INDIANS IN A GLOBALIZING WORLD

Also by Dilip Hiro

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INDIANS IN A GLOBALIZING WORLD

Their Skewed Rise

DILIP HIRO

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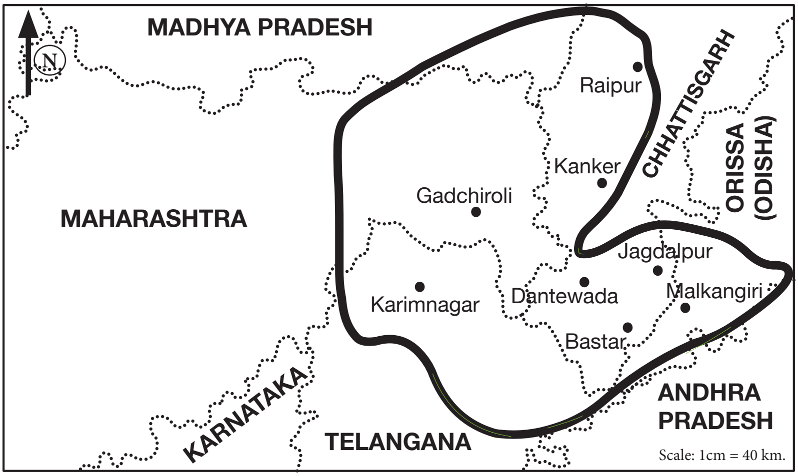

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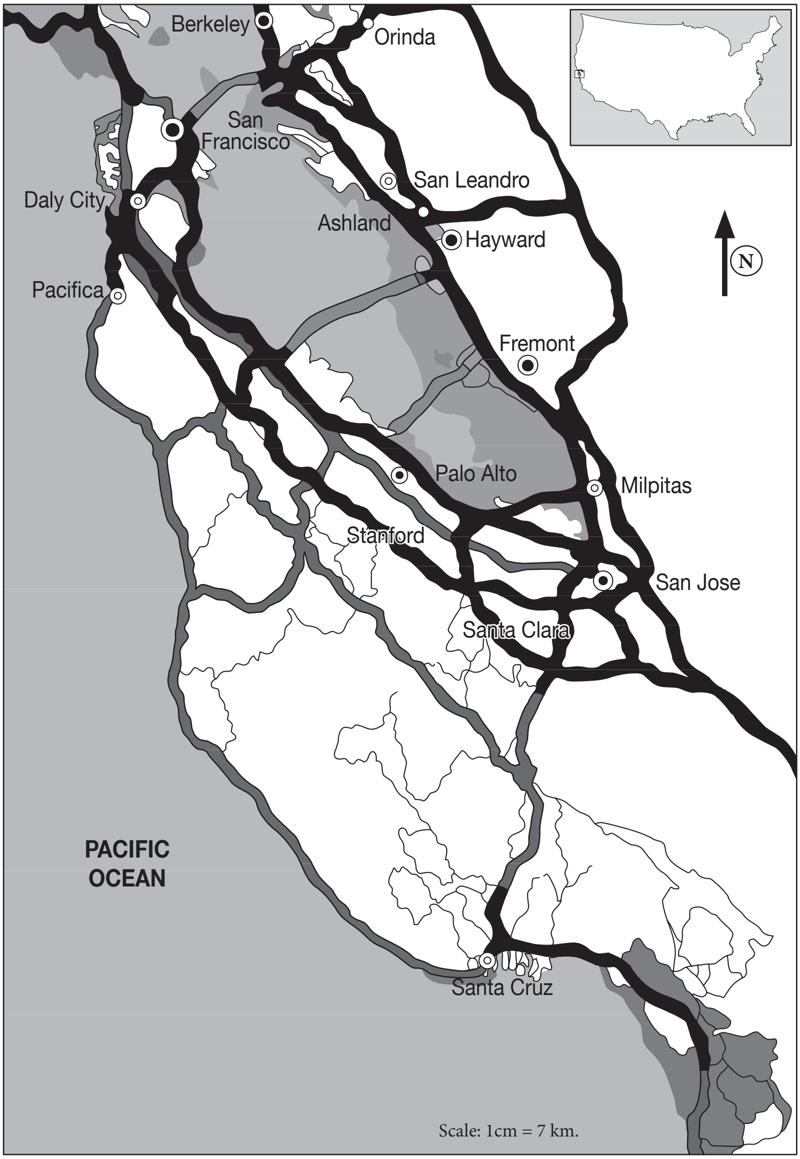

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Preface

THE PRIMARY PURPOSE of this book is to describe and analyze the impact of the 1991 New Economic Policy (NEP) of the Indian government and globalization at large on Indians at home and in the United States and Britain. In the process, it illuminates the working of the globalization of capital per se, and how democracy operates in a mega-nation of 1.2 billion. The text is a judicious mix of field trips and interviews, case studies, and book and Internet research.

The Introduction opens with the listing of the four dimensions of globalization: economic, communication, financial and cultural. It then provides a brief economic history of independent India leading up to the severe crisis of mid-1991 and the steps taken to defuse it. The establishment of the World Trade Organization (WTO) in 1995, of which India was a founding signatory, gave its economy a globalizing push. It was required to abide by all WTO rules by 2005. During 2006-11, it achieved an annual economic growth of around 8 per cent, except in 2008-09. But the redistribution of wealth has been skewed. It favoured those who were already comparatively well-off. This development led inter alia to the emergence of satellite towns around India's megacities such as Delhi—with Gurgaon in the lead and a clear favourite with the Indian experts in information technology (IT) returning from the English-speaking West.

Chapter 1 offers a portrait of Gurgaon, tracking its transformation from a small town to a thriving city. It encapsulates the benefits and deficiencies of the NEP and globalization, illustrating how the living standards of the unskilled and semi-skilled workers have stagnated while the upper middle and upper classes, ensconced in luxurious gated communities, have prospered. Its numerous call centres exemplify globalization of labour. And its forty shopping centres testify to the rising consumerism of its upwardly mobile inhabitants, many of them returnees from the United States and Britain.

The next chapter dwells on the economic links between the United Kingdom and India. The up and coming IT companies of India got a major break into the British market in the late 1990s to immunize the local computer systems from crashing on 1 January 2000. By 2012, there were nearly 700 Indian companies operating in the UK. The multi-billion dollar acquisitions of British and European multi-national companies (MNCs) in the steel and automobile sectors by Mittal Steel and the Tata Group during 2006-08, with the active assistance of Western banks, highlighted growing globalization of capital.

Chapter 3 traces the trajectory of Indian electronic engineers and entrepreneurs working in the US, particularly the Silicon Valley. Invariably they had a post-graduate degree from a prestigious American university. What enabled their enterprises to steam ahead of the indigenous US competitors were their low overheads and better grasp of foreign cultures when opening branches overseas. Many of the successful Indian American entrepreneurs set up shop in India to the benefit of their native land.

In India, though, the vast majority of the people, living in villages, have gained the least from the NEP and globalization. That is the substance of chapter 4. It contrasts the condition of marginal peasants with rich farmers' by presenting appropriate case studies. It also covers such subjects as the Green Revolution and genetically modified crops.

The continuing contraction in the average ownership of agricultural land by villagers has accelerated the migration of excessive labourers to urban centres, and the subsequent rise in the number and size of city slums. The boom in urban construction is another major factor to attract rural workers. The details are laid out in chapter 5. It covers slums of three types: inner city, suburban, and along river banks. Irrespective of their location, these underprivileged communities suffer from high crime rates and unholy collusions between lawbreakers and corrupt cops.

Chapter 6 deals with corruption of high order. It outlines the links between the Congress party and rich businessmen since the pre-independence era. It shows how and why the scale has risen exponentially since the NEP and globalization, and how it is related to the illicit, black money whose volume has increased many fold following economic liberalization. This chapter examines the private sector as well. It lists the measures taken to combat sleaze and their inadequacy. It pinpoints the galloping amounts of cash spent on elections by candidates as the seminal source of the explosion in graft. All parties participating in the electoral process are stained. The one which stands apart is the Communist Party of India (Maoist), a banned organization.

The subsequent chapter covers the Naxalite/Maoist movement. It traces its history since 1967, its decline, and its resurgence which is directly related to the onset of neoliberal policies and the globalization of capital which has blurred the distinction between domestic and overseas MNCs. The Maoists' base in the mineral-rich east–central region, inhabited by the tribal people, the most exploited community in India, has proved too strong to be crushed so far. The government's failure in this regard needs to be viewed against the wider national environment of democratic politics.

Among the peculiarities of Indian politics is the tactic of some high-profile personality fasting unto death to pressure the government to redress a grievance or implement a reform. Chapter 8 dwells on this and other unique features of Indian democracy. With all legal political parties supporting the NEP and globalization, those who stand to lose their land and livelihood in the process have turned to non-governmental organizations (NGOs) to take up their cause. What has helped the NGOs to a certain extent is the passing of the Right to Information Act in 2005. Among other things, it has led to the formation of the National Alliance of People's Movements, a network of NGOs which resist the NEP and globalization through non-violent means. The other innovation is the introduction of public interest litigation (PIL) by the Supreme Court in 1985. But this legal tool started to have an impact only from 1993 onwards. Since then, it has played a pivotal role in prizing open cases of high graft and pressing authorities to take social welfare measures. The Supreme Court's decisions have been helped by the rise in literacy, an explosion in broadcasting channels, and the ownership of mobile phones since the mid-1990s.

Chapter 9 is a record of how villagers, forming 70 per cent of the national population, view themselves and politics in general. The mood of those living in settlements near expanding cities is upbeat despite the corruption and opacity of the bureaucracy and the police. Converse is the case in villages located far away from urban centres.

The final chapter provides an overview of the earlier text. The overarching conclusion is that the governments in Delhi and state capitals will meet the demands of the steadily more literate and informed majority as they have done before: offer short-term palliatives of subsidies, loan waivers, and minor strengthening of the threadbare social safety net. That is, the template of the past, dating back to the early days of the Congress's rule, is likely to continue despite wider differences between the highest and the lowest income earners.

As someone conversant in Hindi and Urdu, I talked to villagers directly without an interpreter. They continue to express land area in the traditional term of 'bigha', related to an acre, thus ignoring the official adoption of the metric system in 1962. However, what a bigha means varies from state to state. For example, in Rajasthan it equals 0.625 acre, or 0.24 hectare, whereas in Uttarakhand it means 0.25 acre or 0.1 hectare. By contrast, metric weights are used universally, with 1 quintal equalling 100 kilogrammes.

The exchange value of the Indian rupee has varied from Rs 4.79 to US$1 in 1950 to Rs 50 to US$1 in 2010, with the figure being Rs 17.50 just before the NEP in mid-1991. For the recent period, I have used the flat rate of Rs 50 to US$1, with the earlier decades calculated differently.

Globally, statistics are expressed in millions, billions (1 billion equalling 1 thousand million), and trillions (1 trillion meaning 1 thousand billion). But in India, statistics are expressed in lakhs (1 lakh = 1,00,000) and crores (1 crore = 100 lakh = 10 million). For the sake of consistency, I have opted for millions and billions.

The Epilogue is not indexed.

Dilip Hiro,
London, April 2014.

Introduction

GLOBALIZATION HAS FOUR dimensions: economic (production and sale of goods and services); communication (Internet and digital media); financial (electronic transfers, cross-border financial transactions); and cultural, which can also be labelled as 'homogenization'. In an ideal world, globalization is expected to secure capital where it is cheapest, source human skills where they are abundantly available, produce where it is most cost effective, and sell where the markets transcend national frontiers. Until the mid-1980s, globalization of manufacturing and sale of products developed slowly. In 1985, the electronic NASDAQ (National Association of Securities Dealers Automated Quotations) in New York was a trailblazer. And the following year, electronic banking and the Big Bang financial reform made their advent in Britain.

Whereas the term globalization was minted only a few decades ago, one or more of its aspects have been in play since the ancient times. The history of cross-border trade is as old as the migration of tribes from one region to another. But it was only in 1947 that the General Agreement on Tariffs and Trade (GATT) was established under the United Nations' aegis as a multilateral agreement to regulate cross-border trade with the aim of reducing tariffs and other trade barriers and eliminate preferences on a reciprocal and mutually advantageous basis.

That also happened to be the year when British India was partitioned into India and Pakistan with each acquiring an independent status. Both became the founding members of GATT. Since then, India has been ruled most of the time by leaders of the Indian National Congress (or simply Congress). In the mid-1930s, they had prepared a blueprint for India's economic development. After independence, they implemented land reform, albeit haphazardly, and laid the foundation for rapid industrialization.

Guided by the charismatic Congress luminary, Prime Minister Jawaharlal Nehru (r. 1947-64), a social democrat, India launched its First Five Year Plan in 1951. In the same year, the parliament passed the Industrial Development and Regulation Act, which required an entrepreneur in any industry to acquire a licence. This was done to ensure the best possible use of limited capital, technology and management skills in the context of the national policy of self-reliance and import substitution: it was necessitated by paucity of foreign exchange due to meagre exports of Indian goods.[1]

The Industrial Policy Resolution adopted by the bi-cameral parliament[2] in 1956 assigned industries of such basic and strategic importance as coal, iron and steel, aircraft manufacturing, shipbuilding, oil extraction and other mining to the public sector. Another category, containing machine tools, heavy chemicals and fertilizers, was assigned to the mixed public-private sector, with the rest to the private sector. A comprehensive Companies Act had come into force on 1 April 1956.

But, given the propensity of the glacial Indian bureaucracy to corruption and negativity, the beneficial intent of the official policy got grievously distorted. A licensing system to make an optimum use of the scarce resources of capital and managerial skills ended up as a corrupt 'licence-permit-quota' regime run by a nexus of senior civil servants, elected politicians and a handful of influential business houses. Periodic rule changes and new parliamentary legislation to cope with scarce foreign exchange provided additional leverage to bureaucrats to tighten the already stringent regime in the industrial sector. The Foreign Exchange Regulation Act of 1973 was one such law.

The experience of the Mumbai-based Tata Consultancy Services (TCS) around that time to import an advanced Burroughs computer from the United States was summed up by Subramaniam Ramadorai, the company's chief executive officer (CEO), in his book *The TCS Story…And Beyond* as follows. Between submitting an application for an import licence for the computer to the Department of Electronics and clearing it through strict customs procedures on arrival in Mumbai, he listed seven intermediate steps. These included the Department of Electronics forwarding copies to the ministries of finance, commerce, and industries; TCS getting an approval from the Monopolies and Restrictive Practices Commission; calculating the import tariff which often exceeded the price of the machine; and getting access to foreign exchange tied to its undertaking to export twice the import cost over five years with the penalty of confiscation of the machine in case of failure. 'Every stage had its own challenges, mostly because this was all being done for the very first time in India, and the existing laws were open to interpretation by government officials who were unfamiliar with computers,' notes Ramadorai.[3]

Actually, until 1961, India's policies on trade and foreign investment were quite liberal. After that, it advised foreign companies to acquire local participation in their existing equity. Many foreign companies reacted negatively. PepsiCo Inc., for instance, ceased operations. The next year, the government officially prioritized domestic industry and economy and stuck to it until 1977.

The drought of 1965-66, coupled with ballooning budget deficit because of the war with Pakistan in September 1965, fuelled inflation. Urged by Washington and the World Bank, the government of Indira Gandhi (r. 1966-77; 1980-84), daughter of Nehru, devalued the Indian rupee by a whopping 57.5 per cent in June 1966 to increase exports to pay for imports of food.

Later, due to the split in the Congress, her faction lacked majority in the popularly elected Lok Sabha (lower house of parliament). To stay in power, she relied on Communist MPs (members of parliament). Pressured by them, she piloted the Monopoly and Restrictive Trade Practices (MRTP) Act through the chamber in 1969. It aimed to prevent concentration of economic power, control the rise of monopolies, and protect consumer interests by outlawing monopolistic, restrictive, and unfair trade practices. The companies which dominated their industries had to obtain governmental approval to expand, appoint directors, or acquire, establish, or merge with another firm. Her government also nationalized fourteen major commercial banks and instructed them to aid small businesses and rural agribusiness. The MRTP Act specified that a company with revenue of Rs 200 million ($25 million) could not expand without clearance from the government.[4]

The Foreign Exchange Regulation Act of 1973 required foreign companies owning more than 40 per cent equity in their Indian operations to get permission from the Mumbai-based Reserve Bank of India (RBI) to continue their business in India. The RBI was and remains the primary instrument to execute the government's financial policies. The new law made it mandatory for foreign firms to include local participation in their equity. Fifty-four Western companies, including International Business Machines (IBM) Corporation and The Coca-Cola Company, ceased operations by 1978. Nine more did so during 1980-81.

India's manageable trade deficit in the 1970s worsened due to the second oil shock of 1979-80, caused by the Islamic revolution in Iran when its petroleum shipments ceased. While it pushed up the cost of oil imports, the higher prices of India's exports eroded their competitiveness. To overcome the widening trade deficit, the government of the newly elected Indira Gandhi (r. 1980-84) approached the International Monetary Fund (IMF) for a loan after issuing an Industrial Policy Statement, which streamlined licensing and amended the MRTP Act to simplify business transactions. In late 1981, the IMF granted India a loan of $5 billion to be repaid with interest ten years later.

Economic liberalization gathered pace during the rule of her son, Rajiv (1984-89), after her assassination in 1984. His administration instructed the RBI to relax its rules about external commercial borrowing (ECB) by private companies. Its later decision to increase the output of such consumer durables as refrigerators led Indian firms to borrow from Western banks. The net result was a threefold rise in India's ECB during the decade.

The government itself raised loans from foreign commercial banks at high interest rates to finance its budget deficits. The banks approved of the way the Rajiv Gandhi administration started contracting the public sector sharply from 1988 onwards, coupling it with market reform, which turned the Bombay Stock Exchange bullish. The annual inflation dropped to single digits, and Western multinationals, which had shunned India before, started moving in. India's loans from the World Bank too rose sharply during the second half of the 1980s.

The defeat of Rajiv Gandhi's Congress by the United Front coalition of opposition groups in 1989 led to two prime ministers in as many years. The second one, Chandra Shekhar, assumed the high office in November 1990 as the leader of a small faction of MPs, with Gandhi's Congress backing him without joining his cabinet. The subsequent political uncertainty ensued at a time when various small loans granted to the Indian companies started maturing.

Externally, the Kuwait crisis, caused by Saddam Hussein's invasion of the emirate in August 1990, led to the doubling of India's oil payments and the loss of $3 billion in remittances from Indian workers in Kuwait and Iraq. The turmoil led non-resident Indians (NRIs) to transfer their funds from India to Hong Kong and Singapore. India's credit worthiness tanked. Western banks refused to grant any more loans to the Indian government or companies.

In the global history of major wars, 1991 started with a coalition of twenty-eight nations reversing Iraq's invasion and occupation of Kuwait. Its 7,00,000 soldiers faced Iraq's 5,45,000 troops.[5] The year also marked the culmination of the political process that gave a global context within which economic liberalization occurred. Its starting point was the decision taken by Chinese leader Deng Xiaoping in 1978 to loosen the straight jacket of central planning in the People's Republic of China. In the intervening period came deregulation in the US under President Ronald Reagan (r. 1981-89); the European Union's decision to create a single market; the fall of the Berlin Wall in 1989 which opened doors for East European nations to join the EU; and the conversion of the Association of Southeast Asian Nations (ASEAN) into a free trade zone.

1991, a Pivotal Year

In Delhi, Premier Shekhar inherited an economy with inflation at 17 per cent and the country's foreign exchange reserves down to $1.2 billion in January 1991. As the value of the Indian rupee started slipping in exchange markets, the RBI struggled to slow the slide by spending its meagre foreign currency reserves. The threadbare reserves set alarm bells ringing in the Shekhar government. In the midst of this crisis, Shekhar's deal with the Congress snapped. He resigned on 6 March but stayed on as caretaker prime minister until the staggered general election between 20 and 27 May.

His government appealed to the IMF for an emergency loan of $2.2 billion. The IMF complied but only after Shekhar had pledged India's entire gold reserves of 67 tonnes as collateral. The RBI arranged for the transport of 47 tonnes of gold to the Bank of England and the rest to the

Union Bank of Switzerland, the first shipment to be flown out on 21 May. When the news broke, the public and politicians were outraged. In India, gold enjoys a status much higher than its material value. But the deed was done against the background of India's foreign loans spiralling to a record $72 billion (from $20.5 billion in 1980), making it the third largest debtor nation after Brazil and Mexico.[6]

The first part of the parliamentary election on 20 May passed without incident. But the next day brought horrific news. In the course of electioneering in the southern state of Tamil Nadu, Rajiv Gandhi was assassinated by a woman suicide bomber, a militant Tamil opposed to his policy of militarily backing the Sri Lankan government's campaign against irredentist Tamils. The rest of the general election was moved to mid-June. The Congress leadership passed to Pamulaparti Venkata Narasimha Rao, a party veteran.

