

Without Leadership, India Drifts Dangerously

by Ramtanu Maitra

India's six percent-plus "impressive GDP growth rate" over the years has drawn much praise from the West, and its "success" has been attributed to the "magical impact" of free-market liberalization and globalization. What it really means, is that India's low-wage-earning labor has begun to replace a section of the high-wage-earning workforce of the West. In the process, India, a nation of 1 billion-plus people stricken with utter poverty, is becoming an economic "powerhouse"—exactly the way China became one, the Indian leaders claim.

However, a visit from one end of India to the other would make one realize that India's GDP growth is driven by only a fraction of its population. Much of the nation remains a picture of rural poverty and urban squalor. Rising social tension because of growing income disparity between a sea of poor and a decent number of middle class, is either not noticed, or ignored, by a callous and rudderless leadership that dots the entire nation. Notwithstanding the illusions of the elites, there are definite signals that some among the many hundreds of millions of poor may not watch the process with benign and dissociated neglect, but instead, could turn violent.

The poverty in India has been exacerbated by the fact that the investors, who are no longer "led" by the powerful and visionary, now invest in those parts of the country where the investment has the maximum potential—a relative term in the Indian context—to optimize profit. As a result, regional disparities are growing fast, involving hundreds of millions of people. Nearly all foreign investments in India go to its six most urban states, with 22 other less-developed states virtually ignored. This gap between cities and rural areas is keenly felt in the suburbs of India's cities, particularly New Delhi, the capital.

Poverty Galore

The endless poverty is there for all to see; it is not hidden like it is in China. There is no escaping the fact that a handful of "skilled Indian workers," tied to Western workplaces through telecommunication, will not be able to pull the hundreds of millions out of the grinding poverty they endure. What is needed is leadership at every level, and the most dangerous aspect of India at the present time is that it does not have any.

Lack of leadership hits one square in the face, starting at the municipal level, all the way up to the highest offices in the North Block and South Block of India's capital. These powerful people have little real understanding of what it would take to make India a nation that cares for all of its people; indeed, they have little intent to achieve such a goal, in any case.

To begin with, it must be understood that a large number of people who are "considered" by Indian leaders not to be poor—a gamut that includes communists, socialists, traders, "casteists," agriculturalists, businessmen, and feudal landlords—are, in reality, abysmally poor. For instance, the minimum income required, as per the World Bank's earlier assessment, to live above the poverty line, for underdeveloped countries like India or China, is about \$1 per day or \$30 per month (1,410 rupees per month). But the Indian government's poverty line definition, is earning less than Rs. 10 per day, which translates to approximately Rs. 300 (about \$7) per month!

Lies and Statistics!

As per the Government of India (GOI), the poverty line for the urban areas is Rs. 296 per month and for rural areas, Rs. 276 per month. According to the GOI, this amount will

buy food equivalent to 2,200 calories per day, medically sufficient to prevent death. This is an absurd lie—that amount of money could not buy even one meal for one person in the cities—never mind the rest of the family, and the other necessary expenditures of life. And yet, one finds Indian planners busy bringing down the number of poor using this blatant statistical fraud as a yardstick. In fact, there is no housing available in Delhi—and this includes the huge slums that litter the capital—where a family can get shelter for less than Rs. 2,000 per month.

In other words, 450 million Indians live below the poverty line according to the World Bank's old definition of \$1 per day per person, or \$365 per year; 700 million Indians live below the poverty line based on the World Bank's later definition of a minimum earning of \$2 per day per person, or \$730 per year, needed for minimum sustenance.

That is not to say that such a distortion was the creation of the present-day Indian leaders. The distortion existed all along, but it has become further distressing in the present light, since a handful of service-sector personnel, carrying out services for the West, have begun to earn significantly more. It is more distressing to note that by earning even twice the amount that puts the individual in the category of "not poor," does not allow him to have one square meal a day in the Indian cities! Less than 25% of all Indian families are left with any surplus at the end of the day to spend on things which are not absolutely essential.

