



"We need FDI in infrastructure and industry... no country can survive without FDI."

**Buddhadeb
Bhattacharjee**
spoke to
Sailesh Kottary
on the relevance
of Marxism in con-
temporary India,
why it is important
to attract FDI, the
spectacular
growth of the IT
industry
in West Bengal
and other issues

Buddhadeb Bhattacharjee is chief minister of West Bengal, the state which is the third largest economy in India. His party, the Communist Party of India - Marxist, in coalition with other left parties which have formed a Left Front, has governed the state since 1977. Bhattacharjee just completed five years as chief minister in November and his tenure has been marked by a dramatic reversal in the investment climate.

Once the most industrialised state in the country, West Bengal languished during the late seventies and eighties. Not only did fresh investment stay away, but there was a flight of capital as industrialists were uncertain about the fate of their businesses in a leftist-controlled state.

Bhattacharjee, who is a poet and playwright, has managed to convince industry that his government is investor-friendly. As he candidly confesses of his party's earlier poli-

cies, "We did commit some mistakes in the past..." But now, he is all business. He has transformed Kolkata with flyovers, shopping malls and IT centres, he has reined in the trade unions to restructure all his state's loss-making government undertakings and he has been aggressively seeking FDI for West Bengal. Due to his untiring efforts, Japanese majors have invested in petrochemical complexes and infrastructure, American companies in IT and Italian majors in leather.

The impact of Bhattacharjee's reforms are being felt beyond West Bengal for another reason. His party has 43 members in the 545 seat Parliament, and they constitute the largest support group for the United Progressive Alliance coalition government which Prime Minister Dr Manmohan Singh heads. Therefore, Bhattacharjee's experiments with economic pragmatism have wider ramifications for an international audience.

Marxism has crumbled all around us... In the Soviet Union, in Europe's eastern Bloc. Even in China, there is more of capitalism than pure Marxism. So in a broader perspective, is there any relevance for Marxism in India in today's day and age?

Yes. Marxism has failed in certain parts of the world. Particularly in the Soviet Union and in Europe. But we are learning from our mistakes, why it failed. We cannot deny the fact that the Soviet Union not only defeated Americans in production of wheat, steel, they were also the first to go to space. They even outclassed the Americans, in terms of medals, in many Olympics. But something was seriously wrong with the system therefore it collapsed. Now we are searching, pondering over what actually went wrong; whether it was in the economy, in the political structure or whatever. I was recently reading a

book called *Piratising the Soviet Economy* written by one scholar from the London School of Economics.

Is it piratising or privatising...

Piratising. He has used this word. He has made a very interesting observation on the current scenario in Russia, how in a sense seventeen or eighteen groups are capturing control of huge government-run companies. Now it's a Mafia type of capitalism that is going on. Is this the alternative to Communism? Certainly not. On the other hand, the Chinese learnt from their mistakes. They started changing from '78 and '79. When I first went to China in 1982, I could see the changes. Deng Xiaoping then was at the helm of affairs and he initiated some changes in the economy, particularly the commune system.

He realised that though the commune system was fundamental, in practice it becomes stagnant. Agricultural production



was going down, even famine took place in certain parts of China, which they later admitted to me was suppressed. The commune system could not improve productivity. When they dismantled communes and gave back the land on family basis, individual initiative came back, and now agricultural productivity has picked up. The Soviet system failed as it was totally cut off from the world economy. Besides, it was also highly centralised.

The Chinese are now aggressively seeking FDI. At first, it was the overseas Chinese who invested in their homeland. Now the Americans, the Japanese; indeed the entire world including India wants to invest in China. I take heart from what Deng Xiaoping – whom I admire – said in a speech, that you have to learn truth from facts, not from books.

So Marxism has to change...I personally still believe in Marxism, and I believe that we have to learn from the mistakes committed by Marxists in different countries and accordingly change our policies. Therein lies its relevance...

Your state of West Bengal was, until the seventies, the most industrialised state in the country. Thereafter, it lost steam as fresh investment plateaued. In the five years since you have been at the helm of affairs as chief minister, have you been able to stem the tide, to turn the corner as it were...

I should not say that I've already turned the corner. I can only tell you that things are happening now. We could convince investors, both within the country and abroad, that we are an investment-friendly government, not only in our speeches but in our actions. So changes are taking place, investors are getting convinced and that is a very encouraging development.

