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COMMUNIST PARTY OF INDIA (MARXIST)
Central Committee

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Press Release

The Left Parties have submitted the following note to the UPA-Left Coordination Committee meeting.

for CPI(M) Central Committee office

Left Parties Note:

**Two Years of UPA Government:
Certain Issues**

Introduction

The UPA Government completed two years in office in May 2006. The UPA Government came into office with a mandate to uphold secularism and to chart out a path of socio-economic development which would benefit all sections of the people, especially the working people and the weaker sections. The performance of the Government has to be assessed on the basis of how it has implemented the National Common Minimum Programme, which contains its basic vision and outlines its priorities.

The UPA Government has taken steps in order to fulfill some of the commitments made in the NCMP. In its first year the Government ensured the abolition of the POTA and the adoption of the Right to Information Act which has strengthened democratic rights. A major step taken in the second year of the Government has been the adoption of the National Rural Employment Guarantee Act which is now being implemented in 200 districts. The initial response to the EGS has been very encouraging. It is important that the Employment Guarantee Act is properly implemented and expanded to cover the entire country within the next three years as per the NCMP commitment.

The Government has tabled the Scheduled Tribes (Recognition of Forest Rights) Bill in Parliament. The Parliamentary Joint Select Committee has made several recommendations in order to improve upon the Bill. This Bill, after taking into account the recommendations of the Committee, will be an important step for protecting the rights of the tribal people to their traditional lands in the forests. The Government has also brought progressive legislation on domestic violence and property rights for women which have been enacted. The 93rd Constitution Amendment was adopted unanimously, paving the way for bringing private educational institutions within the scope of

reservations for socially disadvantaged groups. The initiative to introduce reservation quotas for the OBCs in higher educational institutions is also a welcome step.

The UPA Government has also taken some positive initiatives in the education and health sectors in keeping with the NCMP, particularly the introduction of the education cess to finance the Sarva Shiksha Abhiyan and the mid-day meal scheme and launching the National Rural Health Mission. However, despite some increases in fund allocation on these social sectors, public expenditure continues to remain far short of the 6% of GDP on education and 2-3% on health as promised in the NCMP.

Some Areas of Concern

The Left parties have some areas of concern regarding the policies being pursued by the UPA Government. There are instances where the Government has moved in the right direction but halfheartedly, and has therefore fallen short of fulfilling the commitments made in the NCMP. There are also areas where the policies and actions of the UPA Government have not been in keeping with the spirit of the NCMP and therefore needs to be reversed and corrected. These have been discussed below.

Combating Communalism: The UPA Government is committed “to preserve, protect and promote social harmony and to enforce the law without fear or favour to deal with all obscurantist and fundamentalist elements who seek to disturb social amity and peace” as per the objective set in the NCMP. In this context, what is happening in Gujarat is a matter of serious concern. The Narendra Modi Government is presiding over a regime which systemically discriminates against the minorities and subjects them to various forms of harassment. It is the responsibility of the Central Government to intervene to see that the Constitution and the laws of the land are enforced in Gujarat. Several instances of communal violence have occurred in various parts of the country like Mau, Kargil, Goa, Aligarh and Vadodara in recent times. Attacks on minorities have taken place in Madhya Pradesh and Rajasthan. Complacency on this front is therefore unaffordable. The Prevention of Communal Violence Bill should be adopted without further delay so that effective measures can be taken to curb communal violence and to safeguard the rights of the victims of such violence.

Price Rise: The UPA Government has failed to check the continuous rise in prices of food items and other essential commodities. It is surprising that while there is all-round price rise, the government is claiming that the rate of inflation is under control. The Wholesale Price Index for all commodities has risen steadily through the first six months of this year, particularly for cereals, pulses, sugar, milk and edible oils. The prices of wheat and rice have reached Rs 17 and Rs 15 per kg respectively in Delhi. Dals of different varieties are being sold from Rs. 45 to Rs. 60 per kg and sugar at Rs 22 per kg. Mustard oil is selling at over Rs 50 per kg. The price rise is continuing due to the inability of the Government in checking hoarding of commodities, the incidence of which has increased following the introduction of forward trading. Moreover, while the common people are already being hit hard by such price rise, the Government has recently brought about another steep hike in petroleum prices citing the increase in the international oil prices, which is bound to worsen the inflationary situation. Prices of petroleum products have been increased five times in the last two years. The Government has refused to review the structure of taxation on petroleum products in a meaningful manner, which would have made it possible to avoid the petro price hike. The UPA Government continues to stubbornly resist any suggestion to forego additional revenue derived from the ad valorem customs and excise duties.

