

EXCLUSIVE

# Desai Faces Modern India

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## INDIA

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This writer has recently returned from a two-week visit to India, arriving shortly after the election and installation of the government of Prime Minister Morarji Desai. The Desai government, in office now for little over a month, has received considerable attention from the Western press who are eager to depict his regime as a new friend of the United States, committed to a reversal of the basic tenets of Indian foreign and economic policy as they have been established over the past 30 years of Congress Party rule.

This depiction of the Desai government is not only inaccurate but reflects a false understanding of the realities of Indian economic and political life. While it is true that Desai, and many of his colleagues in the ruling Janata party, personally favor a policy of "ruralism" and Gandhian "self-sufficiency" (austerity), Desai cannot, at the risk of making his regime extremely short-lived, go against what are the accepted national self interests of India today. This reality is already the source of numerous tensions within the Janata regime between elements who are acting in some relation to national interest and the hardcore fascist and communalist types who are ardently preaching a dismantling of the structure of heavy industry, an end to the emphasis on science and technology and the modernization of agriculture which has been established as basic Indian economic policy over past decades.

The Desai regime is already facing a severe economic crisis, characterized by an intense inflationary and speculative outburst since its assumption of power. Demands from industrial workers for the release of funds held by the government under its "Compulsory Deposit Scheme," which the Janata is committed to, are bringing further pressure on the government. The IMF, which views Desai as a longtime friend, will be adding further pressure by demanding that the government draw down its foreign exchange holdings and seek less help from the World Bank, and implement the World Bank's version of Gandhian austerity.

Desai's reluctance to go along fully with the Carter-IMF designs for India has been evidenced in his handling of foreign policy over the past weeks. The relatively friendly reception given Soviet Foreign Minister Gromyko was one good sign, one which reflects the fact that Indian economic ties to the Soviet Union and Comecon are so substantial that no Indian government

can *easily* dismiss that relationship. Another indicator is the Desai refusal to curb India's nuclear energy program or to sign the nuclear non-proliferation treaty, which the U.S. has been pressuring the government to do.

This is not to say that Morarji Desai or his government is merely a continuation of the previous regime — that is evidently not the case. But Desai is an Indian and his government must reflect Indian realities. A substantial portion of those realities, as a short visit to India made clear, is the broad commitment to modernization, which exists throughout the country regionally and in different layers of the population. What follows is a glimpse of that commitment — and what happens when Desai and friends come up against modern India.

### *In The Countryside: A Modern Farmer Of The Punjab*

Desai and his followers are fond of talking about how India must return to its rural roots and give agriculture the major emphasis in the economy — usually a code-word for labor intensive agriculture, handicrafts industry, and a zero-growth approach to industrialization and energy consumption. This formula, which the World Bank is so fond of promoting, does not work and the actual experience of India in modernizing its farm sector with capital inputs provides plentiful proof that the opposite approach is what is needed.

One small scale example of the modernization of Indian agriculture is Karam Chand, a farmer residing in the village of Khanpur in the rich agricultural heartland of the state of Punjab, in the northwest of India — India's wheatbasket. Chand comes from a farming family which owned land in the section of the Punjab that is now Pakistan. A Hindu, Chand fled to India at the time of the partition of the Indian subcontinent in 1947 and under a government program was given land to farm.

Karam Chand is a model farmer and as he explained in a conversation with this writer and two officials of the Punjab Agriculture Ministry, his farm is visited by farmers from the region who come to see the results of his various efforts to modernize his production and develop new crops. The accompanying Ministry officials were also quite eager to praise Chand as an example of a farmer who is not afraid to try new crops, new fertilizers, and new seed varieties. Chand is most proud of his pioneering role in introducing the cultivation of grapes in the Punjab, a crop which, although it is difficult to grow, yields far higher revenues than the crops of wheat and potatoes usually grown in the area. Chand patiently explained the history of his farm and his efforts to modernize it. Chand's total acreage is 25, a small farm

by American standards but far higher than the average land-holding in India. When he first got the land, the farm produced only wheat and groundnuts and suffered from sandy dry soil, and depended on rainfall for water supply. In the Punjab this often means suffering periods of severe drought, the characteristic problem of an extreme dry season in the winter and spring, and heavy rains in the summer monsoon.

The water supply problem was the first which Chand attacked. In 1955 he installed a tube well, constructed with the aid of a loan from the government Block Development Agency. In 1960 he purchased an electric pump for his well and since has added two more tube wells on his land.