By 31 May, all of India's gold was deposited in London and Zurich. And by the time the last of the voters had cast his ballot, the RBI was left with only $600 million in foreign currencies, barely enough to pay for three weeks of essential imports. Normally, reserves ought to cover a minimum of six months' imports. Besides mortgaging its gold stock, India diverted the emergency aid provided by Japan and Germany, and used the IMF's special facilities. Only by using such diverse means did it avoid defaulting on its sovereign debt.

Though the Congress won only 244 seats out of 542, Rao managed to become the prime minister with the help of small factions not included in his cabinet. He gave the job of finance minister to Manmohan Singh, an Oxford-trained economist and a former deputy chairman of the Planning Commission.[7]

In his televised address, Rao explained to the nation that there were no 'soft options' left for India, and that the government must open the door to foreign investment, reduce red tape that crippled initiative, and streamline industrial policy.[8] On 3 July, the Rao government devalued the rupee by 22 per cent against major currencies. Thus was born the Big Bang reform and the subsequent new economic policy (NEP) of liberalization, privatization and globalization.

Before the end of July, Singh announced a new set of industrial and trade policies. It abolished import quotas, slashed tariffs from over 100 per cent to 25-36 per cent, and ended industrial licensing except for the enterprises in defence and national strategy. It limited public sector monopoly only to security, national strategy, nuclear power, and railways. In the service sector, it allowed private companies in banking, insurance, telecommunication, and air travel. Foreign companies were permitted owning equity up to 51 per cent, up from 40 per cent, in thirty-four industries. The same right was granted to NRIs and foreign firms with more than 60 per cent stake by NRIs. The amended MRTP Act released companies from obtaining government permission to expand, appoint directors, or acquire, establish or merge with another firm. From preventing monopolies, the role of the MRTP Commission was curtailed to regulating unfair trading practices.

A full blast campaign, backed enthusiastically by the big business houses, was unleashed to explain the rationale behind the dramatic changes introduced by the government. In addition to deploying the print and electronic media, they sponsored seminars and conferences. They financed the display of high-profile adverts and hoardings. As corporate executives and businesspersons heaped praise on the NEP, stock markets soared. The government went on to set up the Securities and Exchange Board of India (SEBI) and allowed foreigners to participate in trading. The avalanche of approbation and admiration for the NEP swiftly buried the protest by the trade union and communist movements.

The ramifications of the NEP extended far beyond trade and economy. Implementing the NEP was tantamount to uprooting the foundation of the socio-economic development model enshrined in the 1950 constitution: aiding the socially weak sections of society and small enterprises as well the country's backward territories while furthering economic independence of India through self-reliance. It also ended the priority that the central and state governments had given to agriculture since independence.

The subsequent financial sector reform covered banking, insurance, and capital markets, and involved deregulating interest rates and the earlier strong regulation and supervisory systems, as well as foreign/private sector competition.

Year 1991 ended with the collapse of the Soviet Union and emergence of the US as the winner in the forty-six-year Cold War. The US reinforced its grip over the IMF and the World Bank, both of them based in its capital city. Out of this grew the 'Washington Consensus': reduce government's role in the economy, curtail state spending and subsidies, abolish price controls, slash administrative bureaucracy, privatize public sector enterprises, open the door to foreign investment, reduce tariffs, float currency exchange rates in the free market, and let the financial system regulate itself or regulate it lightly.

India Trudges the Washington Consensus

India introduced partial convertibility of its currency in March 1992 under its Liberalized Exchange Rate Management System (LERMS), a dual exchange-rate system. Later, on capital accounts, foreign institutional investors acquired convertibility to bring money into and out of the country and buy shares subject to quantitative restrictions. Indian firms were allowed to take capital out of the country to expand globally on a limited basis, depending on the fluctuating balance of payments.

Western multinationals rushed to acquire Indian companies or merge with them. This unsettled Indian capitalists as well as the government. And that, in turn, led the Rao cabinet to amend the Companies Act of 1956 to create non-voting shareholders who were given priority in dividends to compensate them for their loss of voting. Also, safeguards were incorporated in the act to ensure that a majority of company shares did not fall into the hands of an unnamed sponsor.

In January 1993, the RBI issued guidelines for licensing of new banks in the private sector. During the next seven years, it gave licences to ten applicants. Of these, ICICI Bank would become the second largest by assets and the largest private sector bank by market capitalization.[9]

Abroad, during the Uruguay round of negotiations of GATT in 1994, India signed the agreement on trade-related investments that required it to abolish protection of its industries from global competition within five years

In January 1995, as a founder member of GATT, India joined the World Trade Organization (WTO) and agreed to abide by the regulatory framework of free global trade and competition within a decade in three stages—ending in 1998, 2001, and 2005 respectively. Unlike the preceding GATT, the WTO covered not just trade in goods but also in services, and acted as a watchdog of intellectual property rights. The patent law became globalized, which was not the case before when it applied only to the country where it was issued. Since a patent does not differentiate the process from the product, pharmaceutical companies cannot use the process to produce a drug cheaply.

Later in 1995, the Delhi government simplified the procedure for Indian companies to make modest investments abroad by transferring the official approval from the commerce ministry to the RBI. Early the next year, India allowed twelve new foreign bank branches a year. Equally, other WTO members permitted Indian banks to open branches in their territories.

Though the Congress lost power in the 1996 general election, the successor United Front governments, which lasted only two years, backed the NEP. The Bharatiya Janata Party (BJP)-led coalition that formed the government under Atal Bihari Vajpayee in April 1998 also supported it. In the thirteenth parliamentary poll that followed in September-October 1999, the BJP once again emerged as the largest group and led a coalition government that served its full term of (almost) five years.

Despite the NEP, the annual economic growth of India during the 1990s was 6.4 per cent—only marginally higher than the 5.9 per cent during the previous decade. In contrast, at the end of the decade, its foreign exchange reserves stood at a healthy $34.84 billion.[10] The main reason was the growing success of the Indian information and communication technology (ICT) firms to sign contracts with Western companies interested in reducing their costs by outsourcing some of their operations. The increasing popularity of the Internet—enabling people all over the globe to compete and trade with one another in real time—which started in the early 1990s, followed by the drastic decline in global telecomm charges, were the main factors that helped India shore up its foreign exchange reserves.

Globally, in the late 1990s, the scare in the US and Europe that most computers with the inbuilt time notation until 1999 would crash past midnight on 1 January 2000 proved to be a once-in-a-millennium opportunity to information technology (IT) firms in India to mint money. The Indian firms offered to immunize computers against 'the millennium bug'—Y2K—at a fraction of the fee charged by the US-based companies. They got overwhelmed with orders and worked round the clock until the zero hour on the first day of the twenty-first century.[11] Besides boosting India's foreign reserves, the Y2K scare provided Indian firms the sort of visibility in the Western world they had lacked so far.

This encouraged the Vajpayee government to replace the stringent Foreign Exchange Regulation Act (FERA) of 1973 with a relaxed Foreign Exchange Management Act (FEMA) in 1999, and it came into effect in June 2000. It aimed to facilitate foreign trade and payments and promote orderly development and maintenance of the foreign exchange market. Indian and foreign residents and companies were allowed to deposit foreign exchange into their current accounts through authorized dealers. It significantly expanded the scope for outward foreign direct investment (FDI), with Indian companies investing abroad with greater freedom and much larger sums than ever before.

Nonetheless the following strategic industries remained barred to inward FDI: banking, non-banking finance companies, civil aviation, petroleum, real estate, venture capital funds, companies investing in infrastructure and service sector, atomic energy, defence, agriculture and plantation, print media, broadcasting and postal services. All other industries were open to FDI. Crucially, the roles of the RBI and the Secretariat of Industrial Assistance changed from being directors to facilitators.

Next, the Vajpayee government undertook the privatization programme with gusto, setting up a special ministry of divestiture in 2001. Its mandate extended beyond loss-making state enterprises to the profitable ones, covering a whole range of industries from airlines to metals and oil and telecommunication. It was opposed vigorously by trade unions and communists as well as the Congress. BJP spokesmen pointed out the upward trend in economic growth as a result of its economic liberalization, with the figure for 2003 reaching the unprecedented 8.2 per cent. They pointed to the upsurge in construction in the private sector and feverish activity to improve the country's economic infrastructure. Shopping malls, epitomes of the rising middle class's consumerism, started mushrooming.

Enthusiastic BJP dignitaries coined the term 'Shining India'. So confident were they of being returned to power that Vajpayee called for general elections several months before the end of his term in April-May 2004. But they lost.

Why? Because the benefits of the improved growth rates were being skimmed off by the top 5 per cent of the population who fattened themselves even further, and another 25 per cent who bettered their lot, leaving those 70 per cent of the populace surviving on less than $2 (Rs 100) a day to stagnate.[12] The election gave them a chance to register their protest. They did. They favoured the opposition Congress—led by Sonia Gandhi (born Edvige Antonia Albina Maino), widow of Rajiv—which emerged as the largest group but lacked a majority.

That compelled the party to seek the backing of the fifty-nine-strong Communist-dominated Left Front. While choosing to stay out of the cabinet, it agreed to support the Congress-led government on two conditions. It had to freeze further privatization and implement its election promise to pass the right to information law. It agreed. Then the Congress leader in the Rajya Sabha (the upper house of parliament), Manmohan Singh, formed the government when Sonia Gandhi declined the high office, fearing assassination by extremist Hindu fanatics because of her Italian Catholic background.

Pressured by the Left Front lawmakers, and aware of the adverse verdict rural voters had passed on the BJP, the Singh government piloted the National Rural Employment Guarantee Act (NREGA) in August 2005—two months after the passage of the Right to Information (RTI) Act—to be enacted the following year. It guaranteed up to 100 days of work annually at Rs 100 ($2) per day for any household that wanted it. Since the NREGA scheme was implemented through state governments and their lower-ranking bureaucrats prone to extracting bribes, its full beneficial impact was not realized. Nonetheless, receiving steady cash from the public treasury was such a novel and welcome experience for most villagers that they returned the Congress to power in the next general elections of 2009.

Widening Income Disparities

Yet the direction or the basic composition of the economic development model did not alter. The economic disparities continued to widen. Between 2004 and 2006, for instance, the number of dollar billionaires in India increased from thirteen to thirty-six, surpassing twenty-four in Japan, the globe's second largest economy. This was a reflection of the steep rise in stock market values. In the last five months of 2005, for instance, the Bombay Stock Exchange's Sensex index jumped from 7,000 to 9,000. This was the result of nationalized and private banks giving cheap loans to large corporations and the government relaxing the labour law, making it easier for managements to sack their employees.

Between 1992 and 2006, the list of the top ten corporations at the Bombay Stock Exchange underwent a radical change. The leaders in the traditional sectors of banking, cement, oil, steel, tea and textiles yielded to such ICT-related services stalwarts as Tata Consultancy, Infosys, Wipro and Bharti Airtel.

'Twenty years ago, India was known [in America] as a country of snake charmers, poor people, and Mother Teresa,' noted Thomas Friedman in his book *The Earth is Flat: A Brief History of the Twenty-first Century*, published in 2005. 'Now it is also seen as a country of brainy people and computer wizards.'[13] As a long-time columnist with the *New York Times*, Friedman had acquired much influence not only among liberal commentators and opinion-makers in the US but also in official circles. His much-acclaimed book helped to refurbish the age-old image of India in America.

But Friedman's 'computer wizards' were a small part of India's ICT industry which provided direct and indirect employment to 4 million people—a minuscule 1 per cent of the labour force. Sandwiched between the top of the social pyramid owning shares in booming corporations and their prospering employees, and its vast base of the underprivileged, is the middle class with its three tiers—upper, middle, and lower.

It was the focus of local and foreign companies for their durable consumer goods and appliances. And, tellingly, most of the glittering stories about Modern India in the local and Western media, heralding India as a global economic powerhouse with surging growth, centred around the middle class and its rising consumerist appetite. In India, the term 'middle class' is elastic. Its estimated size ranges from 50 million to 264 million in a population of nearly 1.2 billion.[14] Whereas a middle-class household in the West has a mortgage on the house, owns a car, and enjoys an annual vacation of a few weeks, the one in India manages a balanced diet daily, sends children to school, and can afford to buy a colour television. To claim membership of this class in India, a household needs an annual per capita income of only US $1,000 (Rs 50,000)—or $5,000 (Rs 2,50,000) for a family of five.

Given the nature of globalization, it has favoured those who have an Internet connection and/or high mobility through air travel. This is true worldwide. In India, those with such an Internet connection in early 2012 stood at 10.2 per cent of the population, with only 1.2 per cent linked to the broadband network, while merely 4.5 per cent journeyed by air.

Internet-connected Indians are the ones who read English-language publications and appear on English-language radio and television channels as well as popular Hindi channels. The super-rich among them—estimated at 1.2 million families with at least $80,000 (Rs 3,60,000) a year in disposal income—make headlines with their lavish wedding ceremonies, costing tens of thousands of dollars. Their ostentation, social climbing, and snobbery make them stand out.

The economic upsurge, highlighted by over 8 per cent growth in 2003, led many qualified Indians, particularly in IT, working in America and Britain, to return home. This inflow increased to a point where the ministry of overseas Indian affairs started issuing Overseas Indian Citizenship (OIC) certificates in January 2006. It put the holder on a par with a citizen minus the voting right.

Overall, during 2006-11, the country maintained an annual economic growth of around 8 per cent, except in 2008-09 because of the global credit crunch. The symptoms of this boom are to be seen in various forms in urban India with its expanding middle class.

The thriving economy has led to the emergence of satellite towns around India's mega-cities such as Delhi—with Gurgaon in the lead and a clear favourite with returning Indian ICT experts.

ONE

Gurgaon: Shining City with a Dark Underbelly

WESTIN, A MASSIVE sign embossed on a curling, multi-story building—its white exterior shining in the sun—greets the visitor to Gurgaon. The word is mysterious and alluring. Is it the name of an IT corporation? Or a glitzy shopping mall? Neither. It turns out to be a five-star luxury hotel of the Starboard chain, still in its infancy. Aside from its aluminium-foiled appearance, its unique feature—which I would discover later—is to offer rooms that cater specifically to the single woman traveller on a corporate expense account. Located near the elevators to minimize the distance a guest has to walk, these marble-floored rooms are each furnished with a special make-up table inside a spacious bathroom. To provide foolproof safety to women occupants, these lodgings are served exclusively by female staff.

Gurgaon is unfailingly presented as the Poster City of New India—home to enticing shopping malls, multiplexes, and playful digital billboards—a glittering example of the advance that the mega-nation has made as a result of two decades of globalization and domestic economic liberalization—a New India where the crème of its women corporate executives can travel un-chaperoned.

But scrape the surface ever so lightly and you discover a dark, Dickensian underbelly. Gurgaon claims the third highest per capita income in India. Yet an unskilled worker there earns about a third less than in Pune, a provincial city in the state of Maharashtra. A typical corporate executive working for a Western multinational in Gurgaon has seen his/her salary raised fivefold in as many years, while the wages of their house maids have remained frozen. The affluent in this boom town are not sharing their phenomenal gains with the underclass. A helper in a clothing factory earns Rs 2,500 ($50) a month, whereas the monthly paycheque of the CEO of a multinational is Rs 6,00,000 ($12,000). The differential of 240:1 between the highest and the lowest incomes verges on the obscene. The benefits of the boom have gone to those at the top and the middle, leaving the bottom stagnating.

Gurgaon thus embodies all that is admirable and deplorable in New India. A close study of the Poster City shows it to be a striking representative of a nation-wide malaise: the disjunction between private enterprise dynamism and official lethargy, corruption, and ineptitude; the subversion of the best-intentioned welfare laws by bureaucrats and businessmen; the stark contrast between the exponential rise in private land and property values and the glacial advance in infrastructure and public services; and the colossal opportunities offered by the construction boom to the crooked and corrupt to transform their untaxed, illegal profits and earnings into legitimate, white money, with a growing involvement of NRIs in this process.

Metamorphosis of Old Gurgaon

From a small, non-descript town, surrounded by half a dozen villages, Gurgaon ('guru's village') has come a long way in two decades. The twelve-fold growth in its population to the present 1.5 million is only a minor part of its meteoric rise. Today, it is the Indian headquarters of such multinationals as Coca-Cola, Pepsi, Honda, Ericsson, and Nestle. It has more neon-lit malls with multiplex cinema screens per square mile than any other Indian city.

It has been garlanded with such titles as the Millennium City, the Showcase City, and the Skyscraper City. While the first sobriquet is time-bound and the second far too self-glorifying, the last one is a concrete fact that no pair of eyes can deny. More than the number of residential tower blocks, rising ever higher, that have mushroomed, it is the variety of architecture in this ever-expanding sprawl that awes and intrigues the visitor.

The DLF Gateway Tower, the gleaming settlement's landmark near the eight-lane toll plaza at the Delhi-Haryana border, is hard to miss. A twenty-story cylindrical structure of tinted glass and concrete, partly sliced sideways at the top, it resembles a giant, half-smoked cigarette. Equally ostensive is the nearby towering, luxurious Leela Kempinski Hotel—a slim rectangular slice, rounded at one end, with its rooms overlooking the lush Rajokri Gardens of Delhi. These turn out to be exceptional.

Most skyscrapers appear as concrete weeds sprouting from the soil, often unpainted eyesores. But here and there you find an eight- or nine-story structure embellished with a colourful façade, capped with a white-painted curvaceous umbrella, and fronted by lawns, shrubs and elegant palm trees.

Among the corporations, the office of Ernst & Young India Ltd—specializing in assurance and tax transactions—in Cyber City, is iconic. Set in the midst of vast green lawns, with the bland monotony of their beds broken by irregular pools of clear water, it is a multi-story, see-through structure. Consisting of seven elliptical floor plates, the tinted glass building is designed to provide shade during certain hours of the day as determined precisely by its latitude and longitude. This is achieved by extending the floor plates as they go up in order to shield the floor directly below from the intensity of direct sun rays. The strikingly innovative design enables the indirect sunlight to create the ideal reflected lighting during office hours, thus eliminating the need for artificial lighting while reducing energy consumption.

AIRCELL, a mobile phone operator, makes its presence felt even by a casual visitor. Its huge sign—'AIRCELL' written in white against a blue background, topped by its logo of three expanding brackets that symbolize sound waves—painted on a slanting concrete slab bridging the pavement of the National Highway 8 and the top of a multi-story office, leaves a lasting impression even when viewed from a speeding car or auto-rickshaw.

Contrary to its title, the DLF Square is not a square in the conventional sense. It is the name of a vertical building 90 metres (295 feet) high, its twenty-two floors encased between four robust pillars, with its walls made of large square blocks of black tainted plastic. It is home to many company offices.

The term 'DLF' is seen and heard so often that it has become part of daily discourse in Gurgaon, identified as easily by a corporate CEO as a rickshaw puller.

DLF Limited evolved in 2006 after a series of name changes. Formed from two tributaries—the Delhi Land and Finance Limited established in

1946 and the American Universal Electric (India) Ltd in 1963—this soon-to-be gigantic corporate entity was unveiled as DLF Universal Electric Limited in 1979 and DLF Universal Limited two years later. Now DLF Limited operates through a maze of some forty subsidiaries, the DLF New Gurgaon Homes Development Private Limited being one.

A Multi-layered Saga of the DLF

With an annual turnover of Rs 12,220 million ($245 million), market value of Rs 342,447 million ($6,848m), and an estimated land bank of 10,255 acres (42 sq km) in 31 cities, DLF was the globe's largest real estate corporation in 2011. (The average agricultural land holding of an Indian is 3.3 acres.[1]) With its initial public offer (IPO) in 2007 covering only 13 per cent of its shares, the vast bulk of the equity was held by its chairman Kushal Pal Singh and his family. The over-subscribed IPO won Singh—dapper in his well-cut suits with the trademark maroon silk kerchief in his jacket breast pocket—the much-coveted write-up in *Time* magazine. The post-IPO surge in the share value made him the globe's wealthiest property owner in 2008. With an estimated net worth of $7.3 billion in 2010, according to *Forbes* 2011, he was India's eleventh richest person.

Born in 1931 into a Hindu family of lawyers and army officers in Bulandshahr, Uttar Pradesh, the tall, athletic, square-jawed Kushal Pal Singh started his career as a commissioned officer in the Indian Army following his education in aeronautical engineering in Britain. He then tried his hand at manufacturing before turning to real estate development.

The stratospheric rise of Singh is more than just another story of a novice businessman joining the dollar billionaire's club. It highlights the runaway expansion of the construction industry which, along with the information and communication technology (ITC) and the business process outsourcing (BPO) sectors, has been the main engine of India's rip-roaring economic growth over the past decade.[2] A critical examination of Singh's success lays bare the anatomy of modern India: galloping corruption in public and private sectors; the nexus between politicians and businesspersons, and their ill-disguised chicanery; the ballooning of the underground, black money; the growing role of NRIs as independent players or agents in transforming black money into white by investing in residential and commercial property in India; and the rapid widening of inequality among Indians at home.