Macroeconomic Policies and Resource Mobilization: The Budgets presented by the UPA Government so far have not been able to address the serious problems afflicting the economy in any significant manner. If the Government is serious about meeting the commitments made in the NCMP, a thoroughgoing reorientation of fiscal policy is required. The Central Plan outlay on agriculture & allied activities, rural development (which includes rural employment), irrigation & flood control and social services (which includes education, health, family welfare, housing, social security etc) taken together stood at Rs. 74312 crore (Revised Estimates) in 2005-06, less than 2.5% of the GDP. Despite the Left Parties demanding an increase in the Plan outlay on these sectors by at least Rs. 50000 crore before the Budget, the Central Plan outlay was increased by only around Rs 15000 crore in Budget 2006-07. With such inadequate Plan outlays, it is evident that the NCMP commitments regarding employment guarantee, enhanced public investment in agriculture and irrigation and increased spending on health and education to reach 2-3% and 6% of GDP respectively, would remain largely unfulfilled.

The Left Parties had made a range of proposals on resource mobilization to the Government earlier this year. The focus of the proposals was on four areas from where additional resource mobilisation is eminently possible: (a) taxing the speculative capital gains made in the capital market by reintroducing the long-term capital gains tax and raising the rate of the STT (b) rationalizing the myriad tax exemptions and incentives being enjoyed by the corporates, especially exporters, which are nothing but subsidies to big business (c) increasing the rate of the wealth tax and introducing an inheritance tax with a suitable exemption limit so that only the rich come under their purview and (d) increasing sales tax/VAT on luxury items consumed by the rich. Unfortunately, these proposals were virtually rejected as a prescription for a "confiscatory taxation regime", despite the fact that the Left Parties far from suggesting any increase in the income tax burden on the salaried middle class or increased excise duty on domestic producers, did not even ask for an increase in the corporate tax rate which was slashed in Budget 2005-06.

Additional resource mobilization in Budget 2006-07 was a paltry Rs. 6000 crore, which is exactly the same as Budget 2005-06. The fact that despite this insignificant resource mobilization effort and collection of tax arrears remaining less than 10% of total tax arrears, revenues have continued to increase is mainly on account of a tremendous rise in corporate profits which has translated into more corporate taxes, broadening of the service tax net and increase in customs revenue mainly because of the rise in international oil prices. While the upward trend of the tax-GDP ratio under the UPA Government is welcome, it is difficult to conceive its continuance in the absence of any substantial effort to mobilize additional resources. In any case it is obvious that at this level of revenue mobilization, expenditure necessary to fulfill the NCMP promises cannot be undertaken, unless the Government decides to expand the fiscal deficit ignoring the FRBM Act. The Left Parties therefore urge upon the UPA Government to consider the resource mobilization proposals more seriously and implement them in order to bring about a substantial increase in Plan Outlays in order to meet the commitments in the NCMP.

Agrarian Policies: Given the acute nature of the agrarian and rural distress there is a need for undertaking public investment in agriculture and rural areas at a scale much bigger than what has been done so far. However, far from reinvigorating the role of the State in order to step up investment and support to agriculture and provide protection against price fluctuations, underlying the frequent calls for a "Second Green Revolution" emanating from the Government is a vision of corporate driven export led agriculture.

The Seeds Bill piloted by the Ministry of Agriculture seeks to subvert the seed rights of the farmers and facilitate monopolization of the seed business in the hands of the multinational seed companies. The "Indo-US Knowledge Initiative on Agricultural Research and Education" was launched during the US President's recent visit to India. It has not only empowered Wal-Mart and Monsanto to dictate the agenda of agricultural research in India but has also ensured that such research will be largely funded by the US based multinationals and therefore tied to the stringent Intellectual Property regime of the US. Free Trade Agreements signed with certain countries has led to the ruination of domestic producers due to cheap imports, especially the cash crop farmers in Kerala. The UPA Government's agenda to further expose the already crisis ridden Indian agriculture to the vagaries of the international market and dominance by the multinationals is unacceptable. The Left Parties urge the UPA Government to correct its policies related to agriculture and rework its agrarian strategy based upon enhanced state intervention and support.