The slogan of the present crop of Indian "leaders" in power is "India Rising," after the previous crop was kicked out of power because of the fraud of their campaign slogan, "India Shining." To say that the country is reaching "new heights" of success is almost criminal. To begin with, India possesses, as it always has, the potential to be a very powerful and economically sound nation. The opportunity to make that happen lies at the doorstep of India's leaders. Seventy-one percent of the population—742 million people—are below 35 years of age. In other words, India is not a graying nation; it is full of young people. It can be moved with a positive leadership.

But, look at the other figures as well. Almost 94% of India's children drop out of school before completion of the 12th grade. This is largely because of poverty and the lack of opportunities that await them once they get their high school diploma. The successful 6%, the so-called educated youth, go in for a regular college degree, which may not be very relevant in today's context for employment-generation. Seventy-three percent of those graduate from colleges with liberal arts degrees.

Dilapidated Infrastructure

But the Indian leaders do not address these issues—at least openly. They are keen to show to the Western investors—and non-resident Indian investors based abroad—that India is rising and is ready to shine. However, it is not possible



An international call center in India. The development of an export-oriented service economy will do nothing to make a dent in India's overwhelming poverty.

to fool all of the people all of the time. While in China, the investors were given a "special place" in the economic process; in India, that is unlikely to happen. India's infrastructure is in an abysmal state. Massive shortfalls in power, water, jammed railroads and roads, and the dwindling number of educated youth threaten India's long-term future, in the hands of these visionless leaders.

India had always been a power-short nation. In the early 1960s, Dr. Homi Bhabha convinced the national leaders that India's economic future lay with development of nuclear power. Almost four decades later, India has very little to show in the production of nuclear power-based electricity, but its scientists and technicians, fighting the heavy odds set up by the nuclear weapons nations, have achieved a great deal of success in mastering the technology. Since the scientists and technicians do not decide on the commercial aspect of utilization of nuclear power, the contribution of nuclear power to India's power industry has been stymied.

India decided on a three-stage nuclear program back in the 1950s, when India's nuclear-power-generation program was set up. In the first stage, natural uranium (U-238) was used in pressurized heavy-water reactors (PHWRs). In the

second stage, the plutonium extracted from the used fuel of the PHWRs was scheduled to be used to run fast-breeder reactors (FBRs). The plutonium was used in the FBRs in 70% mixed oxide (MOX)-fuel to breed uranium-233 in a thorium-232 blanket around the core. In the final stage, the FBRs use thorium-232 and produce uranium-233 for use in the third-stage reactors.

As of now, India is by far the most committed nation as far as the use of thorium fuel is concerned, and the scientists of no other country have done as much neutron physics work vis-à-vis thorium as Indian nuclear scientists have. The positive results obtained in the neutron physics work have motivated Indian nuclear engineers with their current plans to use thorium-based fuels in more advanced reactors now under construction.

Wasting India's Strengths

Instead of giving the program the necessary push to make this "indigenous" power source the anchor of India's development, the myopic leaders are now thinking seriously, and begging desperately, to get foreign reactors which do not exactly fit into the Indian mix. Moreover, the huge amount of money that would be spent in getting a handful of large commercial reactors would be good enough to fill in some gaps, but would not make a large impact.

First and foremost, it is important for the Indian leaders to understand why Dr. Bhabha started the program that he did, and why some of the best minds in India have spent their lifetimes to bring that program to fruition. For instance, it is not a national secret that most of India suffers an acute shortage of potable water. There are areas where people spend most of the day trying to procure water to keep themselves alive. A recent World Bank report said that, within the next 15 years, India's demand for water will exceed all its sources of supply.

The report, *India's Water Economy: Bracing for a Turbulent Future*, by John Briscoe, senior water advisor at the World Bank, examined the challenges facing India's water sector and concluded: "Unless water management practices are changed—and changed soon—India will face a severe water crisis within the next two decades." What Briscoe put in writing has long been said by Indian water experts, but the Indian "leaders" wrung their hands, brushing aside the obvious.