Can we have a few examples of such investment?

After the government of India liberalised its economic policy in 1991-92, we announced our new industrial policy in 1994. As I said, all these years we have been trying to convince investors that we are investment-friendly. Now things are happening. For the past three days, I have been spending time with Japanese business groups, from majors such as Marubeni and Mitsubishi. And just before

you came, I had a meeting with Japanese experts for the construction of an elevated railway system for Kolkata. They will be starting a feasibility report for the project.

The city was the first in the country to have a metro and we now want an elevated train. The Japanese are investing in industry and infrastructure. The Americans are coming too... IBM Cognizant, GE Capital, Apple, Microsoft, these are among the companies which have invested, or are imminently investing, in West Bengal. In the business of Information Technology, we were late starters but are now growing at a rapid pace. Against the national growth rate for the industry of 36 per cent, in West Bengal IT is growing at 72 per cent. Most of the Indian majors such as Tata Consultancy and Wipro are already here. Wipro chairman Azim Premji is now thinking of setting up his largest centre in our state. Infosys too wants to set up a centre in West Bengal.

Regarding foreign investment, the Japanese are very interested in investing in the petrochemical industry. Mitsubishi Chemicals' first unit is already earning profits so they have decided to set up their second unit in Haldia. Itochu has invested in power generation. The latest to begin investing are the Italians who are helping build a leather processing complex project. It includes tanning, design, manufacture and export all under one roof. German companies have expressed an interest in horticulture and food processing.

Do you have any statistics of how investment is picking up in West Bengal?

In the last three years, we have been able to garner approximately Rs 2,300 crores, Rs 2,500 crores and Rs 2,700 crores. This year, I am hopeful that we will be able to cross the Rs 3,000 crore mark. The FDI component is about 15 per cent of this investment.

One of the major reasons industrialists were scared of investing in West Bengal was because of truculent labour which was controlled by your party, the Communist Party of India-Marxist. In your bid to attract investments, have you been able to rein in the labour leaders?

I tell you we did commit some mistakes in the past no doubt. I tell my colleagues that

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there is a word in the Oxford English Dictionary which is our contribution to the language: Gherao. Our advantage is that the political party that is running the government is the same party running the trade unions. And we meet the trade unions all the time. The point is, yes we committed certain mistakes, no doubt. But now in cases where FDI is concerned, such as the IT sector, there is no such labour problem. Yes we have some problems in traditional industries like jute; but even that is in just four or five mills out of 59. We have now set up a jute cell to tackle these issues specific to the industry.

In the overall context, the situation is changing. The mindset of the leaders is changing, as also the general workers. For example in Mitsubishi Chemicals at Haldia, which went into production in 1996, not a single manday has been lost until now due to any labour dispute. Nevertheless I agree that West Bengal still suffers from an image problem regarding labour strife. Therefore I keep telling my colleagues in the trade unions that we have to develop a progressive attitude; that the question of productivity, the question of quality of production, these are not the problems of management alone. We have to share it, otherwise industry will collapse, and in the end you will be the losers as you'll lose your jobs.

You have had success in changing mindsets of workers in the large companies that are privately-controlled. But what has been the response in the scores of companies which are run by your government; the chronically loss-making, state-funded enterprises in which workers have been having a field day for decades?

The West Bengal government was running 56 public undertakings, and 90 per cent of them are loss-making companies. My colleagues and I decided that enough is enough, we must be pragmatic. We must have the courage to be pragmatic. All these years we could not do anything, the workers would agitate. But how long can a government, even a Left Front government like ours, allow this to happen? In some cases, the workers don't even go to the factories. They go only on the first week of the month to collect their salaries!

Now we have completed the first phase of the re-structuring of these undertakings. It was a hard decision, but we have done it. In the next phase, the State Electricity Board and State Transport Corporation will be dealt with. But the point I wish to emphasise is that we did not slam reform down the throats of the trade unions, we had many rounds of dialogues with them. Finally good sense has prevailed which indicates that the new mindset is taking shape even at the grassroots.

You have had record growth in the IT industry, and that has been achieved because it has been declared an 'essential service' so strikes are banned. But the unions are restive on the issue...