The Report of the National Commission on Farmers headed by Prof. Swaminathan has made several recommendations, which if implemented would help in ameliorating the agrarian crisis. Some of the key recommendations which need to be implemented urgently include: (a) Constitution of a Fund to assist farmers affected by crop losses. (b) Reduction of the interest rate for farm loans to 4%. (c) Undertaking an all-India Debt survey and taking appropriate measures for debt relief including waiver for those farmers who are in distress. (d) Creation of a price stabilization fund for agricultural commodities. (e) Revamping of Agricultural Extension services through the establishment of farm schools and village knowledge centres across the country. (f) Expansion of Crop Insurance to the entire country and cover all crops. All this would essentially imply a much larger role for the State as well as enhanced levels of public spending on agriculture.

Food Security and Public Distribution System: A matter of increasing concern is the erosion of food security under the UPA regime. The NCMP had specifically committed itself to the strengthening of the public distribution system as well as to a restoration of a universal public distribution system. The targeted public distribution system has utterly failed as large sections of the poor have been excluded from the system. The most recent evaluation of the Planning Commission which also speaks of the high extent of wastages and leakages, points out that as many as 57 per cent of those who should be identified as BPL have been excluded. Eminent economists have repeatedly pointed out the anomalies of BPL identification. The fault however lies not only with the process of identification of the poor but with the very system of targeting in a country where an increasing number of households require food security through subsidized foodgrains. At present the system of identification of BPL and allocations of quotas is done on the basis of the assessments of the Planning Commission. These assessments may be quite different from the BPL surveys conducted by the States for the Rural Development Ministry programmes.

A recent note given by the Ministry of Consumer Affairs, Food and Public Distribution System to the Cabinet Committee for Economic Affairs on "prudent food management" is an example of how the Ministry appears to be moving further away from the commitments of the NCMP. The note recommends the hiking of prices of foodgrains for BPL and APL categories, cutting allocations to both these sections of ration card holders and cutting down the foodgrain component in all employment generation schemes. Further, the recommendation is to wipe out the wheat deficit by removing the food component in wages in Central Government employment schemes. The UPA government should not only reject these recommendations, which go against the very spirit of the NCMP, but also take steps in the direction of reestablishing a universal PDS.

At the same time the cuts in the foodgrain component of the SGRY and other employment programmes must be restored. If required, wheat may be replaced with rice in consultation with State Governments.

The wrong policy of handing over procurement to private traders in the name of benefiting farmers is also a cause of serious concern. The Government allowed big companies including MNCs to make a killing by allowing them to corner stocks by paying only slightly higher prices to the farmers than the Government's procurement price while they have ensured that the market prices of wheat have increased much more. Ultimately the Government ended up importing wheat paying the foreign trader almost one hundred rupees more than the Indian farmer. Food self sufficiency and self-reliance are essential to protect India's sovereignty. The Left Parties therefore disapprove of the import of wheat which has been caused by food mismanagement and urge upon the UPA Government to adopt a firm policy of open-ended procurement.

Attitude towards Foreign Capital: The NCMP talks about encouraging FDI in areas of "infrastructure, high technology and exports and where local assets and employment are created on a significant scale". However, in practice the Government has gone ahead with allowing FDI in certain vital sectors where not only are the benefits of high technology or exports elusive but which would also have a debilitating impact on domestic employment and asset creation. The decision to open Retail Trade to FDI, which has already been permitted in the single brand category, is one such step. Similarly, the Government seems keen on allowing foreign banks to takeover Indian private banks and, to facilitate this, it wants to do away with the 10 per cent cap on voting rights in the Banking Regulation Act. Raising the FDI cap in the Insurance sector and allowing FDI in print media have also been mooted. Opening up of such sensitive sectors of the economy where restrictions have been retained till date must not be done.

