CHAPTER - IV

THE BJP APPROACH TO THE LIBERALISATION OF INDIAN ECONOMY

Political parties are the very integral part of the political process and they determine the public policy decisions of every political system. National interest is implicitly or explicitly concerned with the well-being of the people and it is permanently the guiding factor for public policy makers. This means that public policy is to serve the interest of the people. In this regard, political parties as a link between people and public policy makers, play a vital role in the formulation of public policy. The ruling party has to formulate broader policy guidelines based on its electoral promises. A ruling party with strong popular support can place economic development on its priority list, and it decides priorities based on reasonably well-qualified and expressed in terms of measurable economic objectives – income, employment, BOP, distribution of income among groups, regions, etc.

The public policy makers are also influenced by opposition parties. The influence of opposition on public policy makers may be through direct interaction or some other form. By and large, the political parties attempt to influence the public policy makers either by offering criticism or by advising them with regard to the assessment of domestic situation and policy options.3

The Approach of the BJP to the Liberalisation of Indian Economy as an Opposition Party

The decline of Congress's hegemony has been met by an important political development, i.e., the rise of the BJP.4 In the contemporary Indian party politics, the BJP has generated strong enthusiasm all over the country and attracted support from different quarters in an unexpected manner.5 The BJP is a right-leaning, religious-nationalist party that has successfully mobilized support simultaneously by demonizing India's religious minorities, especially the Muslims and championing causes that appeal to the majority of Hindus.6 Now the BJP has come to be accepted as a major component of the party system and a

3 S.S. Patagundi, Supra, No. 1.
5 Pratap Chandra Swain, Bharatiya Janata Party: Profile and Performance, APH Publishers, New Delhi, 2001, p. 239.
6 Atul Kohli, supra, no. 4.
principal role of party politics.\textsuperscript{7} Over time, however, the BJP has had to moderate its strident religious nationalism, both to broaden its electoral support and to seek coalition allies.\textsuperscript{8}

India is regarded as the largest democracy in the world. In the context of the working of Indian democracy, it is very pertinent to understand the parties' approach to the public policies. The economic policy is an important public policy and the issue of liberalisation constitutes a major part of the economic policy in recent times. The Congress government introduced liberalisation in 1991 and at that time the BJP was in opposition. The BJP, as an opposition party, had expressed its concern on public sectors, black money, multinational companies, FDI, GATT/WTO, Swadeshi, etc.

In June, 1991, the Congress (I) government was formed under the leadership of P.V. Narasimha Rao. In the meantime, the country was facing serious economic crisis. In fact, the country was on the brink of default. Foreign exchange reserves were only $ 1.2 billion. It was not sufficient to meet the requirements of import for even two weeks. Inflation was 13 per cent and tended to increase, as it did, to 17 per cent. Industry had come to grinding halt. The Eighth Five Year Plan had been abandoned by the two previous governments. The government

\textsuperscript{7} Frontline, March 17-30, 1990, p. 8.
\textsuperscript{8} Atul Kohli, Supra, No. 4.
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was living on borrowed money. When they could not borrow more, the government pledged India's gold and borrowed more money. At that crucial point, the Congress government took over the responsibility of rebuilding India's economy.\textsuperscript{9} Thus, in July, 1991, the situation compelled the Congress (I) government to introduce liberalisation which came to be known as New Economic Reforms.

The BJP blamed the Congress (I) itself for such a prevailing economic situation or crisis. It also blamed Nehruvian model as a failure. The Nehruvian model was called planned development, but its planning and development had failed. This caused more poverty and unemployment. This is the tragic legacy of Nehruvian model. All was carried out in the name of the poor and it was the poor who suffered most and now Narasimha Rao's government exhibited a complete moral drift by surrendering the economic sovereignty of the country by opening its door to all agreeing to the conditionalities laid by IMF. The BJP told that after independence the Congress adopted mixed economy but later due to political reasons, the area of State authority expanded. Our industrialists too did not do justice to the country. Their eyes were not so much on development as on profit. They wanted

a protected market not competition. In 1991 when Manmohan Singh blamed the two previous governments for the existing situation, Atal Bihari Vajpayee, the then opposition leader brought to the notice of Finance Minister that during that period Finance Minister, himself was the Governor of RBI and later Chief Economic Advisor to the Chandra Shekhar government. Vajpayee also told that the Chandra Shekhar government was formed with the support of the Congress itself. He clarified that the situation deteriorated because of unbridled expenditure and unbridled borrowing.

The BJP Perception of Public Sector

In India public enterprises have been set up in all three forms of organisation, viz., government departments, public corporations and government companies. Normally all these enterprises obtain their initial finances and annual appropriations from the exchequer and all or the major share of the revenues are paid into the exchequer.

In India, there were very high expectations from public sector. Sixty-nine per cent of the total investment was in public sector.

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11 Ibid., p. 136.
sector. Since the inception of centralized planning in 1951, the public sector was assigned a major role in the development process but its programmes in the last forty years have grossly disappointed and largely alienated even those who are its blind supporters.

The BJP has been always advocating the de-bureaucratization of the industrial sector for reasons of efficiency and healthy entrepreneurship. The party, over the years, has been demanding the elimination of over regulations leading to red tapeism and corruption with a view to promote rapid industrialization. Talking about the heavy controls which led to corruptions in the public sectors, Vajpayee informed the Lok Sabha that when the BJP was supporting V.P. Singh's government from outside, high officers in the public sector industry approached him and proposed that a new Chairman and a new Managing Director was to be appointed for that industry. If Vajpayee could help in the appointment, he could arrange for a donation of one crore rupees every year from the industry to the

15 Ibid., p. 108.
party and Vajpayee told if the Finance Minister Manmohan Singh wanted that name, he could give it later.16

The BJP suggested that all loss making public sector undertakings should be handed over to the co-operative sector or to the workers of that unit if they are prepared to take it over. Drastic cut in the name of socialism in wasteful expenditure incurred by these public sector undertakings such as a fleet of cars, traveling abroad, stay in five star hotels, air conditioners, luxurious fixtures, fittings and furniture.17 Further, it suggested that the management of these public sector undertakings should be professionalised and only professionally qualified managers should be appointed to these units.18

The BJP in its election manifesto stated that it believes in confining the public sector only to sensitive areas where the national security is involved and the areas where the presence of public sector is necessary for providing a moderating or counterpoising role to the ill-effects, if any, of an unchecked private sector. Public sector presence will continue in areas furthering social objectives.19

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18 Ibid.
Long before the Congress latched on to the mantra of liberalisation, the BJP had been advocating decontrol, deregulation and debureaucratisation of the economy. The BJP was a severe critic of licence-permit-quota raj which the Nehru-Mahalanobis model had inflicted on the country. The BJP had always pleaded for greater autonomy to public sector banks and public sector enterprises to function along the efficient commercial lines in order to face challenges of competition from foreign countries.

The BJP held the view: “There is far much power concentrated in the government and it must be decentralized. The BJP stands for economic democracy where the government has only indicative and not a commanding rule. It will not be necessary for people to come to Delhi and waste time and money over licences and other clearances”. Therefore, the BJP pleaded for lifting of all the unnecessary controls on domestic competition and encouragement to Indian entrepreneurship to bring Indian industry on par with the best in the world.

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The Position of the BJP on Black Money

In the world of finance, black is not beautiful. It is unwelcome and uninvited guest. It is the magnitude of discomfort. Our planners, bureaucrats, economists call it parallel economy.\textsuperscript{23} This is variously referred to as 'black money', 'unaccounted money', 'illegal money', 'subterranean economy' or 'unsanctioned economy'.\textsuperscript{24} On the current generation of Rs.7 lakh crore of black money every year, the nation is losing Rs.2.33 lakh crore of direct taxes. The high rate of inflation, the BOP crisis, foreign debt and budgetary debt trap are also consequences of the growing black money.\textsuperscript{25} The BJP viewed that if the generation of black money would be stopped, there would be no necessity to open up our market.