The founder of Delhi Land and Finance Company in 1946 was Singh's father-in-law, Raghavender Singh, a former civil servant. Like Washington DC, India's capital is a Union territory. But whereas Washington measures 68 sq miles (176 sq km), Delhi covers 573 sq miles (1,484 sq km), divided almost equally into urban and rural areas. Over the next decade, the elder Singh bought farmland around the city and established about twenty residential colonies to satisfy the needs of the wealthy Hindu and Sikh refugees from Pakistan following the partition of British India in 1947. A decade later, the Indian parliament passed the Delhi Development Act to ensure a planned expansion of the capital. The subsequent Delhi Development Authority (DDA) made land development a state monopoly. This narrowed DLF's business to the projects already in progress or approved before 1957.

Yet, in the absence of a male child of his own, Raghavender Singh persuaded his son-in-law Kushal Pal Singh, married to his elder daughter Indira, to leave the army and enter his business. The young Singh did so in 1960. The next year, he joined the American Universal Electric Company—a joint venture between Universal Electric Company of Owosso, Michigan, and resources of the elder Singh's family—to manufacture small electrical motors. Later, his Willard India Limited collaborated with ESB Incorporated of Philadelphia to produce automobile and industrial batteries.

Excluded from property development in Delhi, Raghavender Singh turned his attention to the 30 acres of land he had bought in the district of Gurgaon—whose capital, Gurgaon, was identified as a satellite town in Delhi's Master Plan of 1962. But, again, his hopes were dashed. The passage of the Haryana Development and Regulation of Urban Areas Act in 1975 banned commercial development of agricultural land. The main reason for this was to maintain India's self-sufficiency in food. The law invested the Haryana Urban Development Authority (HUDA) with the authority for urban development and regulation.

Advised by his father-in-law, a despondent Kushal Pal Singh prepared to sign a share transfer form. 'Just as I got ready to sign away my stake in DLF, Y.S. Tayal [chief financial advisor], who was a mild-mannered person, cleared his throat and spoke,' Singh writes in his autobiography *Whatever the Odds*: *The Incredible Story Behind DLF*. 'He said, "Once your signature is on this paper, you will lose DLF forever. So before you sign, please think about it carefully." However, he cautioned that … DLF's financial health was extremely poor now.' That got Singh to reassess the situation. 'Tayal continued, "I will be retiring from DLF in a few weeks, so I can speak my mind freely … Once all of you sign all the share transfer forms and accept the checks, it would mean that your family will get permanently disassociated from DLF forever."' Singh got the message. 'In a flash, I realized the truth of what he was saying and the implications of giving away my DLF shareholding.'[3] If he, his wife, and sister-in-law had signed the transfer papers, they would have received Rs 4.6 million ($92,000). In late 2011, at the time of the publication of Singh's autobiography, owning 78.6 per cent stake of DLF shares, they were worth Rs 269,163 million ($5.383 billion)—a 58,500-fold appreciation!

In the mid-1970s, the Singh family's manufacturing firms, too, were not faring well. So in 1979, it merged American Universal Electric (India) Ltd with DLF United Limited to form DLF Universal Electric Limited.[4] This had only a marginal impact on the family's dwindling fortunes. So the young Singh turned to the elder Singh's land in Gurgaon district.

'I was hungry [in 1980],' Kushal Pal Singh said in his interview to *Time* magazine in 2007. 'And the best things in life are done when you are hungry for more business.'[5] He started acquiring small plots of farmland near his father-in-law's holdings in the way the elder Singh, lacking enough funds, had done: buy now, pay later with interest, even though at Rs 5,000 (then $625) an acre, the purchase price was modest. He was meticulous about giving interest cheques to vendors on the first of the month without fail. That earned him the trust of farmers, innately suspicious of the motives of city slickers—a vital building block for Singh's future plans.

1981, a Landmark Year

The year 1981 proved to be a crucial one for several parties in this multifarious tale. It witnessed the salvaging of Maruti Limited, a car manufacturing company, originally formed by Prime Minister Indira Gandhi's son, Sanjay, who died in June 1980. The revived Maruti Udyog Ltd started constructing its factory in Gurgaon, then an abode of 1,41,000 souls. It would sign a joint venture agreement (JVA) with Suzuki of Japan and produce its first automobile in 1983, going on to become the dominant brand in India's fast expanding car market.

Deploying a variety of tactics, Kushal Pal Singh managed to expand his total farmland to 150 acres by 1981.Owning only small plots, individual farmers were reluctant to sell their holdings. For centuries, they had relied exclusively on agriculture for their sustenance. 'Convincing them to sell their land was not easy,' Singh recalled many years later. 'I sat with them, discussed various topics, and had endless glasses of milk, tea, or buttermilk... Over time, I virtually became a part of each family and was soon involved in settling family disputes, arranging school admissions ... It helped create a relationship of mutual trust and respect.'[6] Since most of the farmers were Ahir Yadavs by caste, with a minority being Gujjars, they were susceptible to pressure by their caste headmen whose loyalty could be bought. Indeed, at election time, it was customary for these leaders to haggle with different candidates to extract the maximum cash for delivering their vote banks.

On the morning of 12 May 1981, seated on a string cot, charpoy, under an acacia tree next to a well, the forty-nine-year-old Singh was marshalling his well-honed set of reasons why his rural interlocutor sharing the rickety charpoy should part with his land near Gurgaon. Just then, a four-wheel-drive Jeep appeared on the nearby dirt track. It suddenly sputtered to a halt close to the charpoy shared by Singh and the villager. While the driver opened the bonnet to discover steam escaping from the overheated radiator, the sole occupant of the vehicle disembarked. A tall, handsome, well-built man, dressed immaculately in a long white shirt and tight pajamas, the passenger turned out to be Rajiv Gandhi (1944-91), the elder son of then Prime Minister Indira Gandhi. Unlike his younger brother Sanjay, who died when a test plane he was flying crashed, Rajiv was a trained pilot with Indian Airlines. After his brother's death, he quit his job and entered politics. He got elected to parliament from Sanjay's constituency and became president of the youth wing of the ruling Congress. That morning, he was in the vicinity of his farmhouse on the outskirts of Mehrauli, a village midway between Gurgaon and Delhi.

Gandhi wondered what Singh was doing in 'a desolate place' like that during the season of hot winds blasting from the deserts of Rajasthan. Singh explained his purpose. Rajiv, who had heard of DLF, asked why he had not put to use the land his company already owned. The hurdle was the

Haryana Development and Regulation of Urban Areas Act, replied Singh. It defined an urban area as one that included land within 5 km (3 miles) of a municipal area and barred the use of agricultural land for non-agricultural purposes. (The way round the latter limitation was to get agricultural land re-classified as non-agricultural by bribing bureaucrats and/or their political masters, a strategy that Singh would have been loath to share with Rajiv Gandhi, who would later win the sobriquet of 'Mr Clean'.) 'Laws can be changed, right?' remarked Gandhi. 'We've been trying for years now without any success,' replied Singh.[7]

Singh was being 'economical with the truth', as a written testimony by DLF Universal Limited later would reveal. An official statement of DLF cited by the *Economic Times* read: '1981: DLF Universal Limited obtains its first licence from the government of Haryana and commences development of DLF City, measuring 3,000 acres (12 sq km, 4.7 sq miles) in Gurgaon, Haryana.' The truth lay midway between Singh's much-touted conversation with the late Rajiv Gandhi and the claim made by his company a quarter of a century later. Whereas DLF received its first licence to build in 1981, the DLF City project, requiring 3,000 acres of contiguous land, was far from launched in that year.

'The real challenge was to acquire contiguous tracts of land from families that in some cases had 30 signatories,' Singh told *Business Today* magazine in 2002. 'Even if one member opposed selling the ancestral land, the deal wouldn't go through.'[8] This was hardly an insurmountable problem. Over time, Singh seems to have bought the cooperation of several patwaris (land recording officials). He left it to a patwari to break the resistance of an intransigent land-holding villager.

How did DLF obtain a licence to build on agricultural land? 'The fact that you need a licence from the state government to build makes it a political decision; that's where corruption creeps in,' explained Mohan Tikku. A slim, grey-haired, retired journalist, he had been a resident of the National Media Centre in Gurgaon since 1995. 'In those days [1979-85], Bhajan Lal was the chief minister of Haryana. Issuing a building licence was at his discretion under the [lawful] discretionary powers of a chief minister[9]. He made a lot of money that way.'

But for a builder, that was just the beginning. 'The next stage in the process is dealing with various agencies relating to—town planning, urban development, sanitation, power connection, fire safety, water supply, electrical wiring safety, and so on,' continued Tikku. 'Each of them has to give its approval and a certificate of satisfaction, right down to the final occupation certificate. Even when the builder has met every requirement and rule, he faces bureaucratic delays. So he has to pay "speed money", bribe. And all bribes are in cash. Which means a builders has to have plenty of cash on hand, and all the officials store their bribes in cash. That's how black money multiplies. In the end, the price of the building goes up. But there are plenty of buyers among those politicians and bureaucrats who have collected piles of bribe money. They are eager to turn this black cash into white money. So they buy these overpriced properties by paying mostly in cash and only partially by cheque. And the acquired real estate becomes a white capital asset.'[10]

In other words, letting private developers construct residential and commercial properties in the urban areas of Haryana and elsewhere in India led to an accelerated pumping of 'speed money' into the country's economy, raising the size of the already considerable underground, black money. When property development was carried out by governmental or quasi-governmental organizations, there was far less opportunity for the ministers or bureaucrats to extract bribes from such entities.

As for politicians in general, the ones from modest households were more drawn to lucre than those from privileged families. Bhajan Lal (1930-2011), a stout, snub-nosed, jowly-faced man with metal-frame glasses and a golden yellow turban, was born into a humble, rural family. He started his political career as president of a village council, called panchayat. He reached the pinnacle of power in Haryana as the leader of the anti-Congress Janata Party when he was forty-nine. He soon defected to Indira Gandhi's Congress after she was returned to power at the Centre in 1980. In Rajiv Gandhi, her only surviving son, Bhajan Lal saw a rising political star. Given Kushan Pal Singh's access to Rajiv, Bhajan Lal favoured DLF shamelessly when that also gave him a chance to stuff his pockets.

DLF forged ahead so long as Bhajan Lal remained the chief executive in Haryana—until July 1985. Tellingly, DLF's official account describes 1985 as the year when the company initiated 'plotted developments', the first such plot being in Gurgaon, and consolidated the development of DLF City as a township. By then, following the assassination of Indira Gandhi in

October 1984, forty-year-old Rajiv Gandhi had become the prime minister. He was intent on smoothing the path for companies such as DLF to enter the lucrative urban property market.

However, a hurdle appeared for DLF in the person of Bansi Lal, who succeeded Bhajan Lal. A slim, bespectacled man with a receding hairline and a bulbous nose in an oval visage, Bansi Lal was a veteran politician. It was he who had shepherded the 1975 urban development and regulation bill in the state assembly. He was incensed at the manner in which his predecessor had mangled the law to favour DLF and other private developers.

Briefed by his aides, *India Today* magazine reported in May 1986 that the Bhajan Lal government had 'twisted the law in every possible way' to give licences for more than 4,150 acres (6.5 sq miles; 16.8 sq km) in Gurgaon to private realtors. Further details appeared in the *Times of India* on 16 August. Using his discretionary powers, Bhajan Lal had issued more than 500 building licences to private developers, including DLF, Ansal Housing and Construction Limited, and Unitech Group. He did so by shredding the rules laid out in the 1975 Act and without verifying the claimed ownership of land, which the firms often started buying *after* getting licences.[11]

Bansi Lal cancelled 189 building licences, including many of DLF's. Singh appealed to Rajiv Gandhi to intervene. He did. But, confident of his support among the state's lawmakers, Bansi Lal ignored the prime minister's advice. For the two years he was the chief executive in Haryana, DLF was forced to hibernate.

A committed progressive, Bansi Lal vigorously pursued the long-established policy of encouraging the formation of group housing societies or cooperatives to build residences. One such organization was the National Media Centre housing cooperative, formed in 1982 by journalists, academics, doctors, and artists. It bought 22 acres of land from the inhabitants of Nathupur village on the outskirts of Gurgaon. It was under Bansi Lal's watch that the foundation stone was laid for the centre in 1986.[12]

In Chandigarh, the capital of Haryana, Bansi Lal's six successors were political lightweights who altogether lasted a mere four years in office. That enabled Singh's DLF to accelerate the building of DLF City on the 3,000 acres it had acquired while still managing to meet the legal obligation regarding the economically weaker sections (EWS) of the community.

'The Haryana law requires that any building project by a private company must reserve 20 per cent of the housing for the EWS of society,' explained Tikku. 'That meant constructing one-room tenement costing Rs 20,000 ($400). The idea was to provide decent accommodation to domestic servants, sweepers, rickshaw pullers, guards, peons, messengers, and the like. Given the large size of the EWS in Gurgaon, the authorities resorted to a lottery. The likes of DLF and Ansal lost no time approaching the lottery winners with cash. They were temped and sold their rights to realtors.'[13] Thus DLF and other leading private developers succeeded in defeating the egalitarian intentions of the state government. This pattern recurs in other welfare measures on the statute books as subsequent chapters will show.

The realtors combined these small plots and built multi-story tower blocks. Prices shot up. They enjoyed a bonanza—as did the original landowners on a more modest scale. The latter built two-story tenements on the land they retained for renting to the menials and migrant workers from other states.

With Rajiv Gandhi as the PM, DLF's prospects brightened as never before.

Rajiv Gandhi, the Early Liberalizer

As an engineering student in Cambridge and London for five years, followed by a twelve-year stint as an airline pilot, Rajiv Gandhi maintained his interest in technology and modernization. His marriage to Antonia (Sonia) Maino, an Italian Catholic, further helped westernize his thinking and behaviour. As a result, he was more open to loosening the thirty-year-old framework of centralized planning of the economy he inherited. He made cautious moves in that direction.

He increased support for science, technology and associated industries by cutting taxes and tariffs on computers, aircraft, and defence and telecommunication equipment.

'The telecom revolution, the precursor to the IT revolution that has done so much to boost India's economy and its reputation, took place under Rajiv Gandhi,' noted economist Ramgopal Agarwala, a former World Bank official for a quarter century. 'During his time, there was also some relaxation of the [bureaucratic] Licence-Permit Raj, and the plans to further relax its grip had been drawn up too.'[14] Agarwala's assessment was shared by many industrialists and businesspersons. 'Economic liberalization started in 1988,' recalled Deepak Jolly, the burly public relations vice-president of Coca-Cola, in Gurgaon. 'Small changes happened from 1988 to 1991—like a public sector company could be privatized 100 per cent.'[15]

Among those who benefited from the Indian government's relaxed import policies was Kushal Pal Singh. His company was able to import some parts for the 2,700-km (1,678-mile) gas pipeline being built by GAIL (India) Ltd, from General Electric (GE) Company, a labyrinthine conglomerate and the sixth largest corporation in the US with a presence in more than 100 countries. That in turn led to Singh being introduced to Jack Welch, the tall, balding, narrow-eyed CEO of GE, in New York in 1986, and his subsequent appointment as the GE's national adviser in India. It was in that capacity that Singh organized Welch's first trip to India in 1989. Among others, Welch met Rajiv Gandhi.[16]

Though Rajiv Gandhi's Congress lost the general election in November 1989, his two successors, who altogether served for only a year-and-a-half, left intact his opening to Western corporations and tilt towards the private sector.

Post-Rajiv Economic Deregulation

Rajiv Gandhi's assassination during the run-up to the general election in May 1991 jolted international investor confidence in India. His plans for further economic liberalization after his expected electoral success fell by the wayside. The Congress leadership passed to seventy-year-old P.V. Narasimha Rao (1921-2004). A bald, square-jawed, plump man of medium height, often dressed in a long shirt and dhoti, he was a contrast to Rajiv Gandhi in more ways than one. A lawyer by training, he had been a politician all his life. His formidable parliamentary skills helped him complete his full, five-year tenure as prime minister even though his party was twenty-seven seats short of majority in the Lok Sabha.

Within a month of his coming to power, his government found that the country's foreign exchange was barely enough to pay for a month's imports. He approached the IMF for a major bailout. In return for its emergency aid, his administration agreed to devalue the Indian currency by one-fifth and reform the economy at a brisker pace. As described earlier, the NEP of liberalization, privatization, and globalization was unveiled in July 1991.

To Kushal Pal Singh's profound delight, Bhajan Lal returned as Haryana's chief minister in the same month, a post he would hold for the next five years. This was the golden period of DLF when Raghavender Singh's jocular quip that 'DLF stands for Damn Lucky Fellow' was transformed into a phenomenal business reality. With land prices spiralling, Kushal Pal Singh decided to abandon constructing stand-alone townhouses and resorted to building residential tower blocks. DLF completed its first condominium[17] project, named Silver Oaks, containing 600 apartments, in DLF City. Singh's penchant for British names could be attributed to the few years he had spent in Britain as a student. But, to be fair, he was not the only realtor slavishly adopting such British or American monikers as Beverly Hills, Hamilton Court, Manhattan Apartments, Regency Park, West End Heights, and Windsor Place, with office blocks called Royalton Towers, Icon Pinnacle, Plaza Tower and Gateway Tower. In 1993, Singh's standing in the corporate world rose as high as the fifteen-story Silver Oaks. At the GE's headquarters in Fairfield, Connecticut, he was promoted to a member of the corporation's international advisory board, a position that would help propel his company to a higher plane.

As trade liberalization gathered pace after the formation of the WTO in 1995, it made transfer of illicit funds abroad easier. When meticulously researched figures about the capital outflow from India were published by Washington-based Global Financial Integrity (GFI) in 2010, they shocked the nation. According to the GFI document, 'The Drivers and Dynamics of Illicit Financial Flows from India: 1948-2008', tax evasion, crime, and corruption had removed illicit assets from India worth $462 billion. 'The report also shows that these illicit outflows contribute to stagnating levels of poverty and an ever widening gap between India's rich and poor,' said GFI director Raymond Baker. Indian companies and super-rich stashed cash overseas to avoid taxes and hide ill-acquired gains, thus widening inequality and depriving the poor of crucial resources, which the government could have used to provide sorely lacking public services. 'In this report we clearly demonstrate how India's underground economy is closely tied to illicit financial outflows,' explained GFI lead economist and the report's author Dev Kar, a former IMF official. 'The total present value of India's illicit assets held abroad accounts for approximately 72 per cent of India's underground economy.' High net-worth individuals and private companies were the primary drivers of illicit flows out of India's private sector. And the fact that 68 per cent of India's total illicit capital loss occurred *after* the economic reforms in 1991 proved that deregulation and trade liberalization contributed to or accelerated the transfer of illicit money overseas.[18] In early 2012, Central Bureau of Investigation director Amar Partap Singh revealed that about $500 billion of illegal money of Indians was deposited in tax havens abroad, and that Indians accounted for the largest number of depositors in Swiss banks. This figure was based on the findings of the report by the Supreme Court-appointed committee on black money. The funds originating in tax evasion and crime proceeds were funnelled to various tax havens through multiple routes.[19]

As explained earlier, there has been a long-standing linkage between black economy and real estate in India, and the accelerated construction and sale of high value property led to runaway expansion in black money. With the entry of Dubai-based Emarr Properties into India's real estate business in partnership with the Delhi-based MGF Development Limited (in 2005), the inflow and outflow of capital got mixed up.

However, DLF had several advantages over its competitors. In 1996, it unveiled phase III of its Gurgaon project and built its first office complex, the DLF Corporate Park. A far greater prize came Singh's way the next year when, persuaded by him, Welch set up GE Capital International Services (GECIS) as the India-based business process services operations of GE Capital.[20] It boosted the growth of GE businesses in India and contributed to the country's progress by giving its Gurgaon-based subsidiary access to GE's bank of intellectual wealth in the technology and IT sectors.

Once GE, which has the distinction of the longest continuous listing on the Dow Jones Industrial Average[21], set its footprint in Gurgaon, other major multinationals followed. These included American Express, Bank of America, Coca-Cola, Ericsson, IBM, Microsoft, Nokia, and Oracle. The subsequent arrival of highly paid officials of these corporations, earning upward of Rs 6 million ($120,000) a year raised the demand for high value residential housing. That benefited DLF as well as other leading builders.

'Coca-Cola moved its headquarters from Mumbai to Gurgaon in 1998,' recalled Jolly. 'Land prices in Mumbai had risen so high that the company could not expand its headquarters there. Gurgaon was comparatively cheap and there was a lot of space. Also here our employees could own good, spacious houses unlike the cramped, expensive accommodation in Mumbai. And Gurgaon is near the modern Indira Gandhi International Airport which is a big help for our senior executives. Since 1992, the building of skyscrapers has been allowed. Also with some areas in Gurgaon named as Special Export Zones with tax rebates, there is an opportunity to export.'[22]

In 1999, the central government decided to connect India's four leading metropolises—Delhi, Mumbai, Chennai, and Kolkata—by six-lane highways, with National Highway 8 (NH8), linking Delhi with the nation's commercial capital of Mumbai, passing through Gurgaon. Its completion in 2003, followed by the widening of NH8 two years later, proved a strong tonic for the city.