Privatisation: Privatisation of profit making enterprises is being pushed forward despite the NCMP commitment to the contrary. The privatisation of the Delhi and Mumbai airports in the name of modernization is a glaring example. This is now being sought to be expanded to other airports despite the earlier stance that the resources of the Airports Authority of India will have to be used for modernization of the airports apart from Delhi and Mumbai. The privatisation of pension funds of Government employees is also sought to be pursued through the PFRDA Bill. Liberalization and privatization of the Mining Sector, which is being pursued proactively by the UPA Government, besides being antithetical to national interest is also threatening the livelihood and lands of tribal people. Forcible displacement of the tribals without any coherent Relief and Rehabilitation Policy in place has the potential of exploding into violent conflicts and state repression as was exemplified by the police brutalities in Kalinganagar, Orissa.

Financial Sector Liberalization: The recent crash in the stock market and the volatility being witnessed since then underline the power that the FIIs have come to wield in the capital market. Unmindful of the damage that can be caused to the economy by large-scale capital flight, the UPA Government has gone to the extent of suggesting full capital account convertibility, which does not find any mention in the NCMP. In the name of encouraging FIIs, speculative activities have been allowed overriding the RBI which has been advocating a cautious approach. Allowing an increase in FII investment through the non-transparent Participatory Notes route despite RBI's objections is one example. Moreover, myriad tax concessions have been provided to the FIIs under the DTAAs, which along with measures like the abolition of the long-term capital gains tax by the UPA Government, had fuelled the stock price bubble. The effort

of the Government over the past two years has clearly been to discourage fixed-return savings by cutting interest rates on such instruments, postal savings for instance, and push savers into a stock market during the bull run. The successive cuts in the EPF interest rate were also driven by the same motivation. Once the FIIs have started booking profits the markets have turned choppy and small investors are having to bear the brunt. The UPA Government should take the views of the RBI and SEBI more seriously and initiate steps to regulate and tax the FIIs effectively.

Role of the Planning Commission: The Planning Commission has become the hub for the initiation and pursuit of neoliberal policies which go against the spirit of the NCMP. The alacrity with which sub-committees were set up by it to follow up on the recommendations of the US-India CEO Forum, with each sub-committee dedicated to one recommendation, speaks volumes about its ideological orientation. There is also a concerted effort on the part of the Planning Commission to introduce privatisation under the garb of Public Private Partnerships. For example, the Commission is pushing for the floating of a company with private sector participation in order to undertake the Freight Corridor Project of the Indian Railways. The Planning Commission needs to reorient its approach in order to reflect the priorities set by the NCMP in the Eleventh Five-Year Plan, which is currently under preparation.

Power Sector Privatisation: The National Common Minimum programme states that, "The review of the Electricity Act, 2003 will be undertaken in view of the concern expressed by a number of states." Such a review has not taken place so far with the participation of the concerned trade unions as agreed. Meanwhile, the experiment with privatization of power distribution in Orissa has failed miserably including the cancellation of the licenses of the private discoms by the regulator. The experience of privatization in Delhi has also belied the claims of greater efficiency of the private discoms and has not led to any resource gains for the state exchequer while the consumers have suffered badly. Despite these experiences the Union Power Ministry is trying to push privatisation of power distribution under the guise of "ultra mega" power projects. The terms and conditions of the ultra mega power projects demand that any state taking power from ultra mega projects will be forced to privatise distribution of electricity for all towns with population of more than 1 million. Rather than continuing with the discredited policy of power sector privatisation, the UPA government needs to analyse the impact of the last fifteen years of power sector reforms starting with the IPP policy of 1991. Without such a stock taking, continuing on the same path can only worsen the crisis of the power sector.