The BJP criticized the Congress government for the prevailing parallel economy. It blamed the system as a failure which encouraged rapidly growing money. It said the current taxation system is incorrect and sales tax should be replaced by excise in order to eliminate a source of standing harassment and perennial corruption.\textsuperscript{26}

\textsuperscript{23} Editorial, Eminence, March, 2000, p. 5.
\textsuperscript{24} Ruddar Dutt and K.P.M. Sundaram, supra, no. 13, p. 367.
\textsuperscript{25} Arun Kumar, The Black Economy, Commerce, March, 2000, p. 8.
\textsuperscript{26} National Council Meeting, Cochin, 25-27 April, 1981, supra, no., 14, p. 6.
Commenting on price rise of diesel, petrol, fertilizers and steel, the BJP said, it was governmental patronage to black marketers. Wrong fiscal and monetary policy have led to generation of black money.\textsuperscript{27}

The BJP is of the opinion that public sector undertakings, bureaucrats and politicians are an important source of black money.\textsuperscript{28}

In the election manifesto, the BJP, promised to encourage capital creation through funds from such parallel economy retaining the right of government to tax the revenue which flows from such capital.\textsuperscript{29} Further, it said it would appoint a Taxation Enquiry Commission to suggest guidelines for taxation over a long-term period in line with future developments and take stringent measures against smugglers and other economic offenders, and make smuggling a non-bailable offence and appoint special courts to try such cases.\textsuperscript{30}

\textsuperscript{27} National Council Meeting, Pune, 12-14 October, 1984, Ibid.
\textsuperscript{28} National Council Meeting, Bhopal, 19-21 July, 1985, Ibid., p. 65.
\textsuperscript{29} Election Manifesto, General Elections, 1996, BJP Publications, New Delhi, p.21.
\textsuperscript{30} Ibid., p. 19.
The BJP Views on Multinational Companies, Foreign Investment and Foreign Technology

Talking against the entry of multinational companies, the BJP held the view that foreign companies are not interested in India. They are interested only in that part of the Indian market which they can profitably exploit.\(^{31}\) India has to stand up on its own but not to depend upon others when it has every resource to do so. The main impulse of the growth in India has to come as it does everywhere else in the world, from its own capital, its own very able entrepreneurs, and its own hard working peasants.\(^{32}\)

The BJP blamed the Congress government, as its priorities were lopsided. Instead of fostering much competition within the domestic market, the government is opening up the country to competition from foreign multinationals, which is like putting the cart before the horse.\(^{33}\) Indian companies cannot compete with foreign companies. They lack in both technology and capital. Indian companies may decide the easy way out by selling themselves off to foreigners rather than trying to go global under such conditions. The entire transaction is injurious to economic

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\(^{31}\) Jay Dubasi, supra, no. 20, p. 20.
\(^{33}\) National Executive Meeting, Bhubaneshwar, 7 November, 1992, supra, no. 14, p. 139.
The BJP does not believe that the future of a country like India, a country of vast continental dimensions, can depend on the goodwill of foreigners, whether they are multinationals or foreign countries. It argues that India must have a strong and self-reliant domestic economy or without that one cannot have a competitive economy in the international market. It is also the BJP’s policy to ensure that the multinationals do not swamp our economy and are kept under control.

The BJP demanded for abolition of preferential treatment to MNCs in matter of taxation, investment, pricing of shares, returns, dividends, etc., to prevent their unfair onslaught on Indian companies. But the BJP advocated for joint ventures between Indian and foreign companies. According to the BJP, the country is able to absorb the new technologies.

According to the BJP, Narasimha Rao’s model rests on three legs, (i) Fiscal stabilization, (ii) Restructuring and (iii) Foreign capital. There is nothing wrong with the first two items, viz., fiscal stabilization and restructuring, for they are essential requisites for imparting a sense of self-discipline to rampant economy, but it is the third item of foreign investment, which is

34 Jay Dubasi, supra, no. 20, p. 21.
35 BJP Economic Resolution, BJP Publications, No. E/16/95, New Delhi, p. 5.
the most dangerous in the new policy and can prove disastrous in the long-term.37

The BJP totally opposed Narasimha Rao government's approach to the foreign investment. The Congress believes that this country cannot progress without foreign capital. The BJP is critical of this belief of the Congress (I) and holds the view that instead of bending before foreigners for investment, efforts should be made to attract NRIs' sources and talent through appropriate schemes incentives.38

According to the BJP, foreign investment should be allowed in hi-tech oriented and import substitution areas. The stand of the BJP is that it encourages foreign investment in infrastructure areas and rural development within India. Keeping this in view, the BJP viewed that dissemination of world class technology is an objective of foreign investment and we would give preference to overseas investors who have domestic partners.39

Consumer goods should not be open for foreign investment. The existing multinational companies in the areas of consumer goods and industries may lose their control within a time frame

37 Ibid., p. 164.
39 Election Manifesto, supra, no. 19, pp. 24-25.
to be evolved in such cases. According to BJP, preference should be given to existing Indian employers in transfer of equities.\textsuperscript{40} The BJP argues to take the technology, progress and modernization to the people instead of making the people to run after these. The party holds that under no circumstances the people would be ignored in the name of industrialization, progress and growth.\textsuperscript{41} The party believes in harnessing new technologies appropriate to the changing requirements of the country and build India as a modern and progressive nation. But the technology should not be allowed to degrade man and reduce him to just another input in Gross National Product.\textsuperscript{42}

The BJP Views on GATT/WTO

Arthur Dunkel, the Director General of GATT and Chairman of the Trade Negotiations Committee, brought his proposals out for negotiations in the Uruguay round of talks. It produced an enlarged and modified version of an International Trade Treaty known as GATT 1993-94. The negotiations encompass seven broad areas, namely, (i) Market access, (ii) Agriculture, (iii)
Textiles, (iv) GATT Rules including TRIMs, (v) TRIPRs, (vi) Trade in services and (vii) Institutional matters.\(^43\)

It led to the realization of the dream of establishing the World Trade Organisation (WTO). Since the establishment of WTO on 1\(^{st}\) January, 1995, it has been playing a significant role in trade relations among countries.

The BJP considered signing the GATT/WTO treaty by Narasimha Rao’s government was nothing but another step ahead towards liberalisation of the economy.

The BJP as a party with Swadeshi background, was opposing the Dunkel proposals even before they were accepted by the Congress government. The BJP’s opinion was that while the objective of GATT was to develop economies, the aim of Dunkel proposals was to open up markets.\(^44\) As GATT covered only goods, Dunkel proposals covered besides goods. Trade Related Investment Measures (TRIMs), Trade Related Intellectual Property Rights (TRIPRs), and services including banking, insurance and now agriculture.\(^45\) The BJP held the view that it

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would throw the developing countries like India into an unequal competition with highly developed countries. The BJP held a view that the Dunkel draft is such a document that either it needs to be accepted fully or rejected fully. If there is something good in it and if we want that part to be accepted, then there is no room for that. The “Dunkel proposal” adversely affects Indian Patent Law. So the BJP asked to constitute a Joint Parliamentary Committee and to refer the Dunkel proposals to it.46

Murali Manohar Joshi, the then President of the BJP, remarked in Rajya Sabha: “I charge this government for deliberately acquiring and leaving the leadership of the Non-Aligned group of the third world, at the mercy of those who want to exploit the natural resources of the world”.47 He told that it was nothing but repetition of what East India Company did. He described it as an unequal treaty and non-acceptable in the present form and he called upon the government not to sign the treaty.