'Y2K, the millennium bug, gave a big push to IT companies in Gurgaon because Western corporations began associating India with information technology rather than spiritualism or yoga,' said Tikku. 'After that, call centres here expanded rapidly. Among the sixty-odd centre firms, the leaders are Genpact, Accenture, Convergys, and EXL. Altogether, these firms have contracts with about 2,000 Western companies.'[23]

Return of the Tech-savvy Indian Expatriates

Encouraged by this connectivity, in 2004, Kushal Pal Singh undertook the development of DLF Cyber City, an integrated IT park of 90 acres. That year, India achieved a healthy 7.5 per cent expansion in its GDP. The economic upsurge led many qualified Indians, particularly in IT, working in America and Britain, to return home. By 2006, more than 35,000 expatriate Indians returned from the US to settle in Bengaluru, then the country's booming high-tech centre. Another 30,000 Indian expatriates from Britain flew back home. This inflow increased to a point where the ministry of overseas Indian affairs started issuing Overseas Indian Citizenship (OIC) certificates in January 2006, and handed out 40,000 in the first six months.[24] This document provided the holder all citizenship rights, except the voting right, while retaining his/her foreign nationality. The reverse flow was a reflection of the fact that by 2005, India accounted for 66 per cent of the global market in offshore IT and 46 per cent of the global BPO segment.[25]

At the higher end of outsourcing, medical tests in America were analyzed by Indian radiologists and pathologists.

These returnees sought the same comforts they enjoyed in the West. They found them in such newly built Gurgaon colonies as the Nirvana Country, built by Unitech Group, ready for occupation in January 2007. It contained houses with air conditioners and Italian marble floors, with twenty-four-hour water and electricity. Fenced off by high walls and privately guarded, the colony reproduced the sanitized charm of Western suburban life. The returnees found the prices of the apartments, starting at $180,000 (or Rs 9 million)—200 times the average annual income of an Indian—easily affordable. The realtor sold all 250 apartments within two hours, with more than two-fifths of the buyers being Indian returnees.[26]

Behind the homeward move lay multiple reasons. On a personal level, they wanted their children to grow up in India, speak Hindi, and have Indian friends. They knew that, with many Indian companies keen to have footprints abroad, there was a growing need for Indians with specialist knowledge and experience to help them navigate the overseas world successfully. Among them was Shiv Dayal, a native of Delhi, a bespectacled man of medium build with a luxuriant thatch of pomaded black hair. After gaining his MBA from London Business School in 1995, he worked in the mergers and acquisitions divisions of J.P. Morgan Chase & Company, a financial services firm[27], and Dresdner Kleinwort in London and New York. He dealt with merger, acquisition, sale, privatization, equity raising, and private equity transactions for clients in North America and Europe as well as Russia, India, South Korea, Saudi Arabia, the United Arab Emirates, and Brazil. He also advised some investors to invest venture capital in the Indian IT sector. On his return home, he set up Langham Capital in Delhi with its research department in Gurgaon.

By then, Gurgaon had become a city of gated communities, tiered by income. Cooperative housing society complexes were at the low end of this new hierarchy, while the fourteen-story Aralias luxury condominiums along DLF Golf Course Road, selling for Rs 100 million ($2 million), were at the top end, with the likes of DLF's Princeton Estate in between.

In the main, cooperative housing society complexes tended to cater to specific groups, private or official. 'The defence ministry takes a poll of its officers as to where they'd like to settle down after retirement,' explained

Retired Major-General Prince Jit Singh Sandhu, an elegant Sikh in a business suit, turbaned, his combed white beard tied into a knot under the chin. 'Some choose Chandigarh, others near Kolkata, but many opt for Gurgaon. Therefore we now have the Jalvayu [water and air] complex of the air force and the navy, built in 2001. It has 1,200 apartments. Another complex built by the army has 700 flats.'[28]

The rank of a gated residential complex can be judged by the way a visitor gains entry into it and the number and location of security cameras beyond the entrance gate. A simple wave-through by a bored-looking sentry signifies low grade, whereas a tight procedure, involving a written entry in a register and the issuing of a pass by a guard indicates a higher level. The rank rises further with the number of surveillance cameras installed in a tower block.

Hierarchy of Self-Contained Islands

The nine residential tower blocks and forty individual houses, erected by the housing cooperative society of the Power Welfare Organization (PWO), allied to the state-owned Power Grid Corporation, began to fill in 2003. Like all gated communities, the PWO complex, housing 2,000 people, is fenced by a wall, with a nominal presence of guards at its entrance gate. It has its own diesel-fuelled generator to ensure uninterrupted power supply (UPS) to cope with frequent electricity cuts of up to seven hours a day, and its own tube well to supplement the inadequate water supplies by local authorities. There are plumbers and electricians on call round the clock. Besides the basement parking, the complex has its own gym, a small park, two general stores, and an auditorium. Uniquely, it also includes a high school, up to the twelfth grade, which admits outsiders. The universal aim of the realtors is to minimize the contact of the complex dwellers with outsiders.

Those who paid Rs 2 million ($40,000) for a three-bedroom apartment in 2003 found their property valued at Rs 12 million ($240,000) in less than a decade. The upturn had been particularly sharp since the downturn in the stock markets of New York and London during the 2008-09 Great Recession, which encouraged NRIs to invest in property in places like Gurgaon with an annual return of 50 per cent or so. This was a stark illustration of how affluent Indians had become integrated into a global economy.

During that decade, some original owners rented their properties. Among such tenants were Ira Acharya and her husband Pravan Jha, their two young sons, and Jha's parents. In their early forties, both Acharya and Jha were IT executives, each with sixteen years' experience. A fair skinned woman of medium height, with large expressive eyes, Acharya, always dressed in a colourful salwar-kameez, obtained a Master's degree in computer applications from Delhi's Jawaharlal Nehru University. She joined Tata Consultancy Services (TCS) as a software engineer and rose to become the leader of a group of teams with an aggregate strength of 200 employees.

Established in 1968, TCS is the No. 1 Indian company offering IT services, business solutions, and outsourcing. Whereas most of its 2,20,000 employees in 2012 were based in India, more than 90 per cent of its earnings came from abroad—a remarkable example of globalization. TCS had half a dozen offices in Gurgaon, each one focused on a different aspect of its multifarious operations.

A tall, dark, broad-shouldered man, Pravan Jha was director of technology at Aricent Technology Company of New Jersey, which specialized in software development in telecom systems. He started as a software engineer at the annual salary of Rs 70,000 ($1,400) and graduated to earning Rs 2.5 million ($50,000) a year. His wife's annual gross pay was roughly half that much. The income tax on their collective earnings of Rs 3.7 million ($74,000) was about a third of the total and was deducted from their paycheques. The breakdown of their monthly budget: income tax 30 per cent, food and drink 30 per cent, rent and utilities 20 per cent, education 5 per cent, entertainment 5 per cent, insurance 5 per cent, with the rest as saving. This was roughly how an upper middle class family in America spent its earnings.

Avid newspaper readers, Acharya and Jha bought the *Times of India*, the *Indian Express*, and *Dainik Jagran* ('Daily Awakening' in Hindi) every day. 'Recently, middle and upper classes have been disturbed by the corruption scandals,' remarked Jha. 'But politics and politicians are no different from the society in general. Look at Gurgaon, a city of 15 lakh [1.5 million]. It has many avenues for spending money, but very little by way of cultural uplift. There are only two bookshops and one theatre. There are expensive restaurants where a meal for me and my wife with aperitif and wine would cost about Rs 5,000 ($100). That's what a security guard earns, working a twelve-hour shift for a month.'[29]

Compared to the laid-back guards at the lowly PWO complex, the ones at DLF's Princeton Estate were regimented to follow a strict protocol. Besides noting down the vehicle registration number, a guard wrote the details of the main visitor in a register, equipped to produce carbon copies, and handed him a counterfoil.

Thus armed, my companion and I proceeded to the fourteen-story tower block C-3 in our taxi. Refreshingly, the surroundings were free of the debris which is a hallmark of most buildings outside the gated complexes in Gurgaon as well as Delhi. On the ground floor of C-3, there was yet another guard with a register. (Almost invariably, these heavily suntanned guards are slim, moustached, dressed in dark blue pants and light blue shirts embroidered with the security company's logo, and equipped sometimes with walkie-talkies.) The solid concrete walls, painted off-white, looked pleasant, and the elevators were robust and clean.

At the door of apartment 34, Kalyani Kapur received us. A dark-eyed, wide-browed woman in her late thirties, her intelligent countenance framed by sleek black hair, she spoke with great confidence—as expected of someone who led a workforce of 2,000. She was the head of operations and business with iGATE-Patni Computer Systems Ltd, located at a five-acre site in Noida, a satellite town east of Delhi. Born of Kashmiri Hindu parents settled in Delhi, she obtained a science degree from Delhi University, followed by post-graduate courses in international marketing and dialler administration at Miami University. She then worked for an IT company in Irvine, California, before returning to India after her marriage broke down, and joined iGATE-Patni Computer Systems.

Her firm had a contract with J.P. Morgan Chase Bank, N.A.[30]—to provide customer information service (CIS) through its call centre. 'Like all other employers in India, J.P. Morgan Chase and iGate-Patni do not give their employees any entitlements, and there is no such thing here as state unemployment benefits,' Kapur explained. 'So the local employees are strongly motivated to keep their jobs. Their efficiency is high, far above their American counterparts. At the same time, they are paid one-third of

US salaries. At my call centre, a typical agent is in his mid-twenties. Often being married, they are keen to keep the job even though it brings only Rs 30,000 [$600] a month with overtime.'

As someone who had studied and lived in California, how did she find her life in Princeton Estate compared with the one in an American suburb? 'Here we have a swimming pool to ourselves, a small park for jogging, a fitness centre, and a community centre,' said Kapur. 'We have our own health clinic with a doctor and a nurse. Recently we formed a housing committee to look after the communal part of the complex—keep stairs clean, ensure street lights are working, and so on. We pay only Rs 300 ($6) a month for that. There is even a [Hindu] preacher who comes around every Sunday morning to deliver a marigold garland that has been blessed by the deities. He gets Rs 300 ($6) a month from us. A car wash costs Rs 500 ($10). A part-time cleaner gets Rs 1,200 to 1,500 ($24 to $30) a month and a part-time cook Rs 1,500 to Rs 2,000 ($30 to $40).' But, she added, private education, necessitated by sub-standard government schools, was expensive. "For my son in the fourth grade, the fees are Rs 80,000 ($1,600) a quarter, or Rs 3,20,000 ($6,400) a year—which is almost the starting salary of a technical engineer. But he is at a school where the classrooms are air-conditioned—as also their buses.'[31]

The stress all along, from schools to apartments, is as much on insulating the users from the physical environment as it is on keeping them apart from their less privileged fellow citizens. Unitech Group's online prospectus for its detached houses in the Nirvana Country complex baldly recommended the properties to 'those who want to distinguish themselves from the masses'[32]. The officials of the residents' welfare associations in these enclaves often instruct children and women not to go beyond the precincts of their complexes.

At the highest end of luxury condominiums, residents are assured not only of extra security afforded by surveillance cameras on each floor, but also of a panoramic view of the scenic eighteen-hole golf course of manicured lawns interspersed with small lakes and water streams. Such is the case with Aralias tower block next to the Gurgaon Golf and Country Club.

Elysian World of Gurgaon Golf Club and Rubicon Bar

On the ground, entering the 142-acre site, past the ubiquitous guards, transports the visitor to a world far removed from the dusty, sun-baked environment of snarled roads, screaming horns, hazardously designed traffic roundabouts, and belching diesel generators stacked on roofs, to the heart of a replica of the garden county of Kent in south-east England. A wide, smooth driveway, bifurcated by well-cut privet hedges laced with white electric wires studded with tiny coloured bulbs, and flanked by centre-lined palms and fluttering flags of multiple colours, leads to a tee junction. A brief drive to the left ends at the Club House's semi-circular porch. Up the polished stone steps, behind an ornate wooden door lies a large, sumptuously furnished room with comfortable sofas facing wood-panelled TV sets. Framed certificates of excellence in the form of the Asian Golf Monthly Awards, declaring the Gurgaon Golf Course as the best in Asia, adorn the walls—next to the pictures of the winners of the DLF Masters, Hero Women's Indian Open, and Avantha Masters. The floors above accommodate a restaurant and a bar, called the Eagle's Nest, furnished with a pool table.

Designed by the world-renowned American golf champion, Arnold Palmer, this course—eight years in the making—opened for business in 1999. It is exclusive. 'The entrance fee is Rs 1 million ($20,000), which includes some deposit,' said Sunam Sarkar, the robustly built, moustached sales director of Apollo Tyres. 'For Indian residents, the membership is Rs 1,00,000 ($2,000) a year. Now it is open only to those who live in a DLF property.'

Once you cross the spacious main room, you see an open air platform several feet above the ground carpeted with azure, red, scarlet, and magenta swathes of irises, lilies, and geraniums. It is furnished with tables, chairs, and vast umbrellas. Sipping a café latte, while overlooking one of the five artificial lakes with fountains and ducks, the incredibly deep green golf course, paced by strolling peacocks, with the wooded Aravalli Hills range in the distance, you might as well be in a European spa town.

'Unlike the century-old Tollygunj and Bengal clubs in Kolkata and the Yacht Club in Mumbai, this place is not used for making business deals,' averred Sarkar. 'Business deals in Gurgaon and Delhi are done in five-star hotels.'[33]

Though Sarkar did not say, what he probably had in mind was the Rubicon bar at Leela Kempinski Hotel, the ultimate in opulence and elegance. A discreet alcove in the hotel's glitzy lobby leads the affluent customers through a tunnel, lit by ruby coloured lighting, into an intimate lounge bar. The cumulative impact of the décor, lighting, Chesterfield wing chairs, the glitter of twinkling, crystalline amber liquids, and exquisite metallic lattice work—designed meticulously by the Spin Design Studio of Tokyo, specialists in restaurants and bars—is to engender a feeling of well-being and temporal success in its guests. They can sit at the low-seating bar at a counter, Japanese style, or occupy winged chairs and alcoves near the floor-to-ceiling windows facing the Gurgaon-Delhi Expressway, for deal-making in strictest confidence.

Drinking choice is virtually limitless: seventy-five brands of whisky, including some from Japan; vodkas and cognacs; 1,500 wines in the hotel's state-of-the-art see-through-cellars, from the astronomically priced French wines to the humbler varieties from Chile; and numerous cocktails which vary from day to day, depending on which fresh ingredients have arrived by air.

Money is no consideration. Each time a prospering businessman imbibes a peg of Ladyburn 1973 Vintage Single Malt Scotch Whisky, costing Rs 4,000 ($80), he drinks up a month's wages of his cleaning maid.[34]

The grossly skewed sharing of the increase in Gurgaon's wealth is reflected in the actions of the Haryana state government as well. While it derives almost half of its revenue from this urban sprawl of 24 sq miles (62 sq km), it has been woefully deficient in providing it with adequate infrastructure and public services. For example, the city's police contingent is only one-fifth the size of the private security guard force.

Creaking Infrastructure

The 1975 Haryana Development and Regulation of Urban Areas Act required private realtors to build internal infrastructure of pathways, lighting, and sewage within the gated complexes. They did. But the state authorities failed to construct linking roads and sewage disposal and drainage systems, supply adequate water from reservoirs, and provide uninterrupted power from the provincial or national grids. 'We pretty much carry the entire weight of what you would expect many states to do,' claimed Pramod Bhasin, the elegantly dressed former CEO of Genpact and its predecessor, GE Capital International Services. 'The problem—a very big problem—is our public services are always lagging a few years behind, but sometimes a decade behind. Our planning processes sometimes exist only on paper.'[35]

The most obvious result was pock-marked feeder lanes without sidewalks. Even thoroughfares, carrying heavy traffic, were neglected. The two-mile-long Mehrauli-Gurgaon (MG) Road, lined with shopping malls, was treacherous because of the frequent potholes, some of them deep depressions. In the absence of sewage main lines, particularly in the newly built sectors, sewage flowed into vacant plots. The dazzling interiors of the corporate offices in Cyber City were approached by streets which were often waterlogged.

An exception appeared in the old village of Wazirabad, now transformed into Sectors 52 and 56 of Gurgaon, divided into sixty-eight sectors. Here the main street was upgraded to a smooth, metal finish. 'This has very little to do with the local or state authorities,' said Retired Major-General Sandhu. 'The infrastructure in Wazirabad has been funded by the World Bank. Underground sewage has been built but not commissioned so far.' Yet some of the manholes in the main street had gone missing. 'The manhole is wide enough to swallow a stray child and large enough to break the springs of even the sturdiest vehicles,' remarked Sandhu. 'And imagine an unsuspecting pedestrian crossing the street during a moonless night when the street lights are off.'[36]

As a visitor left an MNC's gleaming modernistic office, air-conditioned, humming with banks of computers, with power back-up assured by giant diesel generators on the roof[37], he was likely to find a couple of stray cows foraging dumped waste between tower blocks or a stray goat urinating in a street. After marvelling at the soaring residential condominiums in the Sushant Lok neighbourhood, the viewer's spirits sank as his gaze fell on the nearby uncollected mounds of garbage. A children's park in the Palam Vihar area had been turned into a dumping ground by the contractors who gathered trash from other areas and unloaded it there. Elsewhere, empty plots were a fair game not only for the contractors but also residents of houses and condominiums. There was hardly any sign of a parking facility in Udyog Vihar ('place of industry'), home to some 2,000 manufacturing units of various sizes with an annual turnover running into thousands of millions of rupees.

From an upper story of the landmark DLF Gateway Tower, looking southward, you could make out a long row of shacks of rusting corrugated sheets next to a dilapidated culvert—a remnant of the old village of Nathupur—over a stagnant pool of water. Not far from a most expensive Galaxy Hotel, just off the NH8, stood Raj Cinema next to a stinking slum.

The unplanned and often unauthorized boring of tube wells by private developers to satisfy the needs of the rich had led to a fast-depleting groundwater table. To compensate this, the realtors started drilling deeper than the officially permitted limit. The resulting over-extraction of water resulted in the flooding of the multi-layered basements of residential blocks as well as the surrounding agricultural plots. When, for instance, the complaints of the suffering land-holders in Tigra village in Sectors 65-68 went unheeded by the local municipality, they petitioned the high court in the spring of 2011. Thus challenged, the municipal official concerned revealed in November 2011 that he had ordered the sealing or dismantling of 442 illegal tube wells, thereby highlighting the private developers' blatant violation of the law.[38]

Tigra village was the latest in a series to be urbanized, the earlier examples being Chakkarpur, Nathupur, Sikandarpur, and Wazirabad, all of them reduced to a fraction of their respective original sizes.

Original Villages Turned into Slums

The case of Chakkarpur located to the east of Old Gurgaon, delineated by NH8, vividly conveyed the impact of globalization on India. Once a medium-sized village, with the lands of its inhabitants spread over several square kilometres, Chakkarpur was turned into a slum barely half a square kilometre in area, squeezed between two thoroughfares and a housing estate for the skilled workers of Maruti Suzuki car factory. Its bulk had been transformed into DLF City Phase I, which housed inter alia the landmark JMD Tower, the upscale Life Style International departmental store, and the pioneering Sahara Mall (opened in 2003), emblazoned with the logos of apparel shops, gift boutiques, and fast-food eateries. Its huts of wooden walls and corrugated sheet roofs provided shelter to the nannies and security guards serving the residents of the luxurious apartments surrounding it.

While the multi-story condominiums had the convenience of gushing water taps throughout the day, the slum dwellers nearby queued to buy water from tankers because the communal taps, dependent on electrical pumps, ran dry due to frequent outages. When water flowed, men and boys could be seen bathing with the cold water from buckets. During power cuts at night, the glimmering lights of the high-rise blocks gave the slum a penumbral appearance. Scenes such as these dramatically illustrated private affluence and public penury co-existing within a shouting distance.

These slum dwellers were almost invariably outsiders who had drifted to Gurgaon in search of work, often from outside Haryana. As for the original villagers, after selling their lands to DLF in the 1980s, most of them upgraded their modest houses and built rows of small rooms of bricks and concrete blocks next to their cattle stables to rent. But their gains were dwarfed by the astronomical rise in the assets of DLF. The land it had bought from them at Rs 8,000 (then $1,000) an acre was now worth about Rs 250 million ($5 million).

The one-room tenements sprang up not only in Chakkarpur but also Nathupur, Sikandarpur, and Wazirabad as well as Dundahera on the north-western edge of the city. The demand for these dark, unventilated rooms, each measuring 10 feet by 12 feet (120 sq feet/11 sq metres), came from an estimated floating population of nearly 2,00,000 who laboured as unskilled or semi-skilled workers at construction sites, garment factories, guarded offices, gated complexes, shopping malls, hotels, and wealthy households.