India's Role in the WTO: The view that India's interests are best served through collaboration with the US pervades India's strategy in the WTO. At the Hongkong Ministerial Conference in December 2005, India sided with the US and other developed countries in finalizing a deal which would lead to substantial cuts in agricultural and industrial tariffs by developing countries including India while the developed countries would eliminate their export subsidies, which constitute a small fraction of their huge domestic subsidies, only by 2013. Besides, the Services sectors of the developing countries including financial services and social services would have to be opened up for the MNCs based in the developed countries. This collaboration with the developed countries, particularly the US, had been justified in terms of India's "offensive interests" in liberalization of Services under Mode 1 and 4, primarily in terms of more H1B visas and BPOs. Subsequent developments have shown that the developed countries are not willing to concede an inch even on the pitiful concessions being sought by the developing countries. The interests of an overwhelming majority of Indians who are employed in agriculture and industry should be paramount for the UPA Government and their interests should not be sacrificed under any circumstances. India should play a

proactive role in ensuring that the Doha Development Round does not end with the interests of the developing countries being compromised.

Foreign Policy and Strategic Alliance with the US: The UPA Government has failed to fulfill its commitments under the Common Minimum Programme to pursue an “independent foreign policy”. It is a matter of profound regret and utmost concern that the NDA government’s agenda of making India a “natural ally” of the United States in its global strategies continues to progress. The framework agreement on defence relationship with the US, the joint statement of July 2005 and the proposed nuclear cooperation have generated all-round vulnerability to US manipulations.

Any deepening military collaboration with the US leading to massive arms purchases will seriously compromise India’s strategic interests and independent foreign policy. The US has time and again made it clear that it is keen to regard India as an ally in the pursuit of its strategic goals in Asia. Various aspects of the framework agreement on defence relationship, such as the intent to “expand collaboration relating to missile defence” and work out “inter-operability” of the two armed forces are ominous pointers to the US design to incrementally block India’s ability to pursue an independent foreign policy on global and international issues. There is deep disquiet that without transparent open debates involving public opinion, the government is allowing itself to be led into protracted negotiations over matters of fundamental importance to India’s nuclear policy.

India’s vote on Iran nuclear issue under US pressure diminished our regional and international standing and adversely affected our traditionally close and friendly relations with Iran. Despite the Iran gas pipeline project’s immense potential for safeguarding energy security and its relevance as a factor of peace and stability in the region, the government has virtually shelved it due to Washington’s opposition. The UPA Government has slackened the efforts to safeguard energy security and is instead depending on market forces and US oil majors. The proposed gas pipeline from Turkmenistan is unrealistic and only sub-serves the US geo-strategy in the Central Asian region.

The UPA Government has been party to the US being given observer status in the SAARC despite its record of pursuing intrusive and interventionist policies. Under US direction, the NATO alliance, which is a relic of Cold War, is establishing base in Afghanistan and a long-term presence in the region. The government remains passive toward these developments of far-reaching implications for regional security and stability. India is the only country that is not represented at the level of head of state/government at the 5th anniversary summit of the Shanghai Cooperation Organisation comprising of China, Russia, Kazakhstan, Kyrgystan, Tajikistan and Uzbekistan. India’s low-key involvement with an important forum like the SCO is incomprehensible and illogical.

The UPA Government has continued with the NDA Government’s policy of forging strong ties with Israel and reportedly even approached the pro-Israel Jewish lobby in the US recently to canvass support for the Indo-US nuclear deal. The systematic attempts by the US and Israel to cripple the functioning of the newly elected Hamas government and the blatant Israeli atrocities against unarmed Palestinian civilians, which arouse the indignation of the friendly peoples of the Gulf and the Middle East, evoke no reactions from the UPA government. While incessantly proclaiming its desire to play an active role in the comity of nations, the government abdicates its traditional leadership in international forums, be it the NAM or the G-20. India has lost its voice as a champion of disarmament. India takes no interest in the solidarity of developing countries. Regional

cooperation in South Asia or among the Indian Ocean rim countries has stalled. The UPA government is yet to fulfill its commitment to accord "the highest priority" to relations with India's neighbours in South Asia.

The UPA government's foreign policy faces serious distortions because of the obsessive drive to somehow harmonize positions on regional and global issues with the US's global strategies. This runs counter to the commitments made in the Common Minimum Programme to promote multi-polarity in international relations.

The Way Forward

It is necessary for the UPA government to politically determine the course of action to be pursued in the coming days. After the passage of two years of the UPA Government, the people are yet to realize that their material conditions are changing for the better. Price rise, agrarian crisis, unemployment, lack of access to education, health and basic services are problems which need urgent attention. Welfare measures for the oppressed sections and firm measures for gender equality, ending caste discrimination and protection of the rights of minorities have to be pursued. All this has to be accomplished within the framework of development and economic growth which promotes equity and is people-oriented.