The BJP urged the government to seek re-negotiation of the Dunkel proposals especially with regard to:

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47 Extracts from the Rajya Sabha, speech by Murali Manohar Joshi, supra, no. 43, pp. 16-21.
(1) Extension of produce patents in areas such as drugs and pharmaceuticals, chemicals and agriculture, should not be accepted.

(2) There should be provision for compulsory licensing of patents as in the case of Indian Patents Act, 1970.

(3) The question of reducing customs duties should be considered on case-by-case basis keeping the prevailing socio-economic situation in mind.

(4) Question of allowing foreign banks and insurance companies could be taken up only after deciding outlay of Indian private sector into insurance business that too with provision of the movement of Indian labour.

(5) Textiles should be phased out within three years instead of 10 years as proposed.

(6) Dunkel proposals as a total package should not be accepted.

(7) There is no need to change institutional structure of GATT. Convert it into Multilateral Trade Organisation (MTO) by linking intellectual property rights and investment related services. The World Intellectual Property Organisation (WIPO), UN subsidiary, could continue to look after intellectual property rights.\(^\text{48}\)

The BJP was, however, surprised by the manner in which proposals were accepted and the treaty was signed without much discussion in the two Houses of Parliament. The discussion on

\(^{48}\) National Executive Meeting, Saranath, supra, no. 45, p. 126.
Dunkel proposals was postponed session after session. Just a week before the final ratification, the issue was brought before the Parliament. But before the discussion got concluded the government accepted the draft.49

The National Executive Committee of the BJP reacting to the signing of the GATT treaty on December 15, 1993, described that day as black day in Indian history. The day the Narasimha Rao government signed the Dunkel draft agreement against the wishes of the people represented by all parties but one would go down as a black day in the nation's post-independence history.50 The BJP cautioned the government that it was a trap being laid by multinationals and their agents and the third world is once again under the threat of a new type of colonial aggression.

All major opposition parties opposed GATT because agriculture was included in the new list. Kisan Morcha of the BJP reacted very strongly against signing of GATT treaty. The party viewed that the Central government had committed unpardonable sin to sell out India's sovereignty, dignity and national interest in the hands of foreign powers.51

49 The GATT Treaty, supra, no. 43, p. 1.
51 Ibid.
The BJP asked the government why it did not consider the proposals sent by Arthur Dunkel in 1991 and why it signed the treaty even without taking parliament into confidence on 15th December, 1993. It blamed that by the abolition of subsidy on chemical fertilizers and pesticides, the farmers had to pay higher price for the same and patenting seeds would deny our farmers the right to use part of their produce as seeds. Instead, farmers have to depend on multinational companies on imports for better quality seeds.

The BJP held the view that countries like India are thrown to the winds of unequal competition with the developed countries. Further, it demanded for fair trade but not free trade. But the arrangements envisaged by the proposals are deemed unfair as they throw people of India and third world countries to the mercy of multinational companies and their governments who put the farmers to the perils of perpetual neo-colonial aggression. Foreign corporations and their governments seek to expand and diversify markets for their products by making use of their heavy political and economic dead weight at the expense of the poor countries. This is possible because Dunkel proposals are understood to be biased more to the developed and powerful

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52 Kisan Morcha Resolution on Dunkel Draft, supra, no. 43, p.13.
multinationals who always tend to maximize their own benefits pushing the weaker countries to the unhealthy competition. The BJP will, therefore, continue to oppose this treaty.

The BJP's Ideas on Swadeshi

Talking against the P.V.Narasimha Rao's model, the BJP is of the opinion that economic philosophy stands on the following three pillars:

(i) Economic development and growth,
(ii) Social stability and harmony, and
(iii) Self-reliance or Swadeshi.

In fact, the best way to describe it, is to remember the word “Swadeshi” in which ‘Swa’ is for “Swavalambana” or ‘Swadeshi’ or self-reliance. ‘De’ stands for development. ‘Shi’ for social harmony. According to the BJP, any one pillar is taken out of this, it ends up in social instability.

The term Swadeshi has a special significance here. It is not a mere economic movement, but it is capable of bringing of

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56 Jay Debasi, supra, no. 20, p. 19.
economic reconstruction of the country. Swadeshi is a movement, the slogan of which is, "Be Indian, buy Indian".  

The BJP right from its infancy as Jana Sangh, adhered to the principle of Swadeshi. It believes that Swadeshi is an integral part of our national history and heritage. The BJP is an instrument of national pride and confidence which builds the country stronger to cope with emerging problems.

According to the BJP, India has to depend upon its own and not upon others. When it has resources to do so, the main impulse for the growth in India has to come, as it does elsewhere in the world, from its own capital, from its own very able entrepreneurs, its own hard working peasants and workers. For the BJP, Swadeshi is indispensable. There can be no real Swaraj without Swadeshi, but not Swadeshi of an inward looking nation afraid to face increasingly complex and aggressive world outside. On the other, Swadeshi of self-confident, hardworking, modern nation that can deal with the world on terms of equality.


*Humanistic Approach*, supra, no. 38, p. 3.

National Executive Meeting, Saranath, supra, no. 14, p. 124.
By Swadeshi one means that local resources and talents have full scope for development and the benefits. Therefore, it should primarily flow to the people.\textsuperscript{60}

According to the BJP, Swadeshi is not a backward looking isolationalist concept. Even it is reflected in the ideas of Mahatma Gandhi and Deen Dayalji. The concept of Swadeshi does not mean exclusive use of goods produced in India. It is an attitude of mind that emphasizes largely on local living – mentally and physically with transcountry commerce based on mutual need. It does not betray any sense of inferiority complex \textit{vis-a-vis} the developed countries. It also incorporates the objective of making the Indian economy debt free.\textsuperscript{61}

The BJP in its election manifesto states that if it comes to power, it makes the Indian economy truly Swadeshi by promoting national initiatives and it makes the Indian economy, "Of the people, by the people and for the people".\textsuperscript{62} The Swadeshi approach is the bedrock of the BJP's economic policy. This and this alone shall enable India to take its place in the comity of

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\item National Council Meeting, supra, no. 36, p. 8.
\item National Executive Council Meeting, Calcutta, 10 April, 1993, supra, no. 14, pp. 154-155.
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nations as an equal partner rather than depend on the mercy of others.\footnote{National Council, supra, no. 55, p. 23.}

The BJP believes, integration into global economy should not mean obliteration of national identity in a predominant way in powerful economic forces outside.\footnote{Humanistic Approach, supra, no. 38, p. 8.} We must keep our windows open but we must not let our roof fly off.\footnote{Ibid, p. 53.}

In a presidential address at Bangalore, L.K. Advani said, "The world is no doubt shrinking day by day. No country can afford to be isolated, no country can move forward if it has to depend on others all the time. We cannot shut ourselves from the rest of the world, but we have to be careful to see that we are not swamped by the world either".\footnote{Quoted iby, L.K. Advani, India First, Seminar 417, May, 1994, p. 19.} According to the BJP, "Liberalisation is fine provided we know where to draw the line, it holds. Here is a country in which half of the population does not know where its next meal comes from and it is being forced to go global. We are not opposed to liberalisation but first things must come first".\footnote{Plenary Session, Delhi, 1994, BJP Publication, New Delhi, 1994, p. 20.}

The BJP is of the view that we should proceed first with internal liberalisation and much more rapidly than is being done...
now. External liberalisation can flow later, and in stages.\textsuperscript{68} According to the BJP, India must liberalise industries and modernize but it must do so, in the Indian way. India has to come to light unto itself. We have to evolve our own model that should be integral, humanistic, holistic, reconciling our own need with experience outside.\textsuperscript{69}