Mechanization is also a part of modern farming in this area of the Punjab. Chand got his first tractor in 1967, a Czech model manufactured in India. In his village, which has a total of about 1000 acres under cultivation, there are 15 tractors, a respectable ratio. Chand rents his tractor out to other farmers in the village and the state government also has a program of renting tractors. Fertilizers are also extensively used — all chemical fertilizers such as calcium ammonium nitrate, super phosphate, potash, and ammonium hydrous gas. Chand purchases these from the government run Fertilizer Corporation of India through a cooperative of some 60 farmers in the area.

Despite the small size of his farm, Chand is always looking for ways to expand and diversify his production. His crops include wheat, the main crop grown in the winter-spring, potatoes, grown on the wheat area in the alternate season, sugar cane, fruit, vegetables, and grapes. Almost all his crops are grown with a government price support program which sets a minimum price for purchase. Wheat is purchased by the government grain agency at a set price of 105 rupees (approx. \$12) per quintal, a program which protects the farmer from speculative shifts in grain prices and also provides the government with grain stocks for sale in government shops in the cities and in states, not Punjab, which are in grain deficit.

Chand took the opportunity of the presence of some local agricultural officials to sound off about his complaints about government policy. The basic theme was the rising price of agricultural inputs — such as tractors, which now cost three times as much as they did three years ago — and against the government wheat purchase price which has remained the same for the past four years.

The special quality of this Punjabi farmer was his absolute commitment to scientific farming. Not only does Chand dare to try any new method that the Agricultural Ministry workers choose to bring him but he explained that he sees his willingness to do this as important to convincing less adventurous farmers in the area to try these methods — after they have seen them at work on his farm. Twice a year Chand visits the Punjab Agricultural University to brush up on the latest developments and to talk to students there about his farming, students who often visit his farm to see those methods at work.

Chand's views on farming extend to his social and political life. He has sent one son through university

already and his daughter is now attending university — quite an unusual event in rural India. The subject of his daughter led Chand to tell of his strong feelings about the dowry system in India. He told the story of how his daughter wanted to marry a university graduate whose father insisted on a payment of 60,000 rupees dowry in exchange for his well-degreed son! Chand refused and explained to this writer that he makes a point of refusing to participate in such backward customs, which has won him some fame in the village.

It being shortly after the elections, the question of Chand's views on the fall of the Gandhi regime naturally came up. Chand explained that the big issue in his area which swung the election against the Congress was the forced sterilization campaign. Although it did not occur in his immediate area, the rumors of its implementation in the neighboring state of Harayana spread far and wide. Who did Chand vote for — “the Congress, of course” — and when asked why he didn't vote for the now ruling Janata party, Chand replied that if he had done that he would be known as a “Jan Sanghi,” meaning a supporter of the Hindu chauvinist Jan Sangh party which is the main element of the Janata. And he added, “I am not Jan Sanghi, I am Hindustani” (meaning an Indian), Chand's way of explaining that his identity was not narrow and chauvinist and that the Congress party for him is the party of India as a whole. For Karam Chand, a “progressive farmer” as he was described by the accompanying officials, being an “Indian” and striving to bring the modern world to his village and his farm are one and the same thing.

#### *The Bhakra Dam: Electrification and Irrigation*

The real secret of Amand Chand and the agricultural successes in the Punjab is not the much-touted “green revolution,” which claims this region of India as an example of its work. While the Green Revolution is responsible for Chand's use of “miracle” high yielding grains and fertilizers, the source of the transformation of the Punjab region (including the neighboring state of Harayana) is capital investment. The biggest single investment and one which has paid itself off many times over is the huge hydroelectric complex of Bhakra-Nangal, which includes the Bhakra Dam, one of the largest concrete gravity dams in the world, and smaller power stations in Nangal, downstream, and elsewhere along the flow of the river Sutlej, from the Himalayas into the mighty Indus river.

The Bhakra dam complex, which is situated partly in the Punjab and extends north into the state of Himachal Pradesh, is largely responsible for the transformation of the Punjab region from a dry semi-desert area to the breadbasket it is today.

The key to that is energy — Punjab has the distinction of being the only state in India in which every village is electrified. It is electricity which runs the pumps on the tube wells that irrigate the land; it is electricity from the dam which supplies power to a large fertilizer plant constructed near the dam sight; it is electricity which supplies power to industrial sites that have sprung up in the last 10-15 years in the Punjab and elsewhere, manufacturing a variety of goods including tractors.