It is also not a national secret that only a handful of Indian rivers have surplus water. The water shortage is particularly evident in southern India, where the Indian peninsula catchment area is narrow, and rivers have a short west-to-east run. But, southern India, more than any part of the country, except perhaps the states of Punjab, Haryana, and Gujarat in the north and west, wants to develop and develop fast. The entire southern part of India is surrounded by seas, and it possesses fertile lands. But, the area survives on the brink of disaster because of lack of water.



This is where the importance of indigenous thorium reactors is to be understood fully. If there were visionaries in India today at the leadership level, they would have grabbed this opportunity with both hands. What India needs, and can develop in no time, are these small 25-50 MW thorium-fuelled reactors for providing power locally and for desalinating seawater in bulk quantities. If the Indian leaders understood what is at stake, there would be plans to set up hundreds and hundreds of those reactors, dotting the sea coasts, stretching from Orissa in the east to Gujarat in the west. New Delhi must realize that no foreign manufacturer has any interest in developing these small reactors. But these small reactors, if put to work effectively, would boost India's economic capability once and for all.

Another area where India excelled in the past, and the reason why India is still on its own two feet, is its now much-neglected agricultural sector. Blessed with fertile land like no other country in the world, India is not only self-sufficient in food, but it has the ability to feed a billion others. But, to the visionless leaders of today, the agricultural sector is a



WHO/P. Virrot

India's leaders are turning their backs on the poor, who number some 700 million out of a population of 1 billion, according to World Bank calculations. Indian bureaucrats use statistical fraud to paint a rosier picture.

problem, because that is where the majority of the poor reside. These agricultural workers, lacking education and neglected to the extreme, remain bound to their land, scraping out means of survival. In the suburbs of metropolitan areas, some of these farmers get the opportunity to sell off their land to the housing developers, and a few of them thus move into a stable life. Otherwise, for most in India's agricultural sector, life is cruel and there exists little opportunity to improve their lot.

For Whom the Bell Tolls

A spate of recent reports indicates that the situation in rural agricultural India is becoming desperate. Over the last five or six years, at least 950,000 farmers—nearly a million!—have committed suicide. Over 850 farmers have committed suicide in the southern state of Andhra Pradesh since May 2004, as government relief efforts prove inadequate. One observer pointed out that currently, seven to eight farmers commit suicide in Andhra Pradesh every day.

What are the reasons behind these mass suicides? Reports indicate that successive crop failures due to five years of drought, exacerbated by such factors as the increased cost of inputs, such as seeds and fertilizers, failure of bore wells, and accumulated debt, have led the farmers to end their lives.

There are no authentic figures on the exact number of farm suicides in Vidarbha, but the Vidarbha Jan Andolan Samiti (VJAS), a farmers' movement, puts the toll at 782, from June 1, 2005 to Aug. 26, 2006. And, in the last three months, there has been a suicide every eight hours.

In Maharashtra, and as well in Andhra Pradesh, the cotton growers are in deep financial trouble and many of them have

ended their lives. Agronomists point out that across the country, the average cost of cultivation of cotton is a little more than Rs. 16,000 (about \$360) per hectare. With an average productivity of 460 kg per hectare, it costs between Rs. 35 to Rs. 48 per kg to grow cotton. In Vidarbha, the cost of cultivation could go well beyond Rs. 20,000 per hectare, and if marketing cost is added, it exceeds Rs. 22,000.

Among the farmers who committed suicide in the past year, more than 50% were between 20 and 45 years of age (their most productive years), according to a study by the Sakal Newspapers Limited of the two districts, Amravati and Yavatmal, of Vidarbha. The Planning Commission's fact-finding mission members found out that nearly 2.8 million of the 3.2 million cotton farmers in Vidarbha are in default.

Of every Rs. 100 borrowed, approximately Rs. 80 goes back in to servicing of old loans. Most of these farmers do not get loans from the banks and instead borrow from loan sharks, who are protected by local- or state-level, politicians.