Thus, India will have to work of its own path. It cannot become the carbon copy of the West. The BJP stands for, “Liberalisation with self-reliance or stress on the Swadeshi angle, self-reliance with liberalisation. It maintains that India must have a strong and self-reliant domestic economy, for, without that, one cannot have a competitive international economy”.\textsuperscript{70}

In its elaborate scheme of economic programme, the BJP expresses its commitment for “Economic Growth with Social Justice”, which includes integrated rural development, cow protection and cattle wealth, industrial policy with components such as self-reliance, modernization, decentralization and ‘Daridra Narayan Seva’, handicrafts and village industries, fiscal reform, price stability and consumer protection, employment

\textsuperscript{68} Presidential Speech at National Council Meeting, Bangalore, June 18-20, 1993, supra, no. 14, p. 124.
\textsuperscript{69} National Executive Meeting, supra, no. 45, p. 125.
policy, labour policy, foreign trade, BOP, etc. Further, its economic strategy promises to hold the price line; liberate the economy from the clutches of bureaucratic controls, rationale, the tax structure; balance the revenue budget; develop rural economy; make public sector productive and profitable, create a full-fledged Ministry for Handicrafts and village industries, implement the Antyodaya scheme throughout the country and launch a nationwide employment guarantee scheme.71

The Approach of the BJP to the Liberalisation of Indian Economy as a Ruling Party

In the contemporary politics of India, the BJP has emerged as a prominent and popular national party with deep ideological orientations. James Manor finds the BJP as a successor to the old Hindu chauvinist Jan Sangh. It represents a different picture and remains a corporate entity of real institution sinews and has not suffered from the drift toward personal rule that has done so much damage to many other parties.72

The Pioneer identifies how the BJP has come back to power in 1999. "The BJP led government which came to power in 1998 was defeated on the floor of the House and an alternative under

71 Pratap Chandra Swain, supra, no. 5, pp. 142-143.
72 Ibid., p. 4.
the leadership of Sonia Gandhi could have been formed in April, 1999. But Mulayam Singh Yadav did not abandon his anti-Congressism. This one single action provided the BJP the golden opportunity to rule India for next five years".73

**Liberalisation and Globalisation**

The BJP, in its National Council meeting held in 1994 at Vadodara, declared that it would not accept the policy of liberalisation adopted by P.V. Narasimha Rao in 1991. “The BJP rejects the present economic policy and Rao’s model of economic development and demands its replacement with the Swadeshi model of Gandhiji’s “Ram Rajya”74 and later it held the view: “We would proceed with internal liberalisation and much more rapidly than is being done now. External liberalisation can flow later in stages”.75 This was all at the time when it was working as an opposition party. It always opposed the liberalisation and globalisation policies of Narasimha Rao telling that India should be built by Indians.

The dominant view within the BJP was that private and domestic investment needed encouragement in the context of

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74 National Council Meeting, supra, no. 36, p. 170.
protection from global forces. It was this thinking that led the RSS to push Yashwant Sinha as the Finance Minister rather than globalisation friendly Jaswant Singh, who was the Prime Minister Atal Bihari Vajpayee’s first choice.\textsuperscript{76} Yashwant Sinha’s 1998 budget escalated tariff and reduced incentives for foreign investment, while it sought to encourage local and non-residential Indian (NRI) investment. With time the BJP’s economic policy began to diverge from the wishes of the Rashtriya Swayam Sevak Sangh (RSS) and the Swadeshi Jagaran Manch (SIM). the Yeshwant Sinha, whose Finance Ministership owed a great deal to the die-hard autarky bent of the RSS, subsequently became a champion of privatisation and labour reforms.\textsuperscript{77} Subsequently, the BJP leaders were inconsistent regarding the liberalisation and globalisation policies.

The election manifesto of the BJP led NDA of 1999 elections states, “We carefully analyse the effects of globalisation, calibrate its process by devising a timetable to suit our national conditions and requirements so as not to undermine

\textsuperscript{77} Ibid.
but strengthen the national economy, the indigenous industrial base and the financial and service sectors".  

The Prime Minister is the leader of the majority party (group of parties) and head of the government. Therefore, he represents both the party and the government.

Prime Minister, A.B. Vajpayee addressing the Indian Economic Summit said, "We are now into the last month of this century. But there is a universal realization that the world is not only transiting not only from one century to another but also from an era of international economic relation into another. Suddenly, all nations find themselves far more independent today, especially in trade and economy than ever before. This phenomenon of globalisation is certainly to further increase interdependence in the coming century and if we want globalisation to deliver the desired boons, our watch words have to be, the good of all but not greed of a few, long-term growth but not short-term gains, cooperation based upon complementary strengths and not conflict rooted in unhealthy competition. People both in developing countries and developed countries are willing to support liberalisation and globalisation provided that they are credibly reassured:

a) that these reforms will benefit everybody,
b) that the environment will be protected, and
c) that their cherished national and cultural identity will be preserved.79

The BJP’s National Executive Council admitted that they had stopped the thoughtless globalisation of the Congress government. “We are proud that the thoughtless globalisation during Congress and United Front rule has been halted.”80

During the visit of Prime Minister A.B. Vajpayee to Mauritius in March, 2000, he surprisingly chose the forum of a university in Mauritius to caution against what he called the “worrisome impact of globalisation on our lives.” During his speech he pointed out the negative effects of globalisation and it would increase the income gap between rich countries and poor countries.81

While returning from Mauritius, press reporters asked A.B. Vajpayee why he hit out against the process of globalisation even though his government was carrying out the process of liberalisation. He clarified that he did not oppose globalisation. All he had done was to draw attention to some aspects which

79 Abstracts from the speech of A.B. Vajpayee, at Indian Economic Summit, December 5, 1999, "India is on the move", BJP Publication, New Delhi.
80 Presidential address, National Executive Meeting, 2-4 April, 1999, Panaji, Goa, BJP Publication, New Delhi, 1999, p. 22.
would adversely affect people of the country and further he said

globalisation had many positive aspects also and would try to
take advantage of them.82

S.S. Palanimanickam, Member of Parliament of the BJP,
Chairman of Standing Committee on Agriculture said, “The
central challenge we face today is to ensure that globalisation
becomes a positive force for all the world’s people and
globalisation – done right – that is supportive of social and
economic development objectives of developing countries” 83 and
India is a developing country.

Addressing the Indian Economic summit 2000, Vajpayee
said that benefits of globalisation must filter down to common
people. He expressed determination to go ahead with next
generation reforms which entitle difficult decisions. He said, “It
is so self-evident that it leads to increased opportunities,
enhanced growth and real income. Why are these not being
universally accepted?” He also said that globalisation would be
pursued to Indian advantage.84

The then Union Finance Minister Yeshwant Sinha, under
pressure from practically all shades of investors, domestic and

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84 The Hindu. March 27, 2000.
foreign, to hasten economic reforms and globalisation, had advocated patience. He said, “I detect a lot of impatience about our pace of economic reforms but I must make it absolutely clear that we will choose our own pace. The challenge before countries like India is to manage globalisation properly. Otherwise, nations can land in deep trouble and none would come forward to help”.