This labouring class was to be found as much in Chakkarpur and Nathupur as in Dundahera, with its landmark 15-feet-high, orange-painted statue of Hanuman, the monkey god of Hindus, on the eastern side of the road leading to the small Palam airport on the edge of Udyog Vihar. On leaving this congested, potholed road, a visitor found himself trudging a narrow lane or crooked alley. The air was thick with the malodorous smells of open drains and human excrement. Small heaps of household garbage lay scattered in pathways, providing a feast to swarms of flies, mangy dogs, and an occasional cow.

Behind modest, fly-blown shops of greengrocers, butchers, general stores, and confectioners, run by immigrants, stood two- or three-story buildings. While the lower floors consisted of small rooms that were poorly ventilated with damp walls and peeling paint, each fetching a monthly rent of Rs 1,500 to 2,500 ($30 to 50), the top floor with larger, better maintained rooms was the domain of the landlord.

Karan Lakhan, a thirty-eight-year-old Hindu of low caste with a wife and three children, was one of the occupants on the ground floor. A reedy-looking man, he was moustached, with thin eyes and a large nose. Born into a landless peasant family in a village in the poorest state of Bihar, he arrived in Delhi in 1996. After a couple of years as a construction worker, he joined Gopal Clothing Company, one of the first factories to open in Udyog Vihar, as a helper. 'The company makes all sorts of clothes—denim jeans and jackets, cotton tops, twill pants, denim shirts and skirts, children's clothing, T-shirts and all,' he said. 'First I worked in the fabric relaxing and shrinkage department as a helper. Gradually I moved up the scale and joined the cutting section. For the past five years, I have been a cutter. My shift lasts twelve hours, seven days a week. I get one day off every fortnight. And I earn Rs 8,000 ($160) a month. The monthly rent eats up Rs 2,000 ($40). That includes electricity but we only have one bulb and a TV. And power is off every day for two to four hours. We get tube well water supplied by the municipality. But during summer, water gets scarce.' How did he see the future of his children? 'I am sending them to school even though it costs money. I am lucky I can afford it. Half of the kids in Dundahera get no education at all.' Why? 'Their parents can't afford even proper clothes for them, much less books and things.' Did he send money home? 'I try, but I can manage no more than Rs 1,200 ($60) a month. Gurgaon is expensive.' For its day-to-day needs, the Lakhan family was well served by local shops. But when he had to buy a sari for his wife, Sita, a small, dowdy woman, or shoes for himself or his children, they went to the down-at-heel Nathupur market.[39]

The Proletariat's Bazaar

To reach the Nathupur market, my taxi left the main highway, lined with state-of-the-art buildings and shopping malls, drove briefly along Sikandarpur Road, and turned left into a dusty, rugged lane strewn with sharp-edged stones, displaying signs in English painted on steel panels of different sizes—Shagoon Tent House, English Wine & Beer Shop, Om Shakti Estate Agents—typical of a thriving Indian provincial city. Past a string of lesser property agents along a wayward path strewn with trash—debris, torn papers, polythene sheets, crushed stones, broken glass, and dust—we turned a corner to enter the Nathupur market. At a fruit juice stall, a lanky attendant was pressing sugarcane between two wheels powered by a diesel engine. The ensuing, unbroken line of shops included a tiny kiosk stocked with paans[40], cigarettes, and chewing gum, an open air kitchen serving food, a shop displaying colourful spices, a readymade apparel store, and a sole tailor working a Singer sewing machine with his feet at the threshold of a mobile phone repair shop.

When a muddy patch in the jagged pathway slowed us down, on our left we noticed a narrow side lane with rickety stalls. On our right appeared a breach filled by a wide gate beyond which lay a spacious courtyard. It was the property of the original Nathupur's headman, now dead, so claimed his son, Amit Kumar, standing by the gate. A big, broad-shouldered man with a close-cropped head, dressed in T-shirt and pants, he was wearing dark glasses and an ear ring. 'In this bazaar, the original farmers retain the ownership of the land,' he said in fluent English. 'They rent out these shops, which are run by people from outside Haryana.' How long will Gurgaon's boom last? 'The construction of high-rise office blocks is almost over,' he replied. 'And the building of the residential tower blocks has slowed. But the Delhi Metro project only came in 2009. It'll go on for some years. Then will come proper sewage and drainage. So we'll be on the roll for another ten to fifteen years.'

For the present, though, the overall scene was mixed. Sunil Mandal at the paan-cigarette kiosk—measuring 8 feet by 10 feet—was downcast. 'My income has fallen because most of the big buildings have been finished, and many construction workers have gone back to their villages,' he moaned. A twenty-three-year-old man of medium height, slim, with a trimmed black moustache and a gap between his front teeth, he was wearing a white shirt, black trousers, and brown sandals. Born into a small peasant family in a village in southern Bihar, he passed the eighth grade at the age of fifteen but did not help his father work the 1.5 acres of land meant to sustain a family of seven, excluding Sunil's wife. 'I married when I was twenty-one,' he said, rather shyly. 'But she's staying with her parents. There'll be another ceremony before she comes to live with my parents.'

How did he end up in Gurgaon? 'I noticed that the people of my village coming back from Kolkata or Delhi were wearing good clothes and shoes,' he recalled. 'I decided to follow their path. My village is twelve hours by train from Kolkata and eighteen hours from Delhi. My uncle, Avnish Mandal, was working in Delhi as a house cook. So I chose Delhi.'

At first, he worked in a garment factory as a helper earning Rs 2,500 ($50) a month for an eight-hour daily shift. 'After I had paid Rs 1,000 ($20) as rent and spent Rs 800 ($16) on food, there was very little left,' he said. So he moved to Gurgaon, borrowed some money from his uncle, and took over a cigarette kiosk. 'Here I make Rs 6,000 ($120) profit a month on a turnover of Rs 24,000 ($480).. The shop rent is Rs 2,000 ($40), my room rent Rs 1,000 ($29). Food costs Rs 800 ($16), and other expenses Rs 700 ($14). That leaves me Rs 1,500 ($30) a month which I send to my parents in the village.'

Several shops up the street, Majnun Khan sat at the front of his eatery next to the cauldrons of rice, lentils and curried goat meat, a pile of thin chapattis, a pot of yogurt, and a bowl of salad of sliced onions and green chillies. His customers, seated on wooden benches at the back, ate with their hands. An attractive, athletic-looking man of twenty-five, oval-faced, with a luxurious head of hair, Khan arrived in Gurgaon five years ago from Meerut, forty miles east of Delhi. He complained about power outages. 'When electricity is off, we just sit around, doing nothing,' he grunted. Why not buy an inverter whose batteries store power during the normal supply and cover an outage for up to six hours? 'My God, the cost!' he replied. 'The minimum price is Rs 5,000 ($100), then you have to pay for the extra wiring, and sign up an annual maintenance contract.'

Has the construction slowdown affected his business? 'Not really,' he replied. 'Mine is a poor man's restaurant. The average bill is only about Rs 60 ($1.20).' What about those who spend Rs 2,500 ($50) on a meal? 'Ah, all those living in luxury apartments. They have become rich through dishonest means.' How did he know? 'I have seen it with my bare eyes. They ask you to do something and then they don't pay you for that. And that's how they make money, by exploiting others.'[41]

Exploitation, however, was not limited to individuals or private companies. It was practised by the Haryana government, no less.

The State as an Exploiter

Many times the state authorities acquired panchayat land, meant for common use by villagers, for public utility purposes at a cheap rate by invoking the colonial 1894 Land Acquisition Law, and then sold or leased it to private developers at vastly inflated prices.

For instance, in 2001-02, the Haryana Industrial and Infrastructure Development Corporation (HSIIDC) and HUDA acquired 351 acres of panchayat land in Wazirabad for Rs 700 million ($14 million) for building utilities and industries. Because 253 acres were officially registered as forest land, and the rest as part of the environmental Aravalli Plantation Scheme, the government should have preserved it as a green zone. In any case, it failed to implement its public utilities plan. Instead, in 2009 it sold the requisitioned land to DLF for Rs 17,000 million ($340 million) to develop it into a residential, commercial, and recreation complex.[42] Ostensibly, it made a clear profit of Rs 16,300 million ($326 million). But DLF gained far more since the market value of this land was put at Rs 40,000 million ($800 million). Besides breaking its promise about constructing public utilities, it allegedly violated the environmental law by letting forest land be developed as commercial property.

Encouraged by local social activists, the villagers objected and took their case to the Supreme Court. It appointed a central empowered committee (CEC) on environment to investigate. Following its report in January 2011, the Supreme Court passed a landmark verdict. It ordered that all land earmarked for common use by villagers should be restored to panchayats. It also directed the chief secretary of the Haryana government, the topmost bureaucrat, to prepare a plan to evict unscrupulous trespassers who had grabbed land using force or political influence.[43]

'The government must release a map or a tentative plan while acquiring land for public utility purposes,' said Amina Shervani, a founder member of the Haryana branch of the Upjau Bhumi Sanrakshan Andolan ('Fertile Land Conservation Movement') in the Gurgaon area. 'This will not only ensure that villagers are convinced about the proposed development but can also keep tabs on the changes in plans made by the government.'[44]

Such activists came mostly from the socially conscious middle class. But, for every Shervani, there were thousands of middle class residents of

Gurgaon who had benefited, unwittingly, by the encroachment on fertile agricultural lands.

However, this class was not homogeneous. It was divided into lower, middle, and upper categories—with call centre agents being at the bottom and experienced corporate middle managers at the top. A typical call centre representative, aged twenty to twenty-five years, working fifty hours a week night shifts, earned Rs 15,000 ($300) a month, including incentives. His/her basic monthly salary of Rs 8,000 ($160) was almost twice that of a junior engineer working for the state-owned railways. (Nationwide, the per capita income was Rs 4,500 [$90] a month.) Yet they were sometimes pejoratively called 'upwardly mobile cyber-coolies' working in air-conditioned, white-collar sweatshops.

Call Centres: Where Globalization Gets Personal

A call centre forms the core of business process outsourcing (BPO), which means contracting of certain processes, or operations, by a company to a third party service provider. With 1,10,000 call centre employees, divided almost equally into men and women, Gurgaon has emerged as the leader in this field. Since the conversations between Indian call centre agents, or reps, are almost wholly with the English-speaking peoples of North America, Britain, and Ireland, the millions of calls these centres in Gurgaon and elsewhere in India receive and make daily can be viewed as cultural interaction on a gigantic scale.

The smallest call centre in Gurgaon is a team of six people sitting at their computers in an obscure office. And the biggest and oldest is Genpact along St Thomas Marg. Its 10,000 employees work round the clock, seven days a week, on several open plan air-conditioned floors, serving mainly the myriad constituents of General Electric.

Roughly two-thirds of Gurgaon's call centre workers commute from Delhi. This is particularly the case with women who live with their parents. Also rents are high in Gurgaon, which lacks cheap and reliable local transport. Therefore companies such as Genpact, Accenture, EXL, and Convergys run fleets of vehicles to transport their staff, often deploying Toyota Qualis, a boxy car with space for 15 passengers. Genpact's 350 white vans, cars, and sport utility vehicles log in roughly 60,000 miles a day.

The inbound calls to a BPO centre cover answering queries about goods or services and solving problems encountered by customers. And outbound calls focus on selling services or goods. Before taking up the job, prospective agents undergo training lasting one week to three months. During this period, they are forbidden to speak any Indian language. They are also instructed not to use the phrase 'call centre', or declare their location, or tell the local time when pitching a sale or dealing with a customer.

Their training has three components: voice, culture, and technical. The end purpose of voice training—accent and diction—is to eliminate mother tongue influence. The major differences between the pronunciations in the standard North Indian English and its American counterpart revolve around 't', 'd', and 'r'. North Indians are instructed to soften their 't's and 'd's, and roll their 'r's. Since the rounding of vowels by Indians jars the American ear, it needs correcting. A word like Africa, pronounced in the US as 'Ahfrca', comes out as 'Afreeka' in India. The trainee learns primarily by listening carefully to accent tapes and intoning most commonly used words such as 'pleasure'. Voice training is especially important for those recruited to make a sales pitch.

Culture training is directed at a particular English-speaking country. For the US, for instance, it would require knowing the names of all fifty state capitals. More important are the current colloquialisms, often derived from chat shows on television—'cool', 'up to speed', 'dude', 'clunky', 'guys', 'go-getter', 'no worries', and 'geek'—and familiarity with popular TV programmes. Some overenthusiastic Indian teachers urge the trainees to eat American fast food and listen to American music. To prepare the trainee to handle queries from customers of varying ages with diverse backgrounds, some instructors divide them into different categories—eccentric, arrogant, bumpkin, quarrelsome, prudent, assertive, and sweet-spoken—and teach different ways to handle them. This requires the trainee to build up an emotional repertoire as is done by a professional actor.

The de-Indianizing process is capped by name change. Mehul becomes Max; Jha, Jones; Fazal, Fred; Sarbjit Singh, Sally Singer; Radhika, Regina; Sundri, Sandra; and Shyam, Sam.

Next comes the technical training. When it pertains to a product—a computer, a vacuum cleaner, an oven, an electric drill—the trainee needs to understand either its inner workings or be able to follow a trouble-shooting procedure displayed on his/her computer. And a service to be rendered can range from debt collection to credit card queries to airline ticketing problems—or persuading the person at the other end of the line to switch gas or electricity supplier or sign up a mobile phone contract.

High Attrition, Varied Experiences

Whether engaged in outbound or inbound calls, a BPO agent works under immense pressure. A survey of 230 Indian call centre employees at three leading companies—Accenture, Convergys, and Wipro—in 2006 showed a typical agent serving 180 customers a day—far above the average of seventy-five by an American rep.[45]

A 2005 report by economist Babu P. Ramesh, 'Employment and Employment Relations in IT Enabled Services and Tele-working', based on a survey of 280 employees at six call centres in Noida and sponsored by the state-funded V.V. Giri National Labour Institute, was so critical of their working conditions that the institute's management was pressured, successfully, by the government to stop distributing the document. The long hours and relentless surveillance led to health problems and burnouts. Supervisors monitored the employees for the number of calls they handled, the average time spent on each, and the gap between calls. Closed-circuit cameras and electronic timers recorded the time agents were away from their computers, including the minutes spent in the toilet. They were required to remain pleasant, courteous, and attentive especially when dealing with irate callers. As a result, many of them suffered the 'Burn Out and Stress Syndrome', the report concluded.[46]

With an average recruit working as a call centre rep for about two-and-a-half years, leading BPO companies conduct ongoing recruitment drives. It is not uncommon to see in upscale parts of New Delhi such store front notices as 'Walk-In for Instant BPO Spot Offers: No Money [to pay], No Catch!' With improved diction and English accents, call centre agents nowadays easily find employment in airlines, hotels, and retail trade where salaries have inched up to the level of BPOs.

Individual experiences vary. As a first job for high school or university graduates, call centre employment has merits. It invests them with purchasing power, familiarizes them with the latest technology, brings them in contact with Western people, and affords them expensive clothes, restaurant meals, and drinking in pubs in an environment where there is free mixing of sexes. The downside is long, unsocial hours, unbearable pressure at work, and little or no prospect of career advancement.

Large BPO companies such as Genpact and Convergys have their own cafeterias, gyms, health clinics, and ATMs. Genpact even has its private ambulance. Because these firms pay well, they are more demanding than others.

'I just finished university and thought it'd be fun to work at a call centre,' said Jyoti Shekhar, a twenty-one-year-old woman from South Delhi, plump and doe-eyed, in hip-hugging jeans and a T-shirt. 'But it has turned out to be more like a jail. The early glamour of free cabs and meals is gone. I am on inbound calls and handle about hundred during a shift. Shifts start with two beeps on computer screens. When calls start, the numbers start flashing on our common switchboard as agents pick them up one after the other. My shift is from 4 a.m. to 1 p.m., so the company car picks me up at 2.30 in the middle of the night. By the time I get home, it's 3 p.m. Six days a week. At work, I am allowed only five minutes to go to the toilet. If somebody misses a call, a manager from America phones to complain about me. My starting salary is Rs 8,000 ($160) basic. I live with my parents so I keep it all. I buy designer clothes and iPhone and DVDs.'

Sajan Sanghera, a man of medium height and build, looking older than his twenty-five years, is also an inbound agent, a member of an eight-strong team headed by a leader. 'The callers are often irate because they have been waiting for a long time,' he said despondently. 'The team leaders randomly listen into calls to check the accent, alertness, grammar, and punctuation. Any mistakes you make go on a warning card. And after you get certain number of warnings, you are sent to a counsellor or dismissed. If somebody in my team disconnects a call, he gets fired. If somebody is late back from the break even a tiny bit, their incentive gets cancelled. That can hurt if you live in Gurgaon, which is expensive, or you've to send money to your elderly parents.'

Those who make outbound calls can earn higher sums because they get incentive payments based on the debts collected or the sales made. The downside is that if they fail to sell, they get dismissed. Since they have to use automatic diallers, they cannot control as to when to call.[47]

Sometimes a rep ends up with 400 calls per shift of ten hours, with many numbers not responding.

'Inbound can be as simple as answering queries, or complex like getting someone to go through solving a PC [personal computer] problem,' explained twenty-three-year-old Kamala Gujjar, petite in an olive green sari and a matching blouse, with a round red bindi on her forehead. 'While solving a computer problem, you're encouraged to sell software programmes. If a guy calls because of a virus, then you sell him anti-virus software after solving his problem. If you sell the stuff for $1,000 to 2,000 a month, you get Rs 1,000 to 1,500 [$20 to 30] as incentive. But you have to make sure you don't take more than thirty minutes on even the most complex PC problem. Every caller is given a chance to assess your performance on a scale of one to five, like rating a hotel. That counts when it comes to incentives payment.'

On top of working long hours and night shifts, BPO workers encounter racial abuse sometimes from customers in America and Britain. The tall, fair-skinned Promod Mehra remembered being called 'you dusty boy' in a drawl—typical of Americans from the deep south—by an irascible caller having a problem with his vacuum cleaner. Having initially spurned the caller's challenge to tell him where he was, Mehra had conceded that he was 'in India'. Arati Mishra, a Hindu Brahmin, was shocked to have an Englishman, struggling with his computer, shout 'You Paki!' at her.[48] She managed to maintain her composure and calmly guided her abuser to repair the flaw in his machine.

A study of hundred women working night shifts, by P. Singh and A. Pandey and published by the *Economic and Political Weekly* in 2005 (volume 40, number 7, pp 684-88) revealed that 40 per cent of them suffered from indigestion, backaches, and eyestrain. Yet today almost half of the call centre agents are women, with a majority of them earning more than either of their parents.

Dating between colleagues at work is common. Males treat their female co-workers as equals. Yet there is a feeling that by working night shifts, a woman agent lowers her value in the matrimonial market. To counter this perception, some BPO managements allow their female employees' families to visit them during working hours.

As for men, about two-fifths take up correspondence courses to improve their educational qualifications. But most find the extra effort too strenuous to continue. The ambitious among them find their way into knowledge processing outsourcing (KPO), which includes market, business or investment research, intellectual property and legal support services, and data and financial analysis. The pressure is far less here than in the BPO industry.

In medium and large size BPO companies, over time, a culture of camaraderie develops among those call centre reps who share accommodation and party. Going out together to a Pizza Hut or the nearest shopping mall for a meal has become a popular group ritual. Among other things, this makes lowly agents socially equal to their bosses as well as software and technical engineers.

A shopping mall has acquired a social status in New India's booming urban centres that it lacks in the US or the UK. 'The shopping mall represents the new Indian mindset of indulgence, of spending, of enjoying oneself, of enjoying your money,' beamed Preeti Reddy, the consumer and retail vice-president of K.S.A. Technopak India Private Ltd, a management consultancy firm in Gurgaon.

The Shopping Mall: A Glitzy Symbol of Globalizing India

MUCH praise is lavished on shopping malls for their air-conditioned comfort and the provision of a wide range of goods and a one-stop family entertainment arena at a single location. 'Be it a candle light dinner or shopping in bulk, Gurgaon shopping malls promise everything under one roof,' enthused Martinez Collins, an expert on real estate in Gurgaon.[49]

The chaotic scenes of car drivers fighting for scarce parking space while struggling to avoid the people crowding around the shopping malls—particularly along the 'Mall Mile' of MG Road with eight shopping malls—illustrate the growing popularity of malls as well as the grotesquely flawed planning. With the parking space in the basements of the MG Road malls able to accommodate only 40 per cent of the customer-carrying vehicles, there is a near-perpetual gridlock on this thoroughfare on weekends.

Yet the estimated 50,000 people, including some from New Delhi, who patronize the malls over the weekend, stand apart from the bulk of

Gurgaon's population. For the clientele of these shopping malls consists of young professionals—doctors, lawyers, accountants, academics, middle and top corporate managers, factory foremen and supervisors, successful businessmen, retired military officers, and middle and high level bureaucrats.

