mentation. Marcia Merry, *EIR* agriculture editor, gave a graphic overview of some of the major infrastructure projects now on the drawing boards. These included traversing the African continent with railroads, water projects for bringing the seas into the desert, and replenishing lakes which have dried up, such as diverting the Zaire River into Lake Chad and expanding that water basin.

Merry focused on the various development projects proposed by LaRouche for the Middle East in the 1970s as part of his "Oasis Plan" to bring lasting peace between Israel and the Arab nations. Using charts from the Oasis Program as well as new material recently presented by the Israeli government at the Casablanca conference on Middle East-North Africa development, Merry showed how a variety of canals, nuclear-centered desalination facilities, and power plants would change the nature of that arid region, providing fresh water and electricity for the development of agriculture and industry in the area.

Linda de Hoyos, the Asia editor of *EIR*, gave a graphic picture of another blighted, but potentially extremely productive area of the world—the India-Pacific basin. In a series of slides and overheads, de Hoyos showed how the area could be totally transformed by the creation of a land-bridge to Asia through the old Silk Road from China through Central Asia to the West, and through the construction of northern rail links and completing the idea of Russian Count Sergei Witte of extending the Trans-Siberian Railroad into China and Japan. This would be complemented by the construction of an internal rail net into the Chinese interior and along China's extensive coast. "The present rail network in China is only a fraction of that envisioned by Sun Yat-sen," de Hoyos noted, referring to the founder of modern China, who laid out a plan for the industrialization of China well over a half-century ago.

Jeffrey Steinberg, *EIR* counterintelligence director, outlined some of the opposition facing anyone intent on realizing these development projects: the international oligarchical grouping around Britain's Prince Philip and his WWF. Steinberg outlined how Prince Philip and the WWF had set aside "game preserves" to ostensibly "protect" wildlife, but in reality which serve as private hunting preserves for Philip and his friends. More significantly, these areas were used as "international territory," effectively under British control, for destabilization operations against many of the African nations in which they were located. Steinberg explained that the recent genocidal warfare in Rwanda, one of the countries with the highest mortality rates in Africa, was launched from one of these protected areas.

Discussion after the panels showed awareness of the tremendous potential which a "new development decade" holds for the future of humanity, and awareness of the responsibility on each to realize that potential. One participant commented, "We know now what has to be done. Now we just have to get about doing it."

# India's reforms bring no relief, as Rao looks to 'grim' election

by Ramtanu Maitra and Susan Maitra

Speaking at the meeting here in India of the World Economic Forum (WEF), Indian Minister of Finance Dr. Manmohan Singh assured foreign investors that the economic reform program, launched by him with Prime Minister P.V. Narasimha Rao in 1991, was "truly irreversible." While the statement is a mere reiteration of assurances made periodically by both the prime minister and finance minister, it is interesting that the finance minister found it necessary to say it again loudly more than three years since the reform was launched.

The reform program has included measures such as lowered import tariffs, restricted investments in industry and infrastructure, and liberalization of the financial markets in order to attract foreign currency.

One of the reasons that Dr. Singh chose the WEF forum is that there is a growing concern, particularly among the hard-core backers of India's economic liberalization process, that the outcome in the coming state assembly elections in Andhra Pradesh (Prime Minister Rao's home state) and Karnataka may pose a crisis to the Rao government during the remaining 18 months or so of its existence, before new parliamentary elections are held. The Andhra Pradesh and Karnataka elections are to be held early in December and, if the opinion polls are to be trusted, the ruling Congress Party may end up losing both states, encouraging visible dissension among its top and mid-level leaders in the country. Since the Rao government is campaigning on the merits of the economic reforms, the defeat of the ruling Congress Party in the state assembly polls in Andhra Pradesh and Karnataka may be construed as a rejection of the Rao government's economic policies.

It is evident that the reforms have failed to make any positive impact on the average or poor family, while the budget cuts have deteriorated the general infrastructure, health, and education sectors in particular. It is also widely known that some of the more ambitious congressmen, and those who are desperately trying to stay in power, may blame an electoral defeat on the Rao government's economic reforms and sing paeans to the old-style, state-controlled planned economy.

However, it is not these Congress leaders whom Dr. Singh was addressing in his speech. To begin with, Singh was responding to the statement made a day earlier by the senior adviser to the WEF, and reportedly the person who made a significant input into the Indian economic reform programs, Claude Smadja. Smadja, in no uncertain terms, made it evident that although the Indian economic reform is credible, the pace of it is sadly lacking.