The Bhakra dam complex not only supplies power but also performs the function of water control and irrigation. Some 10 million plus acres are irrigated by the dam and its huge reservoir, with huge irrigation canals spreading from the dam down into the Punjab and Harayan and into the state of Rajasthan to the south. More canals are under construction, and additions to the power output of the complex through the construction of upstream power stations are underway. Water from another branch of the river system to the north is being diverted by means of canals and tunnels through mountains to the main reservoir behind the Bhakra dam, allowing for further power generation upstream and providing a greater and more constant water flow into the main dam; this increases the power generation that now suffers from a lower capacity during the dry season.

The Bhakra dam was first started in the late 1940's shortly after independence, and became the symbol of Indian modernization and development during the 1950's. The main portion was completed by 1963 with additions since then. American engineers did the initial design and survey, with Soviet participation later on in the area of power station construction. The construction of the dam was a training site which ultimately produced over 2,000 highly trained Indian engineers who have since gone on to practice their trade elsewhere in the nation and around the world.

The Bhakra dam unfortunately has yet to be replicated on the same scale elsewhere in India although hydroelectric potential is being tapped to a great extent in other regions of the country. But the control and use of the mighty Ganges-Brahmaputra river basin is largely undone, partly because of problems with neighboring states of Nepal and Bangladesh in agreeing on water control projects which must involve both countries. The implementation of such projects, many of them ready to go from a survey and design point of view, is essential to the further modernization and development of rural India. Without that, India will continue to be entirely subject to the vagaries of the weather, and backwardness will remain unbroken as the standard of life in these areas. But with it, India will be able to easily feed itself and eventually export agricultural goods, increasingly freeing its rural population for participation in industrial production.

#### *Indian Industrial Policy*

India possesses the most sophisticated industrial sector of any developing country, especially when measured in terms of the breadth of production. Indian industry, both the public and private sectors, is now engaged in an extremely wide range of activities — from sophisticated electronics and atomic energy to steel, machine tool and other basic heavy industry. The depth of production differs widely and in many cases the scale of production is very small; however, it is government policy to reach for self-sufficiency in almost all areas of basic industrial production as rapidly as possible.

This writer reviewed various aspects of Indian industrial policy with the Joint Secretary of the Industries Ministry, Mr. A.F. Couto. Over the past few years, the

striking aspect of Indian industrial development has been the increasing component of manufactured goods in Indian exports and the participation of Indian industry, public and private, in third-country projects, especially in the Middle East and other areas of the Third World. Examples of this abound — the Indian public steel industry has won contracts to build entire integrated steel plants in Nigeria and Libya; a housing project in Kuwait; an electric power grid in the southern Philippines.

Couto pointed out several reasons for the new trend toward triangular cooperation projects, involving Indian participation often with industrial nations of both the West and Comecon in third-country projects. The first and most obvious, he said, is geographical proximity, and the freight advantage that accompanies that. The second is that the heavy industry sector in India has spare capacity and must rely increasingly on external demand to build up capacity utilization. Another factor is the competitive capability of Indian industry due to lower labor costs and cheaper availability of some raw material inputs. One last point which is often overlooked is the vast pool of skilled manpower India has — the third largest number of professionals in the world after the U.S. and the Soviet Union. This manpower pool has been responsible for the spread of Indian engineers all over the world and an increasing role for Indian consultant projects in the Middle East and elsewhere in the developing sector.

While the Indian expansion of industrial exports has certain encouraging features in terms of international cooperation and markets for their production, it also reveals a continued weakness of the domestic market which has yet to generate sufficient demand for even the existing levels of industrial output. For example India now produces more tractors (and has the installed capacity to produce even more), than it can sell internally. Certainly, given the need for upgrading Indian agriculture, this should not be the case.

The failure of the Indian economy to absorb its present level of capacity for industrial production is largely the result of the capital-poor state of the broader economy. The Ministry official's explanation for this situation avoided this question — instead he explained that capital goods factories were built on a postulated demand with a built-in excess. The expectation, he explained, is that once the sector is built up, they can then wait for the end user to come up to the capacity level. While that sounds reasonable enough, one can merely ask where the apparent lack of "end users" for such articles as tractors comes from?