China Model With a Nasty Twist

What is evident from the way India is being "led," and listening to what the leaders have to say, is that India is trying to become a variation of the "China Model" of economic development, but with a catch. The catch is that while China is scouring the entire world to get raw materials and energy to manufacture "things" that can be sold elsewhere, India is pushing to become a service-sector nation, trying to exploit (as long it lasts) the English-speaking capability of a section of its people. The Chinese manufacturing process necessarily requires modernization and expansion of its infrastructure. China has invested heavily in the transportation and power sectors.

China's push for a cheap-wage-based manufacturing sector, and the Indian leaders' unwillingness to look beyond a handful of English-speaking people as the country's asset, pose a long-term threat to India. Having kept its infrastructure obsolete, India's production costs for "things" are higher than China's. Already, Chinese goods are flooding the market, further weakening India's small and medium-scale manufacturers. It will not be long before Indian entrepreneurs, because of this lack of infrastructure, begin to head northward to set up their shops in China with the purpose of "exporting" to India.

While China still has a long way to go to develop the level of infrastructure (including water, education, and health



WHO/P. Viroc

A scene in the city of Mumbai (formerly called Bombay) shows the conditions under which the vast majority of city-dwellers are forced to live.

services) necessary to bring all Chinese citizens to the economic mainstream, Indian leaders took a short cut. Instead of focussing on developing the dilapidated infrastructure, they persisted with the service sector in an attempt to reach economic nirvana. Needless to say, these service-sector jobs do not need as much quality infrastructure as a full-fledged manufacturing economy does.

In other words, bereft of vision and a clarity of purpose to build a nation that is economically sound, Indian leaders have turned the focus to making the country a service-exporting nation. In this economic policymaking process, the leaders draw succor from two segments of the society. First, manufacturers: Successful Indian manufacturers, such as the Tatas and the Mittals, have gone abroad to buy fully functioning facilities that are short of capital. These industrial houses made their money in India and they are now investing abroad. That means they have accepted the government's policy not to develop the infrastructure necessary for building a flourishing



Press Information Bureau of India

India's elites are lacking in the vision necessary to bring their vast nation into the 21st Century. Left to right: Prime Minister Dr. Manmohan Singh and Prime Minister Shri Atal Bihari Vajpayee.

and productive manufacturing process. In other words, they have badly compromised.

The other group of supporters of this policy belongs to India's English-speaking middle class. With the "call centers" and other white-collar service-exporting jobs beginning to bring larger sums of money into their pockets, this group has de facto endorsed the government's visionless thrust to expand service jobs. Moreover, members of the middle class, with a little surplus money in hand, are getting addicted to consumption, and distancing themselves further from the poor—and from reality.

There is little doubt that the Indian leaders are now keen to show the "success" this model has achieved. In addition, the growth of computer software technology in India, for which the country is recognized worldwide, has come about not because this technology could be used effectively to "wipe the tears off of every Indian's eyes"—as one of India's greatest sons, Mahatma Gandhi, had aspired—but because it would generate a GDP growth and accrue foreign-exchange reserves, which would then allow India "some day" to deal with the poor. But, unlike China's, India's foreign-exchange reserves are small, and even these funds have been temporarily parked in India's profitable stock exchanges. They can vanish in no time. Lack of infrastructure has prevented India from attracting foreign direct investments the way China has done.

However, it is also becoming evident, at least to some Indians, that the foreign exchange earned by these IT companies, and the foreign direct investments that come from abroad, will not be able to make a serious dent in India's poverty-related problems. Although Prime Minister Manmohan Singh claimed that he expects about \$150 billion of foreign direct investment (FDI) to come in to alleviate India's infrastructural woes, no one believes him. India is now attracting only \$5 billion of FDI a year, and there is a good reason why foreign investors are not keen on putting money into

India's decrepit economic infrastructure. The investors have realized that India is not interested in developing the foundation of a flourishing manufacturing sector, but is merely catering to the service-exporting sector, to generate growth and earn foreign exchange quickly.