Such indeed was the composition of the patrons of Ambience Mall, popularly called Ambi Mall, during my visit there on a Saturday afternoon in March 2011 along with Sandhu. One of the newest establishments of its kind, Ambi is located near the Delhi-Gurgaon Expressway toll plaza—its many lanes divided into 'Tag Only', 'Cash', and 'Toll Card'—and has therefore at its disposal a vast parking lot.

In the hierarchy of the forty malls in the city, Ambi lies midway between the top DLF Emporio and the bottom Sahara Mall. Its 200 retail stores, specialty shops and car showrooms, and restaurants and pubs on three floors are a mix of global brands, national brands, and local retailers—from Marks & Spencer, Debenhams, and Next to Pantaloons, Reliance Trends, Jumbo Electronics, and Big Bazaar Hypermart. Almost all its stores are huge and have striking interiors.

A wide variety of cuisine awaits a visitor, ranging from IndiJoe and Sahib Sind Sultan to Aromas of China, Asia 7, Punjab Grill, and Nirula's Potpouri to KFC and Pizza Hut. During our visit, Sandhu and I had to queue for seats at Punjab Grill. Surveying the diners in the food court, Sandhu said, 'After the meals, many families will go to one of the cinemas in the multiplex.' He was referring to the seven-screen multiplex with comfortable seats and state-of-the-art screens and audio-visual systems in the mall.

Going to the movies is the one custom that transcends all classes and castes in India. Yet neither Sandhu nor anybody else around expected to see a chauffeur, much less a gardener or a construction worker, to appear at the box office of the multiplex.

As at all shopping malls in Gurgaon, security guards were posted at strategic points at the Ambi to ensure not just safety for the stores and restaurants but also to bar entry to the 'riff-raff' to preserve the complex's carefully crafted image of high value.

'Is Ambience Mall world class?' asked Sandhu as we walked to the parking lot. 'I don't know about the world at large,' I replied. 'But it comes near to what is available in Britain.'

TWO

Britain: A Magnet for Indian Companies

BRITONS FIRST APPEARED in the Indian subcontinent as employees of the East India Company, a trading firm established by a royal charter, in early-seventeenth century. As a result of their subsequent rule of the subcontinent for a century and a half, ending in 1947, commercial and economic links between them became strong, with India emerging as the main supplier of cotton for Britain's textile mills. After Indian independence, it was a British consortium, Indian Steel Construction Company (ISCON), which built the first iron and steel mill in India's public sector—in the eastern town of Durgapur in 1959.

Half a century earlier, the privately owned Tata Iron and Steel Company (TISCO; renamed Tata Steel in 2005) with its works in Jamshedpur in the present-day state of Jharkhand, opened an office in London.[1] It was headed by Shapurji Saklatvala, a nephew of TISCO's founder Jamsetji N. Tata (1839-1904). After working for his father's cotton trading company supplying the commodity to the textile mills in England, Tata branched out to build a textile mill in the central Indian city of Nagpur, and construct the landmark Taj Mahal Palace Hotel in Mumbai, then called Bombay. During his stay in Manchester in 1867 to explore the modalities of establishing a textile mill at home, he was struck by British writer Thomas Carlyle's assertion that 'the nation which gains control of iron soon acquires control of gold'.[2] Late in his life, this sad-eyed, long-nosed, richly bearded Indian Zoroastrian, often donning a rounded pyramidal hat, decided to erect the first steel mill in India. He failed to gain cooperation of any of the British steel makers, hostile to the idea of a British colony having a steel plant of its own. Profoundly disappointed, he sailed to America. There he sought and secured the assistance of steel manufacturing consultants in Pittsburgh and New York.[3]

India's first steel mill was commissioned in 1907, three years after Jamsetji's death, under the leadership of his son Sir Dorabji Tata (1859-1932). Exactly a century later, in 2007, Tata Steel would acquire the London-based Anglo-Dutch Corus Group Plc, which owned all of Britain's mills. It was poetic justice on a grand scale.

At the exploratory stage of the steel project, Saklatvala had assisted his uncle by scouring the hilly forests of the region around Jamshedpur for iron ore, and contracted malaria. To help him recuperate from this severely debilitating disease, he was sent to Britain in 1905. After his recovery, he was put in charge of the Tata office in Manchester to supervise the purchase of textile machinery for his uncle's textile mill. By the time he moved to London in 1909[4], the Tata family's assets included TISCO. A century later, the Tata Group would emerge as the largest employer in Britain's declining manufacturing industry, having acquired all of its steel industry through the Corus Group—resulting from the merger of British Steel and the Dutch Hoogovens group in 1999—as well as the plants manufacturing the prestigious Jaguar and Land Rover cars.

In Britain's service industry, opportunities had opened up for India's IT companies in the mid-1990s. This had to do with the Y2K scare and the pressing need to immunize computer systems from crashing on 1 January 2000. The contracts secured by India's IT firms exposed their managers to Western companies and their management practices. In return, these contacts showed Western businesses that India was a reliable source of low-cost, yet high-quality, services. This development coincided with the passage of India's Foreign Exchange Management Act (FEMA) which aimed to encourage foreign trade and investment. The Reserve Bank of India (RBI) relaxed its earlier restrictive rules for the outward flow of Indian capital.

The bursting of the hi-tech dot.com bubble in America and Britain that occurred in July 2000 left Indian IT companies virtually unaffected because only a few were then listed on US or British stock exchanges.

Over the next decade or so, the situation changed radically. By 2012, there were about 700 Indian companies operating in the UK, half of them based in London, employing more than 90,000 people.[5] Seventy were listed on the London Stock Exchange, half of them on the Alternative Investment Market (AIM), a sub-market established in 1995 to allow smaller companies to float shares with a more flexible regulatory system than at the main market. Once online facilities became widely available in the UK by the mid-2000s, it took only twenty minutes to set up and register a company online, and thereby acquire access to 500 million consumers in the European Union (EU). Since 1979, there had been no restrictions on the movement of capital into or out of Britain. According to Ernst and Young's European Investment Monitor, in 2010-11 India became the third largest inward investor in the UK, slipping from being the second largest in 2007 in terms of projects.[6] In India, the British High Commission treated visa applications by Indian businesspersons favourably and speedily. It issued 3,50,000 visas a year, a world record. With Britain launching a same-day visa service in Delhi and Mumbai in May 2013, India became the first county in the world to be accorded this privilege.[7]

Mittal, the Raja of Steel

In 2001, the HCL (originating as Hindustan Computers Limited in 1976) Group entered into a joint venture with the Frankfurt-based Deutsche Bank AG to purchase British Telecom (BT)-owned Apollo Contact Centre, an IT services company, in Northern Ireland for $11.5 million. Within four years, with a workforce of 2,350, the HCL Group would become the largest Indian employer of Britons in the UK. 'Western bankers' attitudes towards India and Indian companies changed sharply after 2001,' said Lord Swraj Paul, the eighty-year-old founder of the London-based Caparo Group with an annual turnover of $900 million.[8] That manifested itself in the rise in India-based firms' investments in Britain. With twenty-eight new Indian companies investing in the UK in 2003-04, the total number of Indian businesses in Britain rose to 480.

In April 2004, the popular British perception about India as an impoverished nation received a jolt. During that month, Lakshmi Niwas Mittal (b. 1950), a fabulously rich steel tycoon, born in a village and holding an Indian passport, set a world record for the most expensive house purchase. Though his corporation, Mittal Steel Company NV, a public limited company, with its steel mills operating globally, was registered in Rotterdam, Holland, he and his directors conducted the business from their Berkeley Square office in Central London, his base since 1997.

Mittal paid $128 million for a four-story neo-Georgian 55,000-sq-ft (5,100-sq-metre) mansion with eighteen bedrooms at 18-19 Kensington Palace Gardens adjacent to the Royal Palace of the late Princess Diana.[9] It had a garage space for twenty cars, Turkish baths, a ballroom, an oak-panelled picture gallery, a sculpture by the world famous Henry Moore, and a jewel-inlaid basement pool. One of its earlier owners had turned the two adjacent houses into one and furnished it with marble floors and pillars from the same quarry that was mined to build the Taj Mahal.

Two months later, Mittal's lavishing of £30 million ($54 million) on the marriage of his daughter Vanisha to Amit Bhatia set another global record, earning him headlines in the international media. The five-day event, which started with a ring ceremony at Versailles in Paris, continued at the seventeenth century Château de Vaux-le-Vicomte before an audience of over 1,000 guests, who included the richest and the most glamorous among Indians at home and in Britain.[10] Earlier that year, *Forbes* magazine had put Mittal's net worth at $6.2 billion, which made him the richest person in Britain—a title he held until 2011.

India's impressive economic growth in 2003 and 2004 impacted on the British news media specializing in finance and economy. 'It was in 2004 that the *Financial Times* stopped referring to Indians as part of a blob called 'Asians' and started reporting on the Indian and the Chinese Diaspora instead,' said Dr Shefaly Yogendra, a London-based consultant in technology policy and strategy, with a doctorate in technology policy from Cambridge University. 'The upsurge in the Indian economy and the purchase of the most expensive residential property on the planet by an Indian national signalled a turning point for how India changed its brand image as a nation and as a trading partner and an investor in Britain.'[11]

According to Grant Thornton, a London-based financial advisory service, 50 per cent of India's outbound investments were in Europe and only 25 per cent in North America, and that nearly a quarter of the merger and acquisition (M&As) deals involving Indian companies were in the IT sector.[12] This implied that India's manufacturing corporations were also active abroad. For instance, Bharat Forge, one of the world's biggest makers of specialist forged parts for vehicles, bought Scottish Stampings, based in Ayr, Scotland, to get better access to Western markets and technologies. Later the number of Indian manufacturers operating in the UK would rise to twelve.

Flush with profits, many large Indian corporations went on an acquisition spree. The task of finding suitable targets was assigned to in-house acquisition departments, which were given generous budgets. Initially, these departments scoured smaller companies at home. Later, directed by their managements, they extended their investigations overseas. The primary aims of the outward capital investment of prospering Indian companies were to acquire latest technology, enter new markets, and secure natural resources, particularly fossil fuels. The secondary objectives included acquiring reputed Western brands to fill gaps in the present (incomplete) portfolios.

During the first half of the 2000s, at $8.2 billion, the net outward foreign direct investment (FDI) by Indian companies was quite modest. That figure jumped nine-fold to $74.3 billion during the second half of the decade.[13]

It was not until the mid-2000s that India's banks were able to play a meaningful role in cross-border acquisitions by Indian firms. Why? 'Often to clinch an acquisition deal, a company has to raise a loan,' explained Vikram Kadam, forty-two-year-old India-born senior executive in the corporate and investment banking section of the Paris-based BNP Paribas SA, in London. 'The main lending bank needs good syndication capacity. If it agrees to raise $1.5 billion for a client, it would most likely start with $100 million of its own and take five months to put a syndicate together. But if it is required to raise the whole amount in a month, then it may have to invest $500 million of its own. Indian banks' syndication capacity is limited. Until the early 2000s, they were short of foreign currencies because they lacked business in foreign countries as well as experience in Western markets. Also the Indian rupee was not fully convertible.'[14] So when it came to acquiring foreign firms, an Indian company had to approach large Western investment banks. They had foreign currencies and good syndication capacity and could raise capital more cheaply through the bond market than any Indian bank.

As it was, keen to enter the vast, untapped market in India, Western banks wanted to invest there. 'But because India does not allow the sale of local banks to foreigners, Western banks chose to fund Indian companies' foreign [and domestic] acquisitions to get involved in their M&A deals,' explained Kadam. By 2005-06, all major Western investment banks stopped doing business in India through their Hong Kong or Singapore branches and set up offices in the country. They were welcomed by Indian firms—unfamiliar with the domestic laws and rules under which a Western business operated. They knew that a typical Western investment bank could lend large sums of money. It also knew the rules for the takeover of a local company by a foreign entity and a proper valuation of the target firm. Its standard contract with an acquiring Indian company covered explaining the mechanics of the takeover, the structure of financing, examining all the accounts, and advising which law firm to hire.

What are the factors that an investment bank considers for financing a buyout? 'First of all, it examines the cash flow of the acquiring firm to judge its ability to repay the loan,' explained Kadam. 'It measures the risk involved after the acquisition. Say, it is the mining of iron ore. In that case, it studies ore prices over a number of years. It notes the total revenue of the acquiring firm as well as the ratio of interest to its operating revenue, called interest coverage ratio, ICR. It notes the amount of capital it has in order to withstand losses and for how long. It examines its level of debt. Last but not the least, it evaluates the general standing of the company. In India, for instance, the Tata Group stands apart from all others, including the Reliance companies run by the super-rich Ambani brothers and the London-based Vedanta Resources.' In an investor poll by the Mumbai-based Equitymaster Agora Research Limited in 2011, the Tata Group was voted the most trustworthy among India's corporate houses, scoring 61 per cent, well ahead of Infosys Technologies in the second place at 17 per cent.[15]

Like General Electric in the US, the Tata Group is a conglomerate of disparate firms ranging from tea and salt to cars and steel to management consultancy. But Tata Sons, the parent holding company, has only 34 per cent of the equity of its operating subsidiaries, with 66 per cent held by charitable trusts set up by Tata family members. In 2011, the global sales of the conglomerate were £54 billion ($86.4 billion), with sales in Britain at £20 billion ($32 billion), or 37 per cent of the total.[16]

On the Indian side, everything about a merger or acquisition had to be cleared by the RBI. It has a section called External Commercial Borrowing (ECB) to guard against excessive commercial borrowing in foreign currencies. Such borrowing by private Indian companies in the 1980s was one of the main reasons to land the country into an acute financial crisis in 1991. 'However, an Indian company can easily circumvent the ECB framework by setting up a shell company registered outside India,' explained Kadam. 'For instance, Tata Sons Ltd, the holding company of the Tata Group, can establish Tata Europe registered in the UK or Luxembourg. But a shell company has to pay higher interest than the parent company to raise capital even when they have the same credit rating.'

In the chronology of M&A deals, 2006 stood out for several reasons.

2006: The Landmark Year

During India's fiscal year ending in March 2006, the investments made in the UK by Indian companies exceeded the £134 million ($266 million) that British corporations invested in India.[17] In the first nine months of 2006, Indian firms accomplished 115 foreign acquisitions with a total value of $7.4 billion, compared to $1.1 billion in 2000, according to the *Economist*.[18]

In January 2006, the Mittal Steel Company NV (originating as LNM Group in Kolkata in 1976), the globe's largest steel producer, announced a $34.13 part-cash and part-equity offer for an Arcelor SA share. That amounted to a deal worth $23.3 billion (€18.6 billion or £12.7 billion).

Accounting for 45 million metric tonnes of steel a year, the Luxembourg-based Arcelor, founded in 2002 with the merger of three companies based in France, Spain and Luxembourg, was the world's second largest steel maker, with a leadership role in Europe and Latin America. Arcelor directors rejected the terms summarily.

By then, Mittal was widely regarded as a steel wizard. The most efficient way to run that industry was to operate a vertically integrated steel mill, using reddish iron ore (iron oxide) as raw material and delivering steel in different forms and shapes as finished product. But to make such a plant financially viable required producing at least 1 million metric tonnes a year. Mittal devised a way of running a vertically integrated steel mill with a much lower output. He also resorted increasingly to removing oxygen from the iron ore by using natural gas or coal to produce sponge iron for use as feedstock to produce steel. This reduced the cost of production and capital outlay. The first steel mill in Indonesia that he turned around in 1977 had an annual capacity of only 25,000 metric tonnes.

Almost uniquely among contemporary steel producers, he had the vision of consolidating the fractured industry worldwide, following into the footsteps of oil and automobiles. Outside North America and West Europe, steel works had often been built in the public sector because of high capital investment with poor returns. The collapse of the Soviet Union in 1991 put the proponents of the public sector in the capitalist world on the back foot. This, and the continuing losses of the publicly owned steel plants, gave a fillip to Mittal's acquisition drive. In 1992, for instance, he purchased the state-owned steel mill in Mexico, built at a cost of $2 billion, for $200 million. His big break came three years later when he acquired the near-bankrupt Karmet Steel works in Temirtau, Kazakhstan, with a potential annual capacity of 6 million metric tonnes, at a knockdown price of $450 million.

Over time, Mittal had honed his formula for reviving ailing factories: infuse sorely needed capital into renovating outdated machinery; strengthen management by appointing experienced Indian managers who had worked with him; and improve procurement policies based on his growing expertise gained as a result of running an expanding network of steel works. He also pooled knowledge and resources systematically.

By applying this strategy, he managed to double production at Karmet Steel and shipped finished products to neighbouring China, whose roaring economy had developed a voracious appetite for steel. It was thus that by 2004, Mittal Steel came to own operating plants in fourteen countries, from Indonesia to Trinidad and Mexico via Kazakhstan, India, and America. Their aggregate annual output reached 52.1 million metric tonnes valued at $32 billion, yielding a profit of over $6.8 billion. The New York-based *Businessweek* crowned Mittal as 'The Raja of Steel'. The title conferred on a fifty-year-old, clean-shaven Mittal, with expressive eyes, a ready smile, and a tuft of jet black hair covering his forehead, seemed apt: he was born in the Indian state of Rajasthan, meaning the place of rajas (kings). 'When Mittal vows to do a deal, his rivals have learned to listen,' reported Stanley Reed and Michael Arndt in *Businessweek*.[19]

But that proved to be *not* the case with Guy Dolle, the French CEO of Arcelor SA, who had known Mittal for some years. 'Guy, this is Lakshmi Mittal,' said Mittal, with his son, Aditya, sitting next to him in his London office on 26 January 2006. 'I am calling you as a matter of courtesy to tell you that tomorrow Mittal Steel will be announcing an offer directly to your shareholders for all the shares of Arcelor.' After a momentary silence, a stunned Mittal turned to Aditya. 'I can't believe it,' he muttered. 'Guy hung up on me.'[20] Business-wise, however, Dolle's rebuff changed nothing.

Mittal's phone call was the opening shot in what turned out to be the most publicized and controversial takeover bid in modern corporate history. It lasted five acrimonious months, with OAO Severstal steel and mining company, based in the northern Russian city of Cherepovets, drafted in by Arcelor as a rival bidder, and the Indian government and media vociferously rooting for Mittal. It involved corporate espionage as well as a cultural clash, xenophobia and racism on the part of not only the top officials of Arcelor but also the French government and most of its media.

Dolle alleged that Mittal wanted to pay in 'monkey money' and that his was a company 'of Indians', overlooking its legal status as a European corporation operating on four continents. French President Jacques Chirac and his economics minister Thierry Breton lectured Mittal on 'the European way of doing business'.[21] In his letter to European trade commissioner Peter Mandelson, Indian commerce and industries minister Kamal Nath described the European reaction to Mittal's bid as 'xenophobia', which violated the spirit of the WTO, to which all EU nations and India belonged.[22]

The length and complexity of the saga was so rich and action-filled that it inspired Tim Bouquet, a journalist, and Byron Ousey, a public relations consultant, to publish a book on the subject, *Cold Steel: Britain's Richest Man and the Multi-Billion Dollar Battle for a Global Empire*. The twists and turns of the hard-knuckle battle gave the volume the aura of a thriller. To fend off Severstal, where Russian billionaire Alexei Mordashov was the prime mover, Mittal was forced to raise his cash-and-stock bid in stages to €37.74 ($48.19) a share for Arcelor by 26 May, valuing the company at €25.8 billion. This offer represented a premium of 70 per cent on Arcelor's share price four months earlier.[23]

Mordashov and Mittal plotted feverishly to thwart each other's aim to the delight of Arcelor shareholders and directors. On 20 June, Mittal Steel published an open letter to Arcelor shareholders in the *Financial Times*, urging them to veto the Severstal deal, arguing that it would give control of the combined Arcelor-Severstal company to Mordashov. The next day, to reassure Arcelor shareholders, Mordashov offered to reduce his equity stake in the proposed combined corporation from 32 per cent to 25 per cent but withdrew his previous offer of giving Arcelor €1.25 billion in cash.[24]

On 25 June, Sunday, Arcelor's board decided unanimously to accept the final part-cash and part-equity offer of Mittal Steel of €40.40 ($50.68) per share, worth a total of $34 billion. But, instead of treating the deal as an acquisition by Mittal Steel—which it was—it was to be declared a merger, with the new entity named ArcelorMittal. This chimed with Dolle's opening barb: 'There are two types of steel: high-end and commoditized—those who specialize in a sort of perfume like Arcelor and others like Mittal who produce Eau de Cologne.'[25] The unprecedented battle had cost the two sides a staggering sum of $480 million in fees to their lawyers, bankers and advisers.