We have declared IT as an essential public utility service in our IT-enabled service policy. Some controversy has arisen and we have had discussions at the highest political level. We'll clinch this issue in the next committee meeting of our party in mid-December in Delhi. I feel that no outsider should create any problem for the IT business. Secondly, IT is a continuous service 24x7, unlike other industries and these companies cannot stop functioning because it is a global operation. Therefore it should not be disturbed. But as there is some other opinion inside the party, we'll finalise our policy at the December meet.

But as far as I am concerned I don't want to disturb IT. Whatever you can do in a jute factory you cannot do it in an IT company.

West Bengal has traditionally been a great manufacturing centre. Then in the seventies, the industry turned 'sick' suffering chronic losses. Is revival of manufacturing industries on your agenda?

West Bengal cannot afford to ignore the manufacturing sector. As you mentioned, our potential was huge, thanks to the large companies which were later nationalised by the Central government when they turned 'sick'. I am now after the Central government to do something for them. Many are closed, such as Mine and Allied Machinery Corporation. Two fertiliser factories are also closed, which we are trying to revive. The new investment which is coming in is now largely in petrochemicals and its downstream industries and in the iron and steel industry.

But the catch here, in the setting up of steel mills, is that there is no clear policy on the export of iron ore. So our ore is being exported to plants in other countries, rather than investment being made in plants in India. Most countries rich in iron ore have a ban, or restrictions, on exports. I have studied a report which states that Australia has the largest reserves, enough to last 300 years, but they export just 10 per cent of their output. Ukraine and Brazil have banned exports. We are exporting 50 per cent of our output, without thinking of the future of our steel industry. I have sent that report across to the prime minister. Once we restrict exports, more investments will be made in the steel industry, not just in West Bengal but also in other states.

Why do you need FDI?

How can I exist without FDI, how can I get funds.... We want FDI in industry, in infrastructure, we need it badly. Otherwise we cannot move.

Aren't your personal views in conflict with your party's views?

There is absolutely no conflict of views between me and my party...

Why is your party opposed to FDI in retail?

That is not entirely correct. I have allowed

“ It is certainly not a fact that what I am doing is totally opposed by the party leaders. I am regularly in touch with them. There are certain shades of opinion within the party, but there are no serious differences. ”

Metro, the German company to start operations here. They will procure vegetables, fish and other products and sell it basically to hotels and restaurants, but not in retail. But I cannot allow a Walmart-type operation in which they would like to take over our fish and vegetable markets entirely. That is what they said when I invited them. I understand that farmers will get remunerative prices, that is experienced all over the world, and consumers will also benefit as they will get cheaper consumerables. Our market system is old and outdated and 10 per cent of food stuffs perish with the vendors. We need new systems, modern market mechanisms, cold storages and all that. But we have to move cautiously, otherwise thousands of people working between these farmers and consumers will lose their jobs.

Why is your party against privatisation of airports?

The Central government has gone ahead with modernising Delhi and Mumbai airports for a start, and Chennai and Kolkata in the next phase. But the truth of the business is that the huge profits from these major airports are used by the Airports Authority to subsidise low revenues in smaller airports. Now, with the large air-

ports being hived off, the Airports Authority will be unable to maintain the smaller airports.

Can you explain to me why the perception persists that your progressive views are not shared by your party which is supporting the Central government in Delhi?

Things are not that bad I can tell you. The





interesting thing is that the debate is going on in every political party – right, centre, left. Look at what happened in Japan in the last election. There was serious debate over privatisation of the postal system, but nobody here talks about it. The Labour Party in UK is debating. Everybody, everywhere is debating. We are debating. There are certain shades of opinion within the party, but there are no serious differences.

It is certainly not a fact that what I am doing is totally opposed by the party leaders. I am regularly in touch with them.

The perception is that you are very progressive, but the Left for some reason is slowing down the process of economic liberalisation in Delhi...

That is because I am running a government! I have to perform, and I really

believe, you perform or you perish, therefore I have to take decisions. But I cannot just go against the decisions of the party and I am trying to reach a consensus and you know the structure of our party is not like other parties. In our party, chief ministers do not have the final say. We are just part of the policy-making process, we have to discuss issues at the highest level. For us, our party is supreme. 🌈