In the meantime, the groups that supported economic nationalism were marginalized. N.K. Singh – Montek Singh Ahluwalia and Mohan Guruswamy headed influential economic policy committees despite opposition from the RSS and the SJM.85

But sometimes, it seems that even some of the BJP leaders (with RSS background) oppose globalisation and liberalisation policy. The then party President Khushabhau Thakre rapped the government for opening up insurance sector.86 Murali Manohar Joshi called for a drastic reversal in the party’s policy direction and a strong socialist content in its framework and asked the BJP to project itself a ‘Hindu socialist party’87 and the party leader K. Govindacharya described the globalisation process initiated in India as ill-thought and the liberalisation and market fundamentalism had created unprecedented change in our socio-

85 Rahul Mukherji, supra, no. 76, p. 110.
87 The Times of India, December 19, 1998.
economic cultural fabric. But with two senior officials of the British Commission, K.N. Govindacharya clarified: “The Swadeshi movement is the political compulsion of the party where as liberalisation and foreign investment are the necessities. If we do not talk of nationalism and self-reliance in the country then it will reduce our vote-bank; at the same time if we do not speak of economic liberalisation at international forum our international stature gets affected”.

**Swadeshi**

Soon after becoming the party President Bangaru Laxman, while exhorting the party and the government at the Centre to strengthen the consensus on economic reforms, snubbed the Swadhi supporters saying that there was not a static concept. He said, “Swadeshi in today’s context does not mean blind opposition to either liberalisation or globalisation. However, it means evolving an effective strategy to further our national interest by seizing the opportunities and resisting the challenges presented by globalisation”.

Vir Sanghvi opines, “Now it is quite clear that the BJP led government had forgotten the ‘mantra’ of Swadeshi. It is now

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89 Asian Age, October 24, 1997.
clear that the BJP has sent S. Gurumurthy and his Swadeshi Jayaram Manch into ‘sanyas’ at ‘Pandara park’. There is nothing in its policies that Manmohan Singh would disagree with. The term Swadeshi has been so diluted that it has been robbed of all meaning and liberalisation is the basis of the new economic consensus”.

“The Congress and the subsequent United Front regimes faced the criticism. Now it is the turn of the BJP led coalition to take the flack. But the change in attitude was clear. Almost the same government leaders faced the same audience before but for the first time, the tone of what they had to say was different. ‘Why don’t you understand’, they all seemed to ask.”

**Foreign Investment and Multinational Companies**

When P.V. Narasimha Rao announced his new economic policy in 1991, the BJP blamed it as it rests on three legs: (i) Fiscal stabilization, (ii) Restructuring and (iii) Foreign investment. There is nothing wrong with the first two but it is the third item, i.e., foreign investment, which is the most dangerous element and the one that can prove disastrous in the long run. The BJP considers that foreign investment should be allowed in

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only high-tech export oriented and import substitution areas. But now it seems that the BJP led government is very keen about foreign investment. It is a major change in the economic policy of the BJP.

(a) Insurance Regulation and Development Bill

The Malhotra Committee, appointed by Rao’s Congress government, recommended regulation and privatisation of insurance in 1994. The Finance Minister Chidambaram encouraged investment in health insurance. But the United Front (UF) government had to withdraw the Insurance Regulatory Authority (IRA) Bill due to opposition from the Left and the BJP. When the BJP came to power it initially opposed the idea of allowing foreign capital in insurance. In the budget of June, 1998, Yeshwant Sinha talked about the need for domestic private players in the insurance business. The BJP led government finally offered the Insurance Regulatory and Development Authority (IRDA) Bill for consideration of the new parliament. This step was nothing but the process of liberalisation.

"The Bill No. 66 of 1999, awaiting nod of the Parliament to become an Act, is indeed an improvement on its predecessor’s

94 Rahul Mukherji, supra, no. 76, p. 110.
Bill No. 136 of 1996. The new Bill is called Insurance Regulatory and Development Authority (IRDA) Bill while the earlier was just the Indian Regulatory Authority. The new Bill is broader not only in the title but also in its reach and content; and also covers major amendments to the Insurance Act 1938, the LIC Act 1956 and GIC Business (Nationalisation) Act 1972. It shows a welcome resolve on the part of the Central government to rid itself of many functions and powers in favour of professional IRDA.”

When the Bill was passed in the parliament, the BJP members themselves criticized the government. Kushabhau Thakre, the then President of the BJP, criticized the Central government for opening up of insurance sector without consulting the party and said that the BJP was opposed to the foreign equity participation in the insurance sector.

Further, Thakre said that the party was given absolutely no indication that this was in the offing. Thakre, in an interview to The Week magazine, expressed the view thus: “Till yesterday we were saying something and now our government is doing just the

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opposite. The Finance Minister gave a specific assurance to parliament that there would be no foreign equity in insurance”.97

The BJP manifesto of 1999 had a provision that the insurance sector should not be opened up to foreign companies. The BJP chief said: “This provision was also there in the national agenda for governance”.98

“Wasn’t there a difference of opinion within the party and the government over economic issue like Swadeshi, especially – The Insurance Regulatory Bill?” Replying to this question in an interview with the Indian Express, Thakre said, “I did not express any opinion on IRDA. I only said that the decision taken by the government was in contravention of the BJP election manifesto. The government should have consulted the party so that so many embarrassing situations could have been avoided. There can be compulsions before the government for deviating from the party manifesto. Therefore, in such situation the party should have been consulted. I did not talk about modalities like what should be there in the IRA and what should not be”.99

The Akhil Bharatiya Vidyarthi Parishad (ABVP) criticized the Insurance Regulatory Bill as anti-Swadeshi and alleged that

98 Ibid.
the Union government had surrendered the nation's economic sovereignty.\textsuperscript{100}

Another strong criticism came from the RSS. It accused that the government completely ignored the RSS's Nagpur Resolution on economic policy.\textsuperscript{101}

The National Executive of the BJP urged the Central government that the FDI in the insurance sector should not exceed 26 per cent of equity and the foreign investors should not be a single big shareholder.\textsuperscript{102}

(b) National Textile Policy 2000

In a move that could rise the hackles of the Swadeshi lobby, the Centre decided to throw open the garment industry for investment by big players, both domestic and foreign, on November 2, 2000. Until then, the industry was reserved for the small-scale sector. The then Textile Minister Kashiram Rana clarified that there would be no cap on FDI in the sector.\textsuperscript{103}

The highlights of the new policy are:

(1) Readymade garments fully dereserved from small-scale,
(2) Venture capital fund to be set up,

(3) 24 per cent FDI cap removed on garments,

(4) Handloom Reservations Act and hand yarn obligation to stay,

(5) Private sector integrated textile complexes to be encouraged,

(6) Restructure of AEPC and other Export Promotion Council,

(7) 50 per cent mandatory export obligation for garments removed,

(8) Launch the technology mission on jute,

(9) Shuttle-less looms to be increased to 5,000 to 8,000 looms by 2005, and

(10) Textile exports to be stepped up to $.50 billion by 2010. 104

Rana said that the new policy would endeavour to achieve the target of textile and apparel exports from $.11 billion to $.50 billion by 2010 of which the share of the garments would be $.25 billion.105

The Cotton Textile Export Promotion Council (Teaprocil) had welcomed the national textile policy and expressed: "Strategic thrust, to be given to key areas of the textile economy, will boost one of the most articulate sectors of the Indian

economy".\textsuperscript{106} It was also welcomed by the Northern Indian Textile Mills Association (NITMA).