The cost of tractors to the farmer, as our Punjabi friend explained, is largely a result of the massive excise taxes placed by the government on the tractor at several points in the production process, to the point where almost half its retail cost is taxes. The government revenue collecting is therefore squeezing out the ability of farmers to expand the productive agricultural base of the economy, while simultaneously the credit policies of the government are insufficient to promote the expansion of production. Any attempt to generate sufficient surplus capital out of the internal economy, especially given the World Bank's continued drain on the economy

in the form of debt repayment, will fail. Without large-scale capital input from the advanced sector the economy will stagnate. That is where the question of foreign investment, a controversial issue, comes into play.... Up to the present government policy has been to place rather severe restrictions on both the scale and nature of foreign capital participation, reserving certain sectors of the economy for indigenous producers and protecting that industry with a high tariff structure.

When asked what kind of help and participation they would want from American industrialists, Couto had some precise answers at hand. In general he said they are looking for specific inputs into already functioning industry rather than turn-key type investment or wholly owned foreign ventures. Those inputs he described as "balancing, marginal and additional," using as an example the auto industry, a fledgling affair in India, where the need for aid from the outside is felt in areas like forging and casting technology, and parts like brakes and engines. In other areas like chemicals and drugs, the ministry official noted they need specific process technology.

Couto complained about the unwillingness of most foreign investors to provide sophisticated technologies. In this regard he praised the West Germans who he said "are more keen on spreading the image of German technology rather than commercial terms."

The Indian government encourages joint ventures with Indian public and private sector industry in certain sectors. They aim at getting the investor in and out within 10 years, leaving the Indian partner in final control of the production facility and technology. There are countless examples of this — Siemens, a German firm, is building 20 oil rigs in India with half of those to go to India and Siemens taking the other 10. In another case Siemens cooperates with Bharat Heavy Electricals, the massive public sector electrical firm, in producing thermal power sets, with the Indian side enjoying both a portion of the output and a guarantee to buy back any portion of the remaining production.

The new Desai government is not known to favor large scale industrial production and has been attacked for wanting to dismantle India's huge and productive public sector, built in large part with aid from the Soviet Union. Instead they propose a shift to small-scale rural based industry — cottage industries — which supposedly will provide employment in the countryside. Couto, without commenting directly on the new government's direction, provided a clear argument for why such a policy is absurd.

As the former director of the ministry's Small Industries Division Couto is a proponent of small and medium scale industry. But he pointed out: "Small scale industry can only develop out of the capital goods industry," noting that any productive industry on a small scale relies on technological spinoffs from the capital goods sector. He cited the Japanese experience as a model, where the small scale sector is thriving on the basis of an ancillary relationship to large scale industry.

The Industry Ministry does want to encourage an extension of industry into the rural areas, to introduce industrial practices into the rural population. As part of this program the ministry operates Craft Institutes,

which presently involve about 1.5 million people, rural craftsmen who are being trained to upgrade their skills to handle machinery.

#### *India's Petroleum Industry: Aiming At Self Reliance*

India's goal in its growing petroleum industry is complete self-reliance from both the crude production and refining ends of the process. The present state of the industry was described to this writer by B.B. Vohra, the Petroleum Secretary of the Ministry of Petroleum and Chemicals. Vohra put the policy of the government in this area briefly as: cut consumption and expand exploration for new sources. The first point is an undesirable result of the rise in petroleum prices and the lack of available foreign exchange to expand purchases of petroleum. Up until 1973 Indian petroleum consumption was rising at a rate of 9-12 percent a year. In 1974-75 consumption fell by 1.3 percent and only rose 1.6 percent in the following year. Present yearly consumption is 25 million tons, of which less than 10 million is supplied from domestic production and the rest purchased either directly from the national oil companies in the Middle East or through the multinationals (4 million tons from Exxon). While Vohra admitted that the cut in consumption is hardly desirable, in somewhat typical Indian "self-reliant" fashion, he railed about "wasteful consumption" of petroleum in the U.S., by which he suddenly transformed the Indian lack of energy into a virtue of Oriental austerity.

While the consumption picture is dismal, the production side is encouraging. The discovery of the large new offshore field - Bombay High - in the Arabian Sea off Western India has greatly increased domestic production. For years while the Indian oil industry was under the control of the major oil companies no significant exploration took place. As Vohra put it, "the multinationals are not interested in production at all". The discovery and exploitation of the field did not take place until Soviet technical assistance was called in — they did the surveys and encouraged the first drillings. In 1974, oil was struck.

Bombay High is now a purely Indian project under the control of the public sector Oil and Natural Gas Corporation (ONGC). There are eight wells presently in production with levels expected to reach 11.3 million barrels a day by April of this year. In the next three-four years an additional 10-12 million barrels per day is expected to come into production. The cost of production however is high — \$6 per barrel compared to less than a \$1 per barrel in the Middle East.