During this long, fractious multi-faceted and controversial saga, the fifty-six-year-old Mittal showed nerves of steel as well as single-minded resolve and manic drive, in which his son Aditya played a central role at critical moments. Just reading the flying log on Mittal's private jet was 'tiring', admitted Bouquet, the co-author of *Cold Steel*. Once it became clear that Mittal had reached the goal post, euphoria enveloped not only among his staff and employees but most of the news readers and watchers in India. By now, the star victor was too exhausted physically and emotionally to muster up enough energy to reflect the worldwide buzz he had engendered. 'It is a high for me,' he remarked laconically. 'It is my biggest and most satisfying deal.'[26]

By 18 July, Mittal Steel had acquired 50 per cent of Arcelor's shares, thereby meeting the minimum tender condition for its offer of a merger with Arcelor. ArcelorMittal became the largest steel producer in the world by turnover and volume, controlling almost 10 per cent of the global output of 1,250 metric tonnes[27] and employing nearly 2,50,000 people, with Mittal as its CEO and chairman. He had travelled physically and financially a long way from his humble village in Rajasthan. The *Financial Times* named him 'Person of the Year', and *Time* magazine

'The International Newsmaker of 2006'.

Mittal Steel's offer was financed through a €10.8 billion ($13.8 billion) syndicated loan, one of the biggest European packages of recent years. The banks which lined up to see the enterprise succeed were some of the most high-powered in America, Britain, France, Germany, and Spain.

Led by the London-based Standard Chartered Bank, the list included Caja de Ahorros y Monte De Piedad de Madrid, Citibank, Commerzbank, Credit Suisse, Goldman Sachs, HSBC, Lloyds TSB Bank, Royal Bank of Scotland, and Société Générale.[28] Out of the aggregate, €3 billion was used to finance existing debt. Of the remainder, €2.8 billion was earmarked as the acquisition lending—a short term loan which, on repayment, could not be used as a revolving line of credit. The remaining €5 billion was a medium-term loan.

Among the secondary factors that led any prospering Indian corporation to embark on an acquisition drive was the desire to acquire a Western brand to fill a gap in its product portfolio. Such was the case with the Bangalore-based United Breweries (UB) Group. Its Kingfisher beer had almost half of the market in India but lacked strong presence in the scotch whisky sector. In May 2007, UB's burly chairman Vijay Mallya, wearing immaculately tailored suits and his trademark diamond ear rings, announced his company's acquisition of Glasgow-based Whyte & Mackay, maker of scotch whisky, identified by its iconic double red lion symbol. He paid £595 million in cash. A remarkable feature of this transaction was that one of the two banks providing finance for the acquisition was the Mumbai-based, private sector ICICI Bank, investing £325 million, the other being Citibank.[29] Little wonder that in the RBI's fiscal year ending in March 2008, the outbound flow of Indian capital jumped to a record $18.51 billion.

As for manufacturing industries, where mutual benefits could flow by combining advanced Western technology with cheap Indian labour, the pharmaceutical sector was a prime candidate.

What made this industry in India doubly attractive to Western pharmaceutical corporations was the steep savings they could make in their research and development of new drugs thanks to the cheapness of human trials in India compared to those in the West. On the other side, by establishing or strengthening ties with their Western counterparts, the Indian companies acquired a growing footprint in the West and paved the way for their own drugs.

Enterprising Indian companies in pharmaceuticals took the initiative. The case of the Chennai-based Shasun Chemicals and Drugs Limited (established in 1976) was typical. After signing a technology transfer agreement with Chirotech Technology Limited, based in Cambridge, for the manufacture of an anti-inflammatory drug in 2000, Shasun registered Shasun Pharma Solutions Ltd as its wholly owned subsidiary in the UK. In 2006, it bought the loss-making Rhodia Pharma Solutions, part of the French group Rhodia SA, by funding its acquisition through the sale of new shares, internal accruals, and debt, with a plan to invest $35 million in the acquired company in the next two years.

Its purchase of Rhodia, a leading player in the contract research and manufacturing services (CRAMS), gave Shasun access to more Western-patented technologies, thus expanding its manufacturing and customer base in Britain and the rest of the EU. This enabled it to increase its supplies of active pharmaceutical ingredients (APIs) and their intermediaries to such reputed corporations as Boots Company, GlaxoSmithKline, and Reliant Pharma in Britain, the fifth largest pharmaceutical market in the world. In 2007, according to Shasun's CEO Govindarajan Narayanan, there were fourteen products in the pipeline in the second phase of human trials and expected to reach the goal of commercial production.

This was an example of an Indian business growing steadily at home as well as overseas. But there was another model, under which a large Indian corporation, aiming to acquire a substantial presence in Britain or North America, had to follow the M&A route boldly. This was so because in the saturated and mature markets of the advanced Western economies, there was no scope for greenfield investments by corporations based in developing countries like India. And that was what drove Tata Steel and Hindalco to opt for takeovers in Britain and America respectively. In so doing, they also acquired a fresh competitive edge by allying the latest Western technology with low-cost Indian labour.

Steely Titans' Duel by Fiber Optics

On 20 October 2006, the boards of Tata Steel, Tata Steel UK (a Tata Steel subsidiary), and Corus Group announced an agreement on the terms of a recommended acquisition of all Corus shares at 455 pence a share in cash by Tata Steel UK. Two weeks earlier, Corus shares had closed at 407 pence a piece. Tata Steel UK sent the relevant documents to Corus shareholders on 10 November. It was a bold move on the part of Tata Steel, with its annual production of 8.7 million metric tonnes, to acquire a European corporation with more than twice its output.

But there were compelling reasons for the amalgamation of the two steel companies. Enjoying self-sufficiency in iron ore, Tata Steel's cost of production at $160 a metric tonne of steel was the second lowest in the world.[30] By contrast, Corus was scouring far and wide for a reliable, steady supply of iron ore at reasonable prices against the backdrop of an exponentially rising demand from China. As for Tata Steel, it had launched a drive to diversify abroad from 2004 onwards. In the process, it had acquired NatSteel in Singapore (annual output 2 million metric tonnes), Millennium Steel (annual output 1.7 million metric tonnes) in Thailand, and two steel rolling mills in Vietnam within two years. The economic logic was to ship low-cost steel slabs to finishing plants overseas for conversion to value-added products in high-end markets.

The driving force behind these initiatives was Tata Steel's chairman Ratan Tata (b. 1937), a great-grandson of Jamsetji N. Tata. After graduating in architecture from Cornell University in 1962, he started his career in the Tata companies on the shop floor of TISCO, shovelling limestone and handling a blast furnace. After working in several other Tata firms, he was appointed managing director of National Radio and Electronics Company in 1971. Four years later, he completed the advanced management programme at Harvard Business School. In 1981, his uncle Jahangir Ratanji Dadabhoy Tata promoted him to chairman of Tata Industries, which included Tata Consultancy Services (TCS), with a remit to promote new ventures in high technology. Immediately TCS imported its first IBM mainframe in Mumbai. Once Rajiv Gandhi became the prime minister in 1984, his policies gave a fillip to those Indian companies which wanted to make a mark in the hi-tech sector. A son of Feroze Gandhi, a Zoroastrian, Rajiv had a soft corner for the Tata Group, founded by Indian Zoroastrians.[31]

When the robustly built Ratan Tata, endowed with a strong visage and natural gravitas, succeeded his uncle as CEO of the Tata Group in 1992, the conglomerate consisted of some eighty companies ranging from steel, power generation and cars to toiletries, tea, hotels and software, with an annual turnover of $8.5 billion. These firms had prospered vastly behind high tariff walls and barriers to foreign capital's investment until 1991. He found that eleven companies produced 85 per cent of revenues and 90 per cent of profits. He rationalized the conglomerate by exiting such low-return industries as cement and toiletries and focused on seven sectors: metals and minerals, automotive and engineering, chemicals, agro-business, hotels, IT, and power. When he discovered that the stake of the Tata Group's holding company had become diluted to 'single figures' in some cases, he set out to rectify the situation.[32]

Whereas his buyouts in southeast Asia had gone smoothly, his bid for Corus ran into choppy waters. In a rerun of the Mittal-Arcelor episode, a ghost of the past reappeared. In the case of Mittal, Severstal steel and mining company, which contacted Arcelor earlier for a possible merger, had popped up. Now, Brazil's largest steel maker, the Sao Paulo-based Companhia Siderúrgica Nacional (CSN; Portuguese, National Steel Company), which had entered into a putative agreement for a merger with Corus Group in 2002, did the same on 17 November 2005. It offered 475 pence in cash.

The propelling spirit at CSN was Benjamin Steinbruch (b. 1953), its chairman since 1995 and the CEO since 2002. Born in Rio de Janeiro into the household of Mendel Steinbruch, the leading partner in the Vicunha textile group, he acquired a master's degree in business administration. After several years of teaching at a university, he joined the family business, specializing in sales. When the loss-making, state-owned CSN, founded in 1941, was auctioned, it was bought by Valepar SA, a consortium in which the Vicunha Group had a stake. To safeguard its interests, Steinbruch became a member of CSN's board of directors. Two years later, when one of the large shareholders and Vicunha's CEO withdrew from CSN, Steinbruch was promoted to chairman.

Belying his professorial looks, this semi-bald executive with a thin nose and rimless glasses proved to be a dynamic and extremely ambitious entrepreneur. After investing in the newly privatized Light Servicios Eletricidade SA, a leading power distributor, and becoming its chairman, he led the formation of the Consortium Brazil in May 1997. It won the privatization auction for Companhia Vale do Rio Doce (CVRD), the world's largest producer and exporter of iron ore. 'Bringing CSN and CVRD together made very good sense,' he told *Businessweek*. 'Both have mining interests, both have steel, both have logistics. It gave us the chance to bring together three sectors in which Brazil is very competitive.'[33] In 2001, CSN purchased the bankrupt Heartland Steel Inc. in Tere Huata, Indiana, for $55 million and renamed it CSN LLC. 'Our major strategy is to make CSN a multinational,' Steinbruch declared. 'We have to compete in the world market as an equal in order to stay in business.'[34]

That strategy led Steinbruch to sign a merger agreement in principle with the Corus Group, the second largest steel maker in Europe, in July 2002. What attracted Corus was the access to CVRD's bountiful iron ore, whose price had started rising sharply. But that deal collapsed. Undaunted, in 2003, CSN acquired a 50 per cent stake in Lusosider SA, a Portuguese manufacturer of galvanized metal products. The next year proved to be a bumper for CSN. It produced a record 5.6 million metric tonnes of steel, earned $3.9 billion, and achieved a profit margin of 22 per cent. CSN was on steroids.

Brimming with confidence, Steinbruch threw his hat in the ring for the ownership of Corus. Tata Steel countered with a bid of 500 pence. The dogfight pushed the price of Corus shares to 506 pence on 23 November, the highest since May 2000.[35] CSN trumped it with an offer of 515 pence. It won recommendation from the jubilant Corus board, which revealed that CSN already owned 3.8 per cent of Corus shares through previous purchases on the open market.[36] But when Tata Steel promised further increases in its terms, on 18 December, the UK Takeover Panel decided to take the rarely used auction route to settle the matter. The auction on 30 January 2007 was to be conducted by the panel's committee on manufacturing, co-chaired by a member of the executive and an assistant secretary.

This led to feverish activity by the rival suitors. Each leaked inside information to trusted journalists to underscore its financial superiority over the other. The value of Corus equity perked up further. On 19 January, it hit a record 544 pence. On that day, Brazil's leading financial daily revealed that Citigroup and UBS AG in Brazil had agreed to increase their lending for CSN by 10 to 20 per cent, and that Barclays, Goldman Sachs and ING Bank, operating from abroad, had put together a package of nearly $8.3 billion in secured loans, a revolving credit facility and a high-yield bridging loan. In addition, CSN claimed to have access to its own cash reserves of $2 billion. Altogether, these would easily cover the $10.5 billion needed to buy Corus at 550-odd pence per share.[37] On its part, Tata Steel let out that its directors had authorized its white-haired CEO B. Muthuraman to take the offer as high as 600 pence per share.

On 30 January, the closing price of Corus at 4.30 p.m. London time—10 p.m. in Mumbai and 2.30 p.m. in Sao Paulo—was 563 pence per share. That figure needed to be raised by a minimum of 5 pence in each round, with a maximum of nine rounds spaced an hour apart. In London, the panel's two officials sat in front of their computers in their office above the London Stock Exchange complex, with the members of the small committee on manufacturing available online in their respective offices.

In Mumbai, flanked by Ratan Tata and Koushik Chatterjee, the company's chief financial officer (CFO), Muthuraman sat in Tata's office on the top floor of Bombay House, a modest four-story building in the city's business centre. They were in a buoyant mood. A few hours earlier, they and other directors of Tata Steel had announced a 41 per cent leap in net profit for the quarter ending in December, with revenue up by 20 per cent at almost $1 billion.[38] Though, as the CEO, it was Muthuraman who was authorized to submit the bids, the ultimate decider was the Tata chairman. Copiously briefed on the background of the brash and wildly successful Steinbruch, he was anxiously aware of the steely grit of his sixteen-years-younger rival across the oceans. He calculated that Steinbruch would battle to the last of the nine rounds. And to keep wide awake through the night, he arranged for a steady supply of strong coffee for all.

In stark contrast to the eighty-three-year-old, four-story, colonial-style stone building of the Tatas in Mumbai, Steinbruch was ensconced in the conference room on the twenty-second floor of the swanky glass-and-concrete, forty-story, CSN-owned skyscraper at Avenida Brigadeiro Faria Lima, 3400, whose thirty-seven floors were occupied by leading industrial and financial companies. Steinbruch, hunched over his computer, was flanked by his CFO, Alberto Netto, and the company's controller, Rog Dos Santos.

The auction started at 563 pence. Following each subsequent bid, the rivals called the auctioneer in London to ensure that their messages had been received, and to comfirm their terms. An hour's break gave the suitors enough time to redo their sums. After the first jump of 10 pence, the bids went up in fives. Between the fifth and sixth rounds, Steinburch and his colleagues fortified themselves with *canja* (Portuguese: chicken soup) and *pão francês* (Portuguese: French bread). And to shore up their flagging energy during their customary sleeping hours, Tata and his co-directors kept munching chocolate bars as they sipped sweet coffee. It was the eighth round when Muthuraman offered 608 pence a share in cash.

It was 6 a.m. on 31 January in Mumbai but only half an hour past midnight in London. Having been deprived of sleep for the past twenty-four hours, Tata Steel's top officials were feeling the strain. They had ended up paying almost 50 per cent more than the 407 pence on 5 October 2006 when Tata Steel announced its intention of an alliance with the Corus Group. Now they had to wait another interminably long hour to find out if Steinbruch had dared to trump their latest offer.[39]

When the nail-biting hour passed without another shot being fired at them by their nemesis in Sao Paulo, they relaxed.

They were eager to trumpet their hard-won victory, issue a triumphalist statement. But the panel's rules barred them from doing so. Only its executive was authorized to announce the final outcome of the auction. It was 2.00 a.m. in London when the executive, advised by its committee on manufacturing, decided to declare Tata Steel the winner. By the time it issued a statement, it was 8.00 a.m. in Mumbai. Rushing back to their homes, Tata Steel luminaries reportedly collapsed in their respective beds, secure in their belief that they had turned a page in the corporate history of India.

In the final analysis, it was Ratan Tata's vaulting ambition, an all-consuming urge to win, and an innovatively labyrinthine plan to assemble an unparelled sum in India's private enterprise chronicle that enabled Tata Steel to swallow a Western corporation twice its size.

Breathless TV news readers in India gushed at the birth of the country's first Fortune Global 500 multinational corporation[40], entering the much coveted list at the 401st place. Steel magnate Lakshmi Mittal applauded the second biggest acquisition in the industry and the largest takeover by an Indian company overseas. These high-profile acquisitions, achieved in the glare of global media, led ArcelorMittal and Tata Steel to accelerate and enlarge their drive to acquire huge swathes of iron ore-rich terrain in the central-eastern region of India by getting the indigenous tribal inhabitants evicted from their land, their only means of livelihood, and this would swell the ranks of the rebellious Maoist movement.[41] For the present occasion, though, the mood was unabashedly self-congratulatory. 'The Indian corporate sector is doing well and increasingly looking globally,' said Muthuraman. 'I believe it's an important step, a milestone.' Echoing his sentiment, India's finance minister, Palaniappan Chidambaram, averred that the successful bid reflected the newfound confidence of Indian industry. It was indeed the coming of age of India's corporate sector on the world stage, no less.

Besides the economic reason that had guided Tata Steel's foray in southeast Asia earlier, there were other factors at work in this deal. 'Corus is a unique opportunity for us in terms of scale, location, and culture,' beamed Tata. 'This is a key part of our global strategy.'[42] The point about culture as existing in business and elsewhere was critical. That was why Tata immediately announced that he would leave the running of Corus—employing more than 50,000 people—led by CEO Philippe Varin, to its present managers. The combined annual output of nearly 28 million metric tonnes would catapult the enlarged Tata Steel to the position of the fifth largest steel producer in the world from its present ranking of fifty-six in a list of 120.

None of this countered the negative view that most financial analysts in India took, arguing that Tata Steel had forked out too much for Corus. Its shares slumped 11 per cent. The management of the Tata Group, the parent of Tata Steel, however, had the urgent task of financing the deal once Corus shareholders had accepted the Tata offer on 7 March followed by the clearance given by the High Court of England and Wales on 2 April. On that day, Tata Steel completed its acquisition of Corus Group Plc.

The net funding for this deal finally came to $12.90 billion, a dauntingly huge sum for the Tatas. The complex, multi-nation financial arrangements which Tata Steel made to accomplish this feat aptly captured the extent of the globalization of capital that had taken place over the past decade and had blurred the previous distinction between Indian and foreign capitals. It threw a penetrating light on the crucial role played by the Western banking giants. Therefore it deserved to be spelled out in non-technical terms.

Ratan Tata rallied not merely Tata Steel but also its wholly owned subsidiaries: Tata Steel UK Ltd, Singapore-based Tata Steel Asia Holding Private Ltd (TSAH), Tulip UK Holdings, and Tulip Finance Netherlands BV, a private limited company. Initially the deal was financed by a cash infusion of $2.7 billion by Tata Steel—funded by a combination of its own cash resources and syndicated loans—to TSAH. In addition, TSAH raised bridge loans of $2.5 billion and Tulip UK Holdings an unsecured loan of $0.6 billion, which was invested as equity in Tata Steel UK Ltd. Later, to fund the balance of the contingent consideration[43]—an additional payment due under the acquisition—Tata Steel UK Ltd, through its wholly owned subsidiary Tulip Finance Netherlands BV, raised secured loans of $4.0 billion and bridge loans of $3.1 billion. These loans were raised without recourse to Tata Steel, the parent body.

On 17 April, the board of Tata Steel approved the long-term financing for acquiring Corus as follows: Equity capital from Tata Steel $4.10 billion, and long-term funding/quasi-equity $2.66 billion, giving a total of $6.74 billion; and non-recourse long-term debt[44] at Corus, $6.14 billion.[45]

The $6.14 non-recourse debt at Corus, consisting of a bridge loan and revolving credit facility, was arranged by (Swiss) Credit Suisse in the lead, followed by (Dutch) ABN-Amro and (German) Deutsche Bank. The loans were distributed as non-recourse loans to be serviced out of the cash flow and other assets of Corus. These loans, with maturing periods of five to seven years, were raised without recourse to Tata Steel.[46]

This sleight of hand deeply impressed British bankers. 'After Tata Steel's takeover of Corus,' remarked Lord Paul, 'there was a big change in Britain's financial markets towards India and Indian companies.'[47] That made it easier for other Indian corporations to acquire assets in the West with the assistance of Western banks.

Tata Steel had a long-established distribution network in India and southeast Asia. These regions had thriving automobile industries heavily dependent on sheet steel, which was expected to provide a foothold to Corus products in expanding markets in the coming years. In reality, this happened sooner than anticipated because the 2008-09 Great Recession in the West lowered sales of cars in Europe by about a third and the consequent demand for sheet steel in that continent.

Scorched but not Burnt

India felt the heat of the economic slump in the West but did not get burned. It maintained its GDP growth in the fiscal year ending in March 2009 at 6.6 per cent. During that period, Britain's GDP shrank by 4.7 per cent. Overall, Indian companies had healthy cash flows and ample funds to invest abroad. During the first half of 2008, Indian corporations bought twenty UK firms.[48]

Among the purchasers was Tata Motors Ltd, with Ratan Tata as its chairman. It was prospering at home where car sales had risen fivefold during 1997-2006, topped by a growth of 16 per cent in 2007.[49] By contrast, the American automotive giant Ford Motor Company, with manufacturing plants in Britain, suffered a record global loss of $12.6 billion in 2006, followed by a deficit of $2.7 billion the following year. The sales of Jaguar, an iconic luxury brand, which Ford bought in 1989 for $2.5billion, had halved between 2002 and mid-2007 to 65,000. And for Land Rover, another prestigious brand which Ford purchased in 2000 for $2.7 billion, sales slipped 12 per cent in February 2008 from the figure of a year before. This was the case despite an investment of $10 billion by Ford in the production of these models since 1989.[50]

Therefore, in June 2007, Ford's management invited bidding for the manufacturing plants for Jaguar and Land Rover (JLR) through its bankers Goldman Sachs, Morgan Stanley, and HSBC. Several bidders included a JP Morgan unit called One Equity Partners and Indian car makers Mahindra & Mahindra and Tata Motors. Through a laborious process of detailed negotiations, Ford and its bankers winnowed down the list to Tata Motors after working out elaborate commitments on both sides regarding the purchase price, workers' pension fund, and supply relationships to preserve the two brands' future. The price tag, stated the Ford's statement on 26 March 2008, was $2.3 billion while it pledged to contribute about $600 million to the pension plans for the 15,300 employees.