But the Southern Indian Mills Association (SIMA) said, "It has come to a total disappointment. The Centre need not have taken two years to come up with this statement".\textsuperscript{107} The Centre of Indian Trade Unions (CITU) condemned the government for unilaterally announcing the new policy which was based on the recommendation of the Satyam Committee report. It stated the policy as a whole is a brazen surrender to the transitional, a path on which the BJP government proceeds in the name, "Swadeshi". The CPI (M) said that in another shameless step the Vajpayee government had dereserved the garment sector opening it to foreign capital up to 100 per cent.\textsuperscript{108}

(c) Direct to Home Television Services

The Union Cabinet on November 2, 2000, allowed the private sector to operate Direct to Home (DTH) services that would enable subscribers to view over 100 channels through a small satellite dish and a TV set top-box containing a SIM card.\textsuperscript{109}

\textsuperscript{106} Ibid.
\textsuperscript{107} Ibid.
DTH simply means distribution of multi-channel TV programmes through satellite in the 'ku' band by providing the signals directly to subscribers without any intermediaries such as cable operators.\textsuperscript{110}

The cabinet placed restrictions on foreign equity and composition of the management board to protect national interest. There are no restrictions on the number of licences. The Centre now has opened doors with no cap on the number of players to provide this service but there are curbs on foreign equity, particularly foreign direct investment evidently to satisfy the Swadeshi constituency. The Centre has laid down certain conditions. It must be under Indian Management\textsuperscript{111} and the total foreign investment including FDI, NRI/OCB/FFI in the DTH broadcasting sector should not be more than 49 per cent in which the share of FDI would not exceed 20 per cent.\textsuperscript{112}

The Confederation of the Indian Industry (CII) frowned upon equity curbs on broadcasting and cable networking companies in DTH broadcasting venture while allowing DTH

\textsuperscript{111} Ibid.
broadcasting in the country. The cabinet cut a 20 per cent equity cap on Indian broadcasting and cable companies.\textsuperscript{113}

d) Other Issues

The Vajpayee government further allowed 100 per cent foreign investment in tobacco and cigarette products, initiated by the Industry Minister Sikhander Bakth despite opposition from Swadeshi Jagaran Manch (SJM). Despite the opposition, government decided to offer a contract to the Ncyveli Lignite Corporation to the Italian company Ansaldo pushing aside the Bharat Heavy Electricals of India.\textsuperscript{114} In era of quota restrictions protecting India’s trade, Ramakrishna Hegde resisted the SJM’s opposition and shifted 380 items to the Open General Licence and 140 to the Special Import Licences. Subsequently, quotas were removed from all major items by 2001. The BJP government moved decisively against trade protectionism.\textsuperscript{115}

World Trade Organisation

The BJP took a firm decision in the National Council meeting held in June 1994, at Vadodara. It rejected the GATT/

\textsuperscript{113} The Hindu, November 4, 2000.
\textsuperscript{114} Rahul Mukherji, supra, no. 76, p. 110.
\textsuperscript{115} Ibid.
WTO treaty in its totality. It further opined that it was an unequal treaty and non-acceptable. Answering to a question asked by Somanath Chatarjee in Lok Sabha during discussion on the motion regarding implications of the Dunkel Draft, Vajpayee replied that when they would form the government at the Centre, they would say goodbye to the Dunkel proposal. But when they came to power under the leadership of Vajpayee, all of a sudden his reply was, “No question of pulling out from WTO”.

Replying to the discussion on the motion of thanks to the President’s address, Vajpayee said in the Rajya Sabha, “India will not pull out of the WTO”. He said, “the country could not afford to shy away from global competition and asked Indian industry to set up research and development efforts to gear up to face external challenge”. He further added that the BJP led government would set up efforts to defend national interest whenever necessary.

The new export-import policy announced on March 31, 2000, was a part of the country’s obligations towards the World Trade Organisation.

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120 Ibid.
In a step towards achieving sustained quantum of growth in exports, the new exim policy proposed setting up of free trade zones (FTZs). It further liberalized import regime by removing quantitative restrictions on import of wide range of consumer goods, agricultural products and textile items.

**Highlights of Exim Policy**

1. Quantitative restrictions removed on 714 items under WTO commitments.
2. Safeguards for domestic industry through anti-dumping and anti-subsidy mechanism.
4. Conversion of existing FPZ into SFZ.
5. 250 crore outlay for involving State in support efforts.
6. Duty free replenishment certificate scheme for more than 5,000 products, etc.\(^{121}\)
7. Easier availability of inputs for export production.
8. Boost e-commerce, electronic filing to be the norm.
9. Diamond traders were allowed more space in foreign exchange dealings.
10. Secondhand capital goods, less than ten years old, can be imported without licence.

\(^{121}\) *Deccan Herald*, April 1, 2000.
(11) Import of silk allowed under SIL.

The new exim policy opened consumer products for foreign competition, which was not in the agenda of the BJP or the NDA. The BJP’s national executive welcomed the measures for export promotion in the new exim policy. However, it urged an assessment of the impact of this policy on agriculture and domestic consumer goods industry.\textsuperscript{122}

The Commerce and Industry Minister Mursoli Maran, viewed that domestic industry would not be adversely affected with phasing out of quantitative restrictions.\textsuperscript{123}

Criticising the removal of Quantitative Restrictions the former Prime Minister V.P. Singh, opined, “Government at the Centre has not understood the true meaning and implications of WTO and is opening India’s economy to the world with no forethought on the effects of its action”.\textsuperscript{124}

NRIs

The Union Finance Minister, Yeshwant Sinha, addressing a function said that the economy was weak when dispelled NDA government assumed power. He praised the NRIs for coming to

\textsuperscript{122} National Executive Meeting, 2-4 April, 1999, Panaji, BJP Publication, New Delhi, 1999, p. 23.
\textsuperscript{123} Deccan Herald, April 2, 2000.
\textsuperscript{124} The Hindu, October 23, 2000.
the aid of India at the time of crisis. They had contributed four billion dollars to the country.  

The BJP told, it had made aggregate ceiling for investment in a company by all NRIs/PIOs/OCBs through stock exchange and separate and exclusive investment ceiling available for FIIS. Investment limit by a single NRI/PIO/OCB was enhanced 1 per cent to 5 per cent of the paid up capital. Aggregate investment ceiling for NRIs/PIOs/OCBs was raised from 5 per cent to 10 per cent of the paid up capital of the company. NRIs/PIOs/OCBs were permitted to invest in unlisted companies subject to prevailing norms and procedures.

Public Sector Undertakings and Disinvestment

After the inception of centralized planning in 1951, public sector assumed greater importance and played a dominant role in the Indian economy but in the mid-1980s it failed miserably. The non-performance of public sector was one of the reasons for the recurring budget deficits. At that time, the BJP was working as an opposition party. Then it advocated that all loss making public sectors should be handed over to the co-operative sector. Further, it stated that in case of disinvestments from ailing, non-

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profitable or sick public undertakings, the BJP would constitute a Disinvestment Commission for taking care of disinvestment from the country's public sector.\textsuperscript{127}

The BJP led NDA government gave priority for privatizing the public sector and disinvestments from ailing public sector undertakings and it constituted a Commission for taking care of disinvestments process.

A Committee appointed by the government reported that the government equity in all non-strategic government companies should be brought down to 26 per cent eventually.\textsuperscript{128}

In January 2000, the Prime Minister announced that government would soon decide on leasing some important airports to private sector.\textsuperscript{129} Later, five world class international airports with a maximum of 100 per cent foreign equity, adoption of domestic Air Transport Policy, decision was taken to allocate cargo handling by private parties were introduced.\textsuperscript{130} Loans disbursed to private sectors during 1998-99 were to the tune of Rs.152.50 crore.\textsuperscript{131} FM radio for private broadcasters started.\textsuperscript{132}

Sugar industry was delicensed. State governments were

\textsuperscript{128} Business Lines, April 30, 2000.
\textsuperscript{129} Deccan Herald, January 9, 2000.
\textsuperscript{130} Charter of Commitments, supra, no. 126, p. 8.
\textsuperscript{131} Ibid., p. 9.
\textsuperscript{132} Ibid., p. 10.
authorised to increase stock holding limit. In June, 2000, the Union Communication Minister, Ram Vilas Paswan said that India would open up the national long distance (NLD) sector for private sector participation. Insurance sector was also opened in October 1999.

