areas, and enhancing the export orientation of the Indian economy. By speaking the orthodox vocabulary, i.e., neo-liberal, the government hopes to attract foreign investment and drive economic growth. However, critics argue that this approach has led to economic crises in India, emanating from two fundamental imbalances: fiscal where governments spend more than they earn; and in the balance of payments, which results from an import-substituting pattern of industrialization. To correct these imbalances, the government's Structural Adjustment Programme (SAP) typically involves reducing government spending, increasing export orientation and the introduction of various measures to liberalize the private sector to improve productivity.

The SAP has been successful in reducing inflation and unemployment, and improving the balance of payments. However, it has also led to increased inequality and poverty, as well as environmental degradation.

The SAP's focus on export orientation has been criticized for prioritizing profits over social welfare. This has led to an increase in foreign capital inflows, but also an increase in the cost of living for domestic consumers. The SAP has also been criticized for its lack of attention to environmental issues, which has led to pollution and degradation of natural resources.

In conclusion, the Indian government's economic reforms have had mixed results. While they have helped to reduce inflation and unemployment, they have also led to increased inequality and poverty, as well as environmental degradation. The government needs to find a balance between economic growth and social welfare, and focus on sustainable development. The SAP should be revised to take into account the needs of the population and the environment.
Evaluating Indian economic reforms - II

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Structural Adjustment fails to include environmental protection and sound natural resource management as an objective of structural reform. The failure to take these vital areas into account may lead in many cases to unsustainable rates of natural resource exploitation. Today it is well-known that India's poverty is closely linked to unequal distribution of land and with the increasing degradation of natural resources. Out of the 329 million hectares of land, nearly 179 million hectares, 70% has been degraded, about 90 million hectares are actually degraded mainly due to loss of tree cover and soil resources. To severe droughts and floods. Furthermore, the annual rate of deforestation is 150,000 hectares. The large scale deforestation in recent years has rendered the sensitive areas in Himalayas and river valley systems vulnerable to soil erosion.

The increasing exports and international competition produces greater resources such as in agriculture. The shortage of major industrial output comes from biomass based industries such as textiles, paper, wood, rubber, sugar, etc. India has abolished industrial licensing for all the above-mentioned industries including cement, iron-ore, and cattle breeding. This implies that indiscriminate use of resources without any checks would be carried out. These industries force people to leave their land and forests. And also these industries discharging their wastes into rivers has increased dramatically. In India, water pollution control and waste treatment works have been neglected to a criminal extent. The majority of industries do not have treatment plants.

Recently, the Indian government's new agricultural policy aimed to export agricultural products. But in order to earn foreign exchange for debt repayment, export crops will replace food crops, there would be increased dependence on foreign markets.

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The rationalisation of industry is carried out with the aid of the "exit policy", which is designed to remove inefficient industries. Now it would be easier for the employer to lay off workers. In textile industry for example, about one-third of the workers would be laid off. In all, an estimated 4 to 8 million public and private sector workers (out of total organised labour force of 26 million) will be laid off over the next three years. The director of a firm views the exit policy as, "an opportunity to change the labour laws and to get rid of surplus workers. For us it is more profitable to subcontract with small factories which employ casual and unorganised labour.

In India, nearly 70 per cent of the rural households are small and marginal farmers or landless laborers, accounting for over 400 million people. In irrigated areas, agricultural laborers are employed for 200 days a year, and in unirrigated areas for about 120 days. The phasing out of fertiliser subsidies on behalf of IMF and an increase in farm inputs is likely to increase the number of small and medium sized farmers into bankruptcy. Further, the proposed liberalisation and privatisation of the production process will affect different components and their subcontracting to enterprisises in different parts of the world. This is now a standard practice for TNCs.

The massive point made by the UN's Human Development Report is regarding the employment patterns of TNCs. One of the claims made about 'globalisation' and emerging global capitalism is that it's agents, the TNCs, are taking capital, technology and markets to the remote corners of the world, where only peasants do not prevent them from carrying out this gloomy mission. In fact, there were some 35,000 TNCs with more than 150,000 foreign affiliates. Of the 22 million people TNCs employ outside their home country, around 7 million are directly employed in the Third World countries - less than 1 per cent of their economically active population. Thus, TNCs-created employment in most of the Third World countries is insignificant. Finally, the evidence is that the proportion of the world's economically active population living in developing countries is also growing, and as a result their economic activities are not slowing down. They must be considered as generating "jobsless growth". All these raise questions for the future. What should be the goal of economic policy?

It is becoming more clear to the people of India that their foreign debts are not only impossible to pay, but even more unaffordable. Had India any options? Of course, India would have rescheduled debts to restructure its foreign trade and cut out curtailed imports, including arms and luxury goods. To Mobilisation local resources could be done through taxing the rich any in terms of land reforms, increased emphasis on education and rural small scale industries, taking foreign capital or technology, but instead would have created many more jobs for growing rural population. India would have been forced to develop technologies based on domestic resources and experience. Instead of super hot nuclear power projects, the country would have gone with small thermal stations. Similarly, mini-hydro projects would be more advantageous also over larger river hydel projects which, apart from being dependent upon imported capital goods, contribute in a way to the preservation of land and democratic institutions and the bureaucracy assigned a reduced role.

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