Based on the NCMP and the ongoing efforts of the Government, the following immediate steps are to be taken: -

- ✍️ Prompt intervention and vigilance to ensure that communal activities are checked. Central intervention is required to check attacks on minorities in the states where they occur. Gujarat has to be constantly monitored to ensure that the Constitutional provisions and laws are enforced.
- ✍️ Step up public investment in agriculture. Implement the recommendations of the National Commission for Farmers, among them the setting up of a Price Stabilisation Fund and lowering the rate of interest on farmers' loans. Provide protection for crops and agricultural commodities adversely affected by Free Trade Agreements. Complete pending irrigation projects.
- ✍️ The Public Distribution System needs to be strengthened on an urgent basis. The practice of fixing quotas for states for issuance of BPL cards must be discontinued and all those who come within the BPL criteria must be issued cards. Further steps should be taken to fulfill the NCMP objective of moving towards universal food security.
- ✍️ The government should take steps to check hoarding of foodgrains and essential commodities and prevent any further price rise of food and essential commodities. The forward trading system which facilitates hoarding should be abolished. The Consumer Price Index should be revised to better reflect the prices of commodities consumed by the working people.
- ✍️ The Centre should closely monitor the implementation of the Rural Employment Guarantee Act in the 200 districts. Steps should be taken to increase the coverage on an annual basis, so that the whole country is covered within the next three years, starting with another 200 districts from February next year.
- ✍️ The Women's Reservation Bill providing one-third reservation must be introduced without delay in Parliament for adoption.

- ✍️✍️ Adopt the Scheduled Tribes (Recognition of Forest Rights) Bill, 2005 incorporating the recommendations of the Joint Select Committee in the next session of Parliament. This legislation will be a major step in protecting the rights of the tribal people in the forest areas.
- ✍️✍️ Bring comprehensive legislation for agricultural workers. Adopt legislation on social security for workers in the Unorganized Sector.
- ✍️✍️ Discuss with the Trade Unions all proposals and measures concerning labour before any legislation is taken up. Interest rate on EPF should not be reduced further.
- ✍️✍️ Universalize the ICDS in keeping with the NCMP promise. The Right to Education Bill which would enable universalization of access to quality basic education should be adopted without delay. Central legislation to empower State Governments to regulate admissions and fees in the private professional educational institutions should be introduced.
- ✍️✍️ Implement the minor irrigation works in Scheduled Caste and Scheduled Tribe areas and initiate programme to endow landless families with land as promised in the NCMP.
- ✍️✍️ Steps to increase the proportion of Scheduled Castes and Tribes employed in the private sector needs to be considered by the Government in order to fulfill the NCMP promise. Backlog of SC/ST employment vacancies to be filled in a time-bound manner. Concrete steps for the expansion of educational and employment opportunities for the Muslim minorities also need to be taken.
- ✍️✍️ While attracting foreign investment, the government should not allow foreign companies in sectors like retail trade which has adverse implications for existing employment and livelihood of millions of people.
- ✍️✍️ In line with the NCMP commitment of not privatising or weakening profit-making public sector units, the Airports Authority of India should be entrusted with the task of modernizing the existing airports. Greenfield airports can be developed through joint ventures with the involvement of private sector.
- ✍️✍️ Foreign policy should be reoriented, so that we have a clear-cut independent foreign policy in keeping with the NCMP. The terms for the "strategic partnership" with the United States are not conducive for an independent foreign policy and preserving our strategic autonomy.

UPA Government-Left Coordination Committee

Since the inception of the Coordination Committee, the Left Parties have submitted 19 notes on various policy matters for consideration. The experience of the working of the Coordination Committee has been that the discussions on these issues have generally not led to any satisfactory conclusion. Only in a few instances have the discussions produced results and a common understanding. The Left Parties are concerned that the Coordination Committee becomes merely a forum for talking out issues without producing any concrete results. This note is being submitted with a view that an overall discussion after a considered response from the UPA side will help us to decide how to proceed in the future.