Again in June 2000, government announced that disinvestment from Indian Airlines, Air India and Indian Tourism Development Corporation (ITDC) would be completed within the year 2000. In December 2000, government invited bids for sale of six hotels and lease-cum-management contracts for two hotels of the ITDC. With this, the government finally began the process of withdrawal from the hotel business.

On May 9, 2001, the BJP led NDA government opened its doors for foreign capital and also permitted private sectors to participate in a number of hitherto public sector exclusive domain areas.

Firstly, it decided to end the status of defence industries as an exclusive domain of the public sector. Defence production was opened up for Indian private sector up to 26 per cent foreign equity.

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133 Ibid., p. 10.
Secondly, FDI limit has been raised to 49 per cent in banks.

Thirdly, 100 per cent foreign investment on domestic route has been alleged in pharmaceutical sector, airport, and townships.

Fourthly, mass rapid transport system has for the first time, been thrown open at 100 per cent foreign investment on the automatic route in all metros.

Fifthly, the hotel and tourism industries were allowed to have 100 per cent FDI through automatic route.

Sixthly, in the telecom sector, FDI up to 74 per cent has been permitted to internet service providers.

Lastly, as a sop to NRI investors, the government made all investment by them in foreign exchange fully repatriable.

The BJP led NDA government subsequently changed the department of disinvestments into a full-fledged ministry of the Government of India with Arun Shourie as the Minister of Disinvestment. From 1991 to 1999 through this method of market sale of shares worth Rs.18,638 crore were realized, on an average of Rs.2,071 crore per year. In comparison over two-year period
of 2001-02 and 2002-03 more than Rs.11,315 crore has been realized through strategic sale of thirty three PSEs.\(^{136}\)

The Central government's equity stake, both direct and through holding companies was of the order of about Rs.80,000 crore on March 31, 2000. After two years the government has sold one per cent of its total equity yielding more than Rs.11,000 crore. Table 4.1 lists the strategic sales over the period from April, 2000 to August, 2002.

**TABLE – 4.1**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of PSE</th>
<th>Date</th>
<th>Ratio of paid up equity sold (per cent)</th>
<th>Face value of equity sold (Rs. crore)</th>
<th>Realisation (Rs. crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Modern foods</td>
<td>January 2000</td>
<td>74(i)</td>
<td>9.63(i)</td>
<td>105(i)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>26(ii)</td>
<td>3.38(ii)</td>
<td>44(ii)</td>
</tr>
<tr>
<td>2</td>
<td>LJMC</td>
<td>July 2000</td>
<td>74</td>
<td>0.7</td>
<td>2.53</td>
</tr>
<tr>
<td>3</td>
<td>BALCO</td>
<td>March 2001</td>
<td>51</td>
<td>112.52</td>
<td>826.5</td>
</tr>
<tr>
<td>4</td>
<td>CMC</td>
<td>October 2001</td>
<td>51</td>
<td>7.73</td>
<td>152</td>
</tr>
<tr>
<td>5</td>
<td>HTL</td>
<td>October 2001</td>
<td>74</td>
<td>11.1</td>
<td>55</td>
</tr>
<tr>
<td>6</td>
<td>VSNL</td>
<td>February 2002</td>
<td>25</td>
<td>71.2</td>
<td>3.689</td>
</tr>
<tr>
<td>7</td>
<td>IBP</td>
<td>February 2002</td>
<td>33.6</td>
<td>7.4</td>
<td>1,153.7</td>
</tr>
<tr>
<td>8</td>
<td>PPL</td>
<td>February 2002</td>
<td>74</td>
<td>320.1</td>
<td>151.7</td>
</tr>
<tr>
<td>9</td>
<td>Jeasop</td>
<td>February 2002</td>
<td>74</td>
<td>68.1</td>
<td>18.2</td>
</tr>
<tr>
<td>10</td>
<td>HZL</td>
<td>April 2002</td>
<td>26</td>
<td>106.3</td>
<td>445</td>
</tr>
<tr>
<td>11</td>
<td>IPCL</td>
<td>May 2002</td>
<td>26</td>
<td>64.5</td>
<td>1,490.8</td>
</tr>
<tr>
<td>12</td>
<td>Maruti Udyog</td>
<td>May 2002</td>
<td>23</td>
<td>66</td>
<td>2,424(iii)</td>
</tr>
<tr>
<td>13</td>
<td>HCL (S. hotels)</td>
<td>2001-02 (various dates)</td>
<td>100</td>
<td>14.7</td>
<td>242.5</td>
</tr>
<tr>
<td>14</td>
<td>ITDC(18 hotels)</td>
<td>2001-02 (various dates)</td>
<td>100</td>
<td>23.9</td>
<td>414.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>891</strong></td>
<td><strong>11,214.8</strong></td>
<td></td>
</tr>
</tbody>
</table>


However, hardliners within and outside the party focusing aggressively on Swadeshi platform continue to attack the reforms in one way or the other. The standoff within the ranks of the BJP led government, with respect to the government’s disinvestments policy, simply brought out the lack of consensus within. The debate that was sparked off within the BJP led government in September, 2002, with a move to privatize two public sector oil giants, viz., Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) soon escalated into a dispute on privatisation and reforms per se stalling disinvestments of both these companies for the next four months.137 Although the government claimed that its ‘broad plan’ to break the deadlock has been successful, as is reflected in the Cabinet Committee on disinvestment’s decision on January 26, 2003, to put up HPCL for bidding by strategic investor and to disinvest governments equity in BPCL through public issue,138 yet the fact is that differences between the Disinvestment Ministry on the one hand and the Swadeshi lobby on the other persist.

In an important development the Supreme Court of India gave a judgment to halt the privatisation of oil PSUs. The Union Government pleaded before the Supreme Court for

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138 Ibid.
reconsideration of its judgment halting the privatisation of oil PSUs. However, the Supreme Court agreed on November 17, 2003, to review its verdict on disinvestments of oil majors, i.e., HPCL and BPCL.

While the Congress (I) initiated the process of disinvestments, the BJP led NDA government blatantly carried the banner of disinvestments, taking advantage of the fact that the Congress is not in a position to oppose it, being itself the architect of liberalisation policy.

Multinational Companies

The multinational companies are a natural consequence of the development of means of communication and transportation in the world, which has greatly facilitated criss cross movements of goods, capital, information and technology to distant lands across the national border, over the sea.

Talking against the entry of multinational companies, as an opposition party BJP said, "Foreign companies are not interested

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140 Ibid., p. 901.
141 Ruddar Dutt and K.P.M. Sundaram, supra, no. 24, p. 240.
142 The Hindu, December 12, 2000.
in India. They are interested only in that part of the Indian market which they can profitably exploit”.\textsuperscript{143}

After coming to power the BJP welcomed multinational companies and their foreign investment. It even allowed multinationals in the insurance sector which it opposed from the beginning. However, it appears that the BJP, after coming to power, does not explicitly say anything in its documents about multinational companies.

\textbf{India Shining or Feel Good}

At the end of the first quarter of 2004, there was an air of optimism that the country might well have turned the corner to stage the much-awaited recovery. Ever since the beginning of this year the BJP had been shouting from the rooftops “feeling good” about the present, and “feel great” in the future. “If government advertisements are to be believed, we have never had it so good. Burgeoning forex reserves of over $110 billion, annual GDP growth exceeding 8 per cent, a booming IT sector, rising consumer demand, tax cuts and cheaper loans for housing and cars resulted into a slogan, “India is shining”.\textsuperscript{144} Addressing a meeting the Prime Minister Vajpayee said, “There has never


\textsuperscript{144} India Shining, Seminar 537, May 2004, p. 12.
been a better time to be an Indian and never a better time to be in India". The most interesting feature of the 2004 General Elections was that the BJP led NDA government decided to contest them, less on basis of new promises or vision for the future, but much more on the claim that things had never been better – whether in the jingles of ‘India Shining’ or ‘Bharat Uday’ or in their move partisan claim of ‘more in the last six years than in the past fifty’.