Indian control now extends downstream as well, with the government takeover of the refining and distribution networks previously controlled by Caltex, Exxon, and Burmah Shell. The government plans to expand refining capacity, centered in Bombay.

This does not mean that foreign cooperation is completely out — only the majors have exited. In several areas exploration is being carried out by foreign independents under production-sharing contracts whereby, if any oil is found, the production will be split 70-30, the Indians getting the larger portion and an option to buy the rest at the market price. The advantage here is that the oil companies take all the risk and absorb the

cost of exploration. In Western India, offshore, the Reading and Bitz company is operating under this formula while in the Bay of Bengal on the east, Carlsbury (a subsidiary of Natomas) and Asamara are exploring.

Despite all this, by the most favorable projections, India will still be importing a major portion of oil from outside, especially if there is growth in the Indian economy. Imported oil and expansion of other energy

production in India — nuclear, thermal and hydroelectric — is the only basis for future growth.

It is revealing to note that the Desai government has pledged to continue India's petroleum policy despite the vision of Gandhian spinning wheel "self-sufficiency" being promoted in some circles of the government today.

—Daniel Sneider

## Press, Unions Back Bhutto's Assault On Carter

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### PAKISTAN

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Prime Minister Zulfikar Ali Bhutto's April 28 report that the Carter Administration is actively involved in efforts to remove him from power has resulted in a mass expression of support for Bhutto inside Pakistan. Predictions made by the New York Times a week ago that Bhutto, "days are numbered," that the military is ready to take over to resolve the seven-week civilian crisis over alleged vote irregularities in the March 7 elections, have been proven false.

May Day demonstrations by various sections of the trade union movement brought thousands of workers to the streets, fully backing Bhutto. Left-wing parties, in the opposition Pakistan National Alliance (PNA) and outside it, have acknowledged Bhutto's continued mass support and demanded that he follow through on his charges against the Carter Administration by declaring a moratorium on debt payments to U.S. banks, pull out of

the Central Treaty Organization (CENTO), and establish full economic and political relations with the non-aligned group of nations and the socialist nations.

The reason for this backlash against the attempt by U.S.-linked interests to oust Bhutto from power is quite clear; despite Bhutto's many errors in judging and dealing with popular dissatisfaction with his government's economic and political policies, he remains in the minds of most of the country's population the single symbol of unity, development, and civilian government. The workers of the trade union movement and the peasants, both sections that have stood behind Bhutto, remember too well the brutality of the Cold War military dictatorships that ruled the country to now allow these forces or their stooges in the PNA to return, unopposed, to power.

Reprinted below are sections of a Pakistan Times editorial of May 1, building a case for Bhutto's charges against the Carter Administration with global implications. Such articles have appeared in the Pakistani press since the beginning of May, but no western daily has chosen to pick up the news of the real support for Bhutto.

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### 'The World Policeman Again'

by H.K. Burki

ISLAMABAD: The United States Government has denied Premier Bhutto's charge of conspiracy against Pakistan. Quite naturally so. The spokesman of the Pakistani collaborators, and all the PNA factions may not have been really in the picture, has done the same. (sic) Equally natural. After all, they are not going to confess their guilt. Even our great "independent" newspapers have cast doubts about the charges of the Prime Minister of the country. But then, having assisted the conspiracy so vigorously in their columns by publishing every rumour, canard and incitement to violence regardless of consequences to the nation, their stand comes as no surprise.

#### *Rumour Factories*

Now some more recent telltale signs. The American Embassy in Islamabad and the consulates at Lahore and Karachi have been the principal rumour factories, in daily production, synchronised and computer program-

med, throughout the election campaign and more particularly since the violent agitation. There have been grumblings by the minority of non-CIA decent diplomats who have felt the United States should not do this to an old ally like Pakistan. But the majority, including some of the senior-most Americans, have made no secret of what they were doing. With an arrogance that would shame the herrenvolk, they have been telling the rest of the diplomatic corps quite openly that they were going to have this troublesome man out.

To cap it all and to establish the CIA link with the Opposition, one must recall the statements of men like Mr. Asghar Khan during the election campaign. When they came to power, they had said, they would scrap the re-processing plant, there would be no Third World Summit, and the Karakoram Highway would be closed. And where do defectors like Air Marshal Rahim and the counsellor from Paris go? Why, Washington, of course. And Gul Hasan? First stop, BBC Headquarters in London.

Recalling what has been going on for the past two years, one can safely conclude that the Carter Administration had inherited the CIA operation, and made it its