Smadja, who favors quickening the liberalization process, said Prime Minister Rao is taking his time to institute reforms and "he has no intention of being pushed either by the IMF [International Monetary Fund] or the World Bank, or even by the impatience of a segment of the business community" of India.

Smadja questioned how far such a cautious approach would continue to be an asset. Pointing to the upcoming elections, Smadja said that much would now depend on politics and it might result in a relaxation of fiscal discipline through giveaways to buy votes, but this would affect the target of containing the budget deficit at 6% of Gross Domestic Product next year.

What worries Smadja is that the Rao government, whose economic performance will do little to win votes, may fall back into fiscal indiscipline, and thus set back the economic reform process of the last three years. Smadja also mentioned the possibility of a coalition government coming to power in Delhi and said, "if the possibilities of a coalition exist, then it is much more difficult to manage reform."

This is perhaps the first indication—and an important one, because the WEF is one of the major backers and alleged adviser of Singh's perceived economic reform process—that despite the much-vaunted economic success, the Rao government remains vulnerable in the polls precisely because the economic liberalization has brought little relief to the people in general. In a recent election meeting, Prime Minister Rao said the election is "very crucial and grim" because the entire economic agenda of the country depends on the outcome of the polls, because the foreign investors are watching anxiously.

## Low growth rate

A similar outcome has also been projected from one of India's top economists, Amartya Sen, professor of economics and philosophy at Harvard and president of the American Economic Association. An individual who is respected widely in and outside of India, Dr. Sen told an audience at the Johns Hopkins University School of Advanced International Studies that India's growth rate has not picked up following liberalization and the economic potential of the country was far from being realized with the kind of policies being followed.

Without naming who, exactly, is spreading the wrong news, Sen said, "The story that India's growth rate has picked up is wrong." He pointed out that during the Seventh Five Year Plan (1985-89), the growth rate was higher, at around 5%, but had since faltered at 2-3%, and sometimes none at all.

Dr. Sen made it clear—and the mandarins of Delhi's North Block may take note of it—that to reduce poverty in India, the productive base of the economy has to be expanded. Sen was explicit in stating that while foreign investment is useful, no matter how large the foreign investment to India becomes, it would still be woefully inadequate.

## Weak infrastructure

A subtle criticism of the direction in which the Indian economic reform is moving came also from an unexpected quarter. U.S. Undersecretary of Commerce Jeffrey Garten visited India to prepare for the upcoming high-profile visit of his boss, Commerce Secretary Ron Brown, along with 90 leading U.S. businessmen, in January 1995. Garten made a few keen observations which, in fact, agree largely with Dr. Sen's observations and are quite in contrast with the Rao government's political campaign projecting India's economic reforms as a success story already, while skipping over the continuing, and growing weaknesses of the physical economy.

During his interaction with Indian businessmen in Bombay, Garten listened to the American corporate representatives' complaints about India's poor infrastructure. He called it "woefully inadequate" and said it would be one of the pitfalls in India's efforts to keep up with competing economies in the region. He also pointed out that if India improves its infrastructure, it would attract large sums of foreign investments.

The U.S. official's comments could not have come at a more opportune time. The Rao government, goaded by the Finance Ministry, is pushing for increasing cuts in the plan allocations slotted for the infrastructural sector. The Finance Ministry, under pressure from the IMF-World Bank, and those Indian economists who belong to the same school of thought, to keep the budget deficit down to 6% at the end of this fiscal year, has opened up the infrastructural sector to the private sector for investment in core areas such as power, roads, and other areas.

Those who are critical of the government's benign neglect of India's physical economy, point out that the Indian investors do not have the capital to invest in an area which is highly capital-intensive and slow to produce returns. Moreover, years of slow growth have taken a toll on investors, and the poor response to the invitation to invest in the power sector is a clear indication that the private sector is nothing more than an "also ran" in a race where the public sector will have to be by far the larger investor.

The Finance Ministry's explanation is that this is merely a ploy to cut budget financing to reduce the fiscal deficit—a requirement dictated by the IMF-World Bank, some point out. Large public sector investments in India have often in the past turned into political payoffs to one or another power group by the powers-that-be and have been a major source of inflation.