But the foreign exchange has begun to leave India's shores. For instance, the Tata industrial house, which produces 5 million tons of steel in India, is now ready to spend \$6.7 billion to buy Corus Steel of the United Kingdom, which produces more than three times annually what the Tatas produce. Similarly, Ranbaxy, and other Indian pharmaceutical companies, are buying up pharmaceutical manufacturers in Europe and North America for good reasons, but draining foreign-exchange reserves in the process. It is evident that New Delhi, having stymied these manufacturers at home by not building the infrastructure to support them, has made available to them large chunks of foreign-exchange reserves to allow them to expand their business globally.

Social Tensions

These developments are indicative of the problems that were piled up by these leaders adopting an economic policy which has virtually no future for the poor. It is altogether another matter to make Indians believe that the poor will accept the new situation quietly. Already, anger against economic disparity has begun to show its fangs—although New Delhi prefers to ignore them. If the suicides of such a large number of farmers have not awakened the nation, Indian leaders feel they have little cause to worry about the rise of extremist forces in the most poverty-stricken areas of the country.

However, that could be a grave mistake for which generations to come may have to pay. Violent militant cells have been set up virtually all around India. New Delhi talks about them only when those militants carry out bloody actions, such as the explosion of bombs on the Mumbai railroad last July.

It is also ignored that some parts of India are reeling under Maoist-terrorist threats. The Indian Maoists, known in the 1960s as Naxalites, have proliferated. Throughout the virtually ungoverned state of Bihar and the jungles of Madhya Pradesh, Orissa, and Andhra Pradesh, Maoists have emerged as the "law." They have developed large dumps of arms, and intelligence reports suggest that they are not only working hand-in-glove with their Nepali counterparts, but have developed a close "business relationship" with the "mother of all terrorists"—the Tamil Tigers.

It is widely recognized that the Maoists in India have taken control of a huge swath of land running from the state of Bihar in the north all the way to the state of Tamil Nadu in the south, encompassing in the process highly underdeveloped areas of Jharkhand, Madhya Pradesh, Chhattisgarh, Orissa, and Andhra Pradesh. One common thread that runs through this massive stretch of land is: underdevelopment and poverty.

A Rail Land-Bridge For Eurasian Freight

by Rainer Apel

Very encouraging news came in from Beijing on Nov. 21: The directors of the state-run railways of Germany, Russia, and China signed an agreement on a joint project to establish a rail freight route from China to Europe, via Russia. The agreement is a statement of intent; details have yet to be negotiated.

As German Railways' Hartmut Mehdorn put it, coordinated investments in the improvement of existing rail infrastructure and in cooperation with big Chinese sea ports like Shanghai and Hong Kong, are to create "a Trans-Siberian Land-Bridge between Asia and Europe," by the end of 2010. By 2011, 10 million standard 20-foot containers shall be transported between China and Europe, the entire route taking 12 days. Container ships from Shanghai to Hamburg now take 30 days.

Germany's share in the project is 2 billion euros, of which 1.2 billion alone will be invested in the construction—together with Russian and Chinese investments—of modern freight terminals along the entire route, to reduce loading-unloading time, so that the considerable delays which today create an obstacle to getting more freight on the Trans-Siberian Railroad, are removed.

The fact that three state-run railway companies are partners in this development project, allows optimism that it will be possible to overcome the many delays which designs for a grand railway cooperation among the leading powers on the Eurasian continent have seen over the past 16 years since the Iron Curtain came down. The crucial role of the state in such grand infrastructure projects was addressed by Russian Railways' Vladimir Yakunin at a conference on "Russia as Transport Corridor Between Europe and Asia-Pacific" in Irkutsk, on Sept. 21. There, Yakunin said that "these tasks cannot be solved without government involvement, and these [Eurasian] territories should not be dependent on commercial companies alone for their future development."

The first German-Russian agreement on cooperation in rail freight dates back to October 2003, when a memorandum of understanding was signed at the German-Russian Summit in Yekaterinburg. A joint venture for the development of container rail freight between East Asia-China and Russia-Europe was signed during the Hanover International Fair in April 2005. In May 2005, an experimental first freight train