Gouri Bhatia identifies that some feel good factors and some feel bad factors. The feel good factors are summed up as in Table – 4.2.

Feel Bad Points according to Gouri Bhatiya are as follows:

1. Employment growth had fallen to just one per cent in 2001; not many jobs created in manufacturing and agriculture.

2. Current sops may be adversely impact fiscal if disinvestments targets are not met.

3. There are still 300 million people below the poverty line. A national sample survey showed that 33 million were added to the list in 2001-02 itself.

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(4) Exports may be looking up like in auto sector. But rating agencies are still not sold on our economy.

(5) Food prices have gone up. Inflation grew. It almost doubled to nearly 6 per cent in the last two years.

**TABLE – 4.2**

*Feel Good Factors*

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>Proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Middle class and rich class</strong></td>
<td>Cars, cell phones, computers, and life saving drugs become cheaper. No income tax for the earners up to Rs. 1.5 lakh. Foreign remittance up to $25,000 allowed.</td>
</tr>
<tr>
<td><strong>Big corporate houses</strong></td>
<td>Peak custom duties reduced by 5%; 4% additional customs duty removed; cap of $100 million on overseas investment removed and ECB guidelines eased.</td>
</tr>
<tr>
<td><strong>Government finances</strong></td>
<td>Nearly Rs. 20,000 crore earned by disinvestments.</td>
</tr>
<tr>
<td><strong>Small and medium size companies</strong></td>
<td>SIDBI to raise Rs. 10,000 crore for a special fund to offer cheaper credit at 2 per cent below prime lending rate.</td>
</tr>
<tr>
<td><strong>Construction and infrastructure firms and contractors</strong></td>
<td>NABARD to form a Rs. 50,000 crore to provide cheap loans for building ports, airports, power plants and telecom infrastructure.</td>
</tr>
<tr>
<td><strong>Foreign investors</strong></td>
<td>FDI caps in sectors like banking and energy hiked to 74 to 100 per cent respectively. 100 per cent ownership.</td>
</tr>
<tr>
<td><strong>Middle class and rich families</strong></td>
<td>Loan for higher studies cheaper by 2 per cent.</td>
</tr>
<tr>
<td><strong>Senior citizens</strong></td>
<td>New Dada-Dadi bonds bearing a higher 6 per cent interest and exempt from income tax.</td>
</tr>
<tr>
<td><strong>NRIs</strong></td>
<td>Children of NRIs based in Gulf and Southeast Asia to get ½ reservation of the 15 per cent of the supernumerary seats in educational institutions.</td>
</tr>
</tbody>
</table>

(6) The 8 per cent growth in the second quarter may be an aberration between 1999 and 2003. The average growth had been 5.7 per cent.

(7) The combined State and Central government debt was nearing to 75 per cent of GDP. Interest expenditure may cut into necessary investments.\footnote{\textcite{Bhatiya2004a}}

The Finance Minister himself informed the Rajya Sabha during the 2003-04 Union Budget discussions that 50 per cent of our revenue was swallowed by payment of just interest on (government) debt. Another 20 per cent went on subsidies and 25 per cent on defence. The Finance Minister expressed that we were left with nothing.

Suhel Seth said, “Where was India shining when we lost so many brave men in Kargil, ostensibly on intelligence failure? Where was India shining when the Agra Summit was a dead horse? Or when India experienced humiliation at the hands of the United States, which post 9/11 warmed up to Pakistan like never before. In almost every sphere India has, many a time, been found wanting.”\footnote{\textcite{Seth2004a}}
But Jamal Mecklai was in hurry to dance, “Our share of world trade has grown from 0.5 per cent about 10 years ago, to 0.8 per cent today. Now to estimate how longer it will take us to reach our peak, we need to recognize that technology has compressed time. However, estimating this compression is possible. So we will make an *ad hoc* judgment that the change that takes a decade today would correspond to what took a century earlier. By this calculation, I estimate that India will be truly shining - at its peak in the heavens - in some 20 to 25 years. I can’t wait. Let’s dance”.149

Some people may believe that India was really shining or feeling good factor but some may deny it. Anyhow, there are only political slogans coined by the BJP and they were completely ineffective in influencing the voters unless media carried this message from Kashmir to Kanyakumari.150

The BJP led NDA was defeated and the Vajpayee led government was replaced by the Manmohan Singh led UPA government at the Centre. The verdict of 2004 has once again created a situation for the emergence of coalition government at

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the Centre.\footnote{Pioneer, June 5, 2004.} Probably, the results reflect more the ‘defeat’ of the BJP led NDA than the ‘victory’ of the Congress led UPA.\footnote{Ibid., p. 20.}

The editorial of the Seminar states, “Most, if not all of us, got it wrong. Expectedly, there are those who \textit{post facto} claim that they anticipated the results – that they ‘knew’ that there was no ‘wave’ in favour of Vajpayee led NDA regime; that the ‘Shining India’ campaign had not only peaked too early but that its ‘overkill’ was alienating voters, particularly those who had no reason to feel good”.\footnote{Mani Chatterjee, \textit{The Debacle and After}, Seminar 539, July, 2004, p. 20.}

Even a month after the historic verdict, the leadership of the BJP failed to come to terms with its debacle in India’s first General Election in the 21\textsuperscript{st} century. The party’s reaction was oscillated between despair, denial and defiance – often bearing shades of all three. The failure, to come to a conclusion on the causes behind the unexpected defeat, with various leaders offering contradictory reasons, reflects a far more serious crisis facing the party and the RSS controlled ‘Sangh Parivar’.\footnote{Ibid., p. 20.}

The BJP leadership fell victim to its thinking of ‘feel good’ and ‘India shining’ believing till the end that elections were a
mere formality and the Vajpayee regime’s return to power was a certainty. More than India shining and feel good, the BJP had counted on Atal Bihari Vajpayee’s personal popularity going into the elections. He was in the process of becoming a unifying force rather than a divider, a master manager of coalition politics.155

The real problem, after the defeat in the elections, began with the BJP when its President L.K. Advani visited Pakistan and praised Mohmad Ali Jinna as a secular man. The BJP is in serious danger of negotiating the biggest crisis in its 25 year history with eyes wide shut.156

Now the BJP as an opposition party is blaming the Congress led government as one of the most non-performing and contradiction ridden regimes since independence and the one that is headed by the weakest Prime Minister India had.157 When the UPA government planned to implement National Rural Employment Guarantee Bill, the BJP sought assurance from the Finance Minister P. Chidambaram that there would be no shortage of funds for the programme and blasted the UPA government for

bringing up the Bill in a hurry as there was nothing new in it.\textsuperscript{158}

When the UPA government announced that it was planning to bring FDI in retail sector, the BJP demanded an assurance from the government that no retail policy would be cleared without a discussion in the House and walked out of the Rajya Sabha.\textsuperscript{159}

Since its defeat in Lok Sabha elections of 2004, the BJP seems to be not yet come out from it. However, the former Prime Minister Atal Bihari Vajpayee called upon the party workers not to get disheartened by the electoral setbacks and urged them to work towards further expanding the party's influence and strength.\textsuperscript{160}

\textsuperscript{158} Deccan Herald, August 23, 2005.
\textsuperscript{159} Deccan Herald, August 25, 2005.
\textsuperscript{160} Deccan Herald, April 6, 2005.