'With the commitments Tata has given to the future of Jaguar Land Rover, we're obviously pleased they are in the game,' said Tony Woodley, joint general secretary of Britain's largest trade union Unite. Richard Burden, chairman of the All Party Parliamentary Motor Group, welcomed the Ford announcement, well aware that Tata Motors was listed on both the London Stock Exchange and the New York Stock Exchange.[51] Earlier, Tata had told the *Financial Times* that there were no plans to 'Indianize' Jaguar or Land Rover: 'We are not looking for a company in which we make a drastic change.'[52] The transaction was completed in June.

It provided the struggling, cash-strapped Ford a chance to rid itself of loss-making vehicle units and focus on its primary US market. It enabled Tata Motors to expand its product portfolio—so far limited to commercial vehicle and small-car manufacturing—diversify its market base, and become an international player. Also, the scale of the acquisition was large relative to the size of Tata Motors. It would place the combined corporation on the Fortune Global 500 list in 2010 based on the previous year's revenue of $19.5 billion.

However, this glory came to Tata Motors at a great cost. It got stuck with a bridge loan of $3 billion to finance the acquisition. The debt proved onerous to refinance because of the turmoil in the global markets in 2009 when, in the wake of the banking crash in the West, no foreign banker wanted to lend. This forced Tata Motors to fall back on its contingency plans of drawing succor from its Indian roots. Local investors came to its rescue in its hour of acute need—but at a price. Only when its directors agreed to issue new shares at a discount to its existing shareholders in proportion to their ownership of old shares did they manage to raise $937 million. Even then, Tata Motors' total debt in March 2009 stood at $9.72 billion, nearly double the figure of the previous fiscal year.

After acquiring JLR, the Tata Motors management started buying raw materials from low-cost countries such as India, reduced labour force by 3,000, aligned production with demand, and tightened control over cash flows. This was a rerun of what it had done at home during the recession in India in 2001. It also invested $1 billion in financing operations and launching new products. Financially, it raised fresh funds through a variety of means: selling low-return investments, sale of new shares, and issuing long maturity Indian rupee bonds at home and global depository share receipts abroad. It thus repaid the balance of the $3.0 billion bridge loan it had raised to purchase JLR. When the market started improving from mid-2009 onwards, the JLR unit produced a profit of nearly $91 million during the last quarter of 2009. This would reverse the downward trend in the pricing of Tata Motor shares.[53]

By then, India's foreign exchange reserves at $283.5 billion were healthy and at number five in the league table after China, Japan, Russia, and the Eurozone. During the RBI's fiscal year ending in March 2009, its outward investment had remained steady at $18.58 billion.

In the run-up to the general election in May 2009, Congress leader Sonia Gandhi argued that the ongoing 'economic upheaval' could 'grievously affect the most vulnerable sections of our society', and that her party had partially insulated India's poor from becoming 'victims of the unchecked greed of bankers and businessmen'. In that context, she said, 'Let me take you back to Indira Gandhi's bank nationalization of forty years ago. Every passing day bears out the wisdom of that decision. Public sector financial institutions have given our economy the stability and resilience we are now witnessing in the face of the economic slowdown.'[54] In the world of neo-liberal economics, the freshness of this argument, backed by evidence, stood out.

The Indian government had over 70 per cent shares in depository banks. Capital ratios in banks were 12 to 13 per cent, much higher than in Britain and America. The banks' non-performing loans amounted to 1 percent. Yaga V. Reddy, the RBI governor from September 2003 to September 2008, believed in regulating the financial sector because of his belief that 'if the bankers were given a chance to sin, they would sin'. He restricted a bank's exposure to a particular sector or a particular client. To curb speculation in land prices, he ruled out buying of virgin land by banks. He raised risks on lending for the construction of shopping malls and other commercial properties. He instructed banks to set aside extra capital for every loan they granted. When he noticed US banks setting up off-balance-sheet vehicles to hide debt, he virtually banned the practice in India. This led local banks to hold on to the loans they had made. That reduced their capacity to lend funds to the aspiring clients because they could no longer sell their debts to Wall Street in the form of securities. The upside was that unlike American or British banks, which had become lax about recovering their loans, Indian banks became keen to see their loans repaid.[55]

Whereas the banking shares in America were in freefall in 2008-09, those in India were holding up so well that in February 2009, the market value of the State Bank of India exceeded that of Citigroup, the largest bank of the United States.[56]

The successor to Reddy at the RBI continued his policies which had the backing of the Congress-led coalition government that assumed office after the 2009 elections, with Manmohan Singh as the prime minister once again. Reversing the BJP-led administration's policy, the Singh cabinet decided not to reduce its majority stake in state-owned companies.

As the post-financial crisis recovery phase in the West started to pick up in the latter half of 2009, the GDP expansion in India accelerated. Indeed, during the first quarter of 2010, the country achieved a record 11.2 per cent growth.[57]

It was against this background that India emerged as the most profitable market for Standard Chartered Bank, surpassing Hong Kong, in 2010. In July of that year, the Tata Group became the largest manufacturing employer in **Britain. Its** 50,000 employees in forty towns and cities exceeded the nearly 40,000 people working for BAE Systems Plc, the giant aerospace and arms manufacturer.[58] Undoubtedly, this would have delighted the late Jamsetji N. Tata no end.

In 2011, the market capitalization of the Tata Group was in the range of $35-40 billion, with almost half of its assets outside India. In this conglomerate, Tata Consultancy Services (TCS) had come to loom large. On a revenue of $10.2 billion, it made a profit of 21.6 per cent. With only one-tenth of its earnings originating in India, it was truly international. Its worldwide staff of 2,23,000 in more than forty countries belonged to ninety-nine nationalities—quite an achievement for a corporation which hired its first non-Indian national in 1994. Half its total sales were in North America and a quarter in Europe. Of the remaining 15 per cent, West Asia accounted for 10 per cent and Latin America the rest.

For a corporation which originated in Mumbai as the Tata Computer Centre in 1965, using rented IBM 1401 computers to punch cards to service mainly TISCO (later Tata Steel), a sister concern, its subsequent prosperity had dazzled many.

TCS: The Jewel in the Tata Crown

TCS started exporting its services abroad in 1971 with a programming contract in Iran. Three years later, it imported the first machine built by Detroit-based Burroughs, a rival of IBM, and signed an agreement with it to sell Burroughs computers. Pressed to earn foreign exchange to be able to pay for the import of US computers, it tried hard to get contracts in America. Its rock-bottom charges lured Burroughs to assign it the task of writing the code for Burroughs machines for several US-based clients—making it the first Indian firm to penetrate the American market. In 1976, it imported its first large mainframe Burroughs computer for software exports and started hardware installation, support, and maintenance work for the Burroughs range of computers in India. In 1979, it secured its first non-Burroughs contract in the US, with American Express, after a three-year struggle by Subramaniam Ramadorai, the resident manager of its New York office.

Though TCS opened an office in 1977 in Britain, where it worked with ICL, another rival of IBM, it was allowed to execute sales on its own by the Indian government only in 1979. Despite the low fees it charged for its services compared to those by British or American IT companies, it failed to overcome the widely prevalent reluctance of local firms to do business with an Indian company.

'Such stalwarts as IBM and Accenture had long track records,' explained Abhinav Kumar, the Brussels-based public relations manager of TCS Europe. 'They possessed prestigious and widely recognized brands. They had strong relationships with their clients, rising up to the level of the board of directors.'[59] It was not until 1981 that TCS signed its first substantial contract in the UK with Western Trust & Savings Ltd (WTSL) in Plymouth, a retail bank with twenty-eight branches.

'In the first decade of TCS, it was very difficult to get foreign exchange as top priority was given to food imports,' said Amur S. Lakshminarayanan, the slim, silver-haired, bespectacled, London-based TCS Europe CEO. He joined the company in 1983 and took charge of the WTSL project in 1992 when Internet entered the mainstream of business in the West and India. 'That led us to devise a different way of operating. We broke up the value chain and figured out what to do in India and what not. We devised a way where we did some aspects of the job at a Western site and others in India. Those employed back home were highly motivated and worked long hours in order to keep their jobs. That way, we had the best of both worlds. Or to put it in business terminology, we had global backing in terms of manpower and IT capabilities.'[60] The key to the near-vertigenous ascent of TCS lay in the fact that three-quarters of its work was done in a low-cost country like India, whereas in the case of the competing companies such as IBM and Accenture, the proportion was reversed.

Over the years, an operating pattern emerged. If a job required a team of fifty engineers, it was divided into three segments: those who worked at the European head office in London, others who worked with the client on its premises, and the third batch in India.

A far more senior TCS executive was Ramadorai, a bald, broad-shouldered, bespectacled man. He joined the firm in Mumbai in 1969, set up its office in New York seven years later, and rose up the hierarchical ladder to become its CEO in 1996, an office he held until his retirement in 2009. 'Our "developing nation" attitude led to us being enormously creative when it came to finding hardware solutions and replacement parts,' he wrote in his book *The TCS Story… And Beyond*. 'This was a contrast from today's "use and throw" approach...We had to make do with less. Foreign exchange was scarce; import procedures were complex and time-consuming and import duties punitive. Almost all our equipment had to be imported… So we had to innovate to survive.'[61] Thus India's prospering software industry—a vital source of its foreign currencies for the past decade and a half and a major contributor to its impressive GDP growth—owes its origin to its acute deficiency in foreign currencies in earlier times when companies like TCS had to earn foreign exchange to pay for the import of a new machine. 'Doing more with less became part of our DNA. Our technical competence was tested because with both memory and disk capacity in short supply, we had to build applications in the most optimal way with what we had. At the same time our export obligations meant that quality could not be compromised.'[62]

Despite all this innovation by IT companies like TCS and Infosys, India provided negligible business for them in the 1970s and the first half of the subsequent decade. Actually, it was only in 1986 that TCS was established properly as a wholly owned subsidiary of Tata Sons Ltd, the holding company of the Tata Group, with Nani Palkhivala as its CEO and chairman. In 1989, it delivered an electronic depository and trading system called SECOM for a Swiss company SIS SegaInterSettle AG (central securities depository). It was by far the most complex project undertaken by an Indian IT company.

By the time Ratan Tata became the CEO of Tata Group in 1992, TCS had 3,000 employees. But it was only in 1995 that he replaced Nani Palkhivala as chairman of TCS. Presciently, TCS built its business around migration from one system/language to another and designed tools to automate this process. That enabled it to adopt an assembly line approach towards correcting the Y2K code, which led to its building of a software factory in 1998 in Chennai. Its software tools automated the conversion process and enabled third-party developers and clients to deploy them.

By doing so, TCS handled 600 to 700 million lines of code. The burgeoning Y2K business quadrupled the TCS revenue during 1995-99 to $420 million. In the process, it helped impart visibility to India and Indians on the radars of Western corporations.

In 1999, TCS saw outsourcing opportunity in electronic-commerce and related solutions and set up its e-business division with ten people. Within five years, e-business was contributing half a billion dollars to the annual turnover of TCS.

In August 2004, TCS became a publicly listed company much later than its rivals, Infosys Technologies, Wipro Technologies, and Satyam Computer Services. Its IPO, issued at Rs 850 ($18.75) a share, was oversubscribed 7.7 times and raised $1.17 billion. Its split of 2 for 1 in August 2006 pushed up the value of the parent company, Tata Group. Indeed, it was on the back of the glittering performance of TCS that Tata Steel went on to outbid its Brazilian competitor, CNS, for the ownership of the Corus Group.[63]

It was not until 2004 that the TCS management set up its marketing department for which it had not seen any need previously. At the same time, it split its operations in eight major divisions: banking, insurance, life sciences, manufacturing, public sector and government, retail, telecom, and transport.[64] In its drive to enhance efficiencies in the internal IT and communications system of TCS—a recurring theme in its management consultancy work for its clients—its directors introduced the systems it had recommended to its clients.

With over 1,00,000 employees on its payroll in 2008, TCS became one of the top ten global IT software and services corporations. Its revenue exceeded $5 billion with a profit margin of 20 per cent.

What explained the phenomenal rise of TCS? 'We are a one-stop company,' said Amit Gupta, in charge of telecom in Gurgaon in November 2011. 'We provide everything our potential customer is looking for. We are customer-focused. Therefore 95 per cent of our business now consists of repeat orders. The gap between TCS and other companies is growing because we are very efficient. And we practise corporate social responsibility.'[65]

In London, Abhinav Kumar cited several major reasons: low cost, assured delivery, flexibility because of having a large pool in India of technical staff who enable TCS to operate twenty-four hours of the day, much stronger work ethic among Indians than the one prevalent among our Western competitors, and seasoned managers who have risen from the bottom up and have operational experience.[66]

Because of the financial tsunami which started in September 2008, the FTSE 100 index in London plummeted 31.3 per cent by the year-end, a record, with similar falls in Paris and Frankfurt. In New York, the Dow Jones Industrial Average plunged almost 34 per cent in 2008, its worst year since 1931, the wider Standard & Poor 500 tumbled 38.5 per cent, and the tech-heavy NASDAQ 40.5 per cent. Western companies became cheaper to buy. But with the value of the financial sector slashed by a perilous 57 per cent in 2008, the Indian companies found it an uphill task to raise loans from Western banks. Therefore, the outward Indian investment dropped to $13.7 billion in the fiscal year of 2009-10.

A pick-up to $16.84 billion followed in the next financial year. Later, between April and October 2011, the outward investment from India soared to a record $20 billion-plus.[67]

This was apart from the capital that reputed Indian corporations acquired in the Western financial markets. Such was the case with Essar Energy, a subsidiary of the Mumbai-based Essar Group, then the fourth largest Indian conglomerate by revenue, at $27 billion. Divided into six sectors—construction, energy (oil and gas, and power), minerals, shipping and ports, steel, and telecom—and operating in twenty-five countries, the group's twenty-one-story head office in Mumbai became the first corporate building with a helipad.

Ruia Brothers Rescue Britain's Second Largest Refinery

The Essar Group was managed and largely owned by Ruia brothers Shashi (b. 1944) and Ravi (b. 1949), the elder being bulky and flabby-faced, and the younger comparatively lighter in weight and tighter in visage. The trajectory of their rise from modest construction contractors to the membership of the dollar billionaires' club ran parallel to the path traversed by the economy of independent India.

Their initial decision to maintain fiscal independence by running their conglomerate as a private limited company paralleled the Indian government's earlier resolve to be self-reliant economically. And just as India had to loosen up its strict controls on the import and export of capital, the Ruia brothers were compelled in the mid-1990s to float Essar Oil, one of the main constituents of their group, on domestic stock markets to raise funds for the building of an oil refinery. As a nation, India started its economic development by investing in infrastructure and such capital-intensive basic industries as steel making, mining, and petroleum refining, and then focused on expanding the service sector as well as consumer durables industries. Likewise, the Ruia brothers entered such capital-light, high-return service industries as telecommunication after establishing themselves in the capital-intensive steel and hydrocarbon industries. Just as India found itself lumbered with such a heavy burden of overseas debts that it faced the ignominy of default in 1991, so too did the Ruia brothers find themselves in a similar predicament in the late 1990s and for the same reason. But whereas India managed to avoid default by the skin of its teeth, the Ruia brothers failed spectacularly.

These broad similarities necessitate a close study of the duo's phenomenal rise, rooted in essence in their risk-taking spirit—inherited from their father Nand Kishore Ruia—the latest example of which was their acquisition of the loss-making Stanlow oil refinery, Britain's second largest, from Royal Dutch Shell in 2011.

Hailing from Rajasthan, the Ruias, belonging to the merchant caste, had run a non-descript trading establishment in Mumbai (then Bombay) for decades. Nand Kishore Ruia broke the tradition by moving to the southern port city of Chennai (then Madras) in 1956 to take up a shipping and exporting agency. Following his untimely death in 1969, his sons, Shashi and Ravi, graduates from Madras University, stepped in and derived a name for their inherited business from the first letters of their names: Ess-Ar. Shashi Ruia was reported to have quipped, 'I am not just an MBA but also an MBB (Marwari by birth).'[68] Many super-rich Indians, including Lakshmi Mittal, have their origins in the Marwar region of Rajasthan, near the city of Jodhpur.

After constructing a breakwater in Chennai, they moved to Mumbai, their birthplace, and went on to specialize in building ports, jetties, and berths. From there they entered the related sectors of offshore construction, pipe laying, drilling, and marine transportation. India's official policy of self-reliance fuelled the company's rapid expansion. In 1976, the Essar Group became the county's first privately owned company to purchase an oil tanker. In the 1980s, when the government opened up the shipping and drilling sectors to the private sector, the Essar Group invested in ships, building up a fleet of thirty vessels, including a supertanker, by the end of the century.

In 1987, it ventured into the iron and steel industry in association with the state government of Gujarat to construct the country's first gas-based, hot-sponge iron plant, its finished product to be used as feedstock for manufacturing steel. It was to be powered by a generating plant built by one of Essar Group's subsidiaries. Thus the Ruia Brothers earned the distinction of establishing India's first private power station and first new generation steel mill—a breakthrough into the industries monopolized so far by the public sector. The soaring costs of the continual expansion of these plants over the next decade led the duo to borrow heavily.

While actively engaged in traditional industries, the Ruia brothers espied lucrative opportunities in the up-and-coming hi-tech sector. They founded Aegis Limited in 1992 as the business process outsourcing arm of their group, executing such routine tasks for a Western corporation as answering frequently asked questions from customers or maintaining payroll accounts. Its steady growth over the next three decades in India, North America, Britain, West Asia, and East Asia turned it into a corporation with an annual revenue of more than $1 billion.

In 1993, the pioneering spirit of the Ruia brothers led their Essar Group to become one of the first private companies to win bids for the exploration rights to two onshore and one offshore blocks of land/seabed for oil and gas. Two years later, their group entered the telecommunication industry by forming a joint venture with Sterling Cellular Limited to roll out the Essar mobile phone service, its second foray into the service sector.

Intent on creating a vertically integrated petroleum company—covering exploration to retail outlets of refined oil products—the brothers decided to erect an oil refinery at the Vadinar port in north Gujarat. But, finding themselves short of capital for such an ambitious project, they floated their Essar Oil on the Bombay Stock Exchange in 1995. The construction of the refinery started in 1996 but stopped two years later when the heavily indebted Essar Group failed to secure further loans. It reached its nadir in1999 when its constituent, Essar Steel, failed to honour its $250 million five-year maturing bonds. This was a blow to the financial standing of the

Ruia brothers, from which it took them several years to recover.

A year earlier (in 1998), they had consolidated their energy and power enterprises under Essar Energy, whose holding company, Essar Energy Holdings, they registered in Port Louis, Mauritius. This would prove to be an astute move in the coming years because it freed the brothers of the RBI's rules, which applied only to firms registered in India.

Feeling the squeeze at home, they put on hold further investments in the power sector and hired the services of KPMG (Klynveld Peat Marwick Goerdeler), an accountancy firm, to examine the running of Essar Steel—from procurement to sales as well as finances.

They also focused on expanding their group's telecom arm. In 2001, they found a new partner in Hutchison Whampoa of Hong Kong. The next year, the two corporations merged their cellular businesses in India into a new joint venture, Hutchison Essar, which soon became the second most popular cell phone provider in India. Hefty profits from this venture eased the Ruia brothers' debt burden at a time when their one-third stake in Hutchison Essar made them richer by $2 billion. Thus the harvest reaped from the hi-tech investments carried the Ruia brothers through their lean years in traditional industries—just as the explosive expansion of TCS would later enable the Tata Group in its bid for a takeover of the Corus Group. In 2005, construction resumed at Vadinar and the refinery was completed the following year at a total cost of $2.14 billion, a monumental sum in India's industry.[69]

By then, the Ruia brothers' net worth had soared to $5 billion and put them firmly among the country's dollar billionaires. They had earned the honorific of Bollygarchs, with anecdotes about them filling the gossip columns in the financial press. They were so close to each other that they shared the same large office at Essar House, facing each other across large desks. Yet, being superstitious, they never travelled together and, surprisingly, regarded thirteen as their lucky number.

The Ruia brothers' riches enabled the Essar Energy Holdings to acquire fossil fuel (coal, oil and natural gas) reserves in India, Nigeria, Vietnam, Australia, Indonesia, and Madagascar. And the number of their power stations increased to four, in line with the rise of steel-making plants by Essar Steel. But as the first decade of the twenty-first century progressed, the Brothers realized that the power generation field was getting crowded.

So they decided to have larger footprints abroad. That led to Ravi Ruia taking charge of the central London offices of Essar Global Holdings in October 2009. His senior aides from Mumbai followed. He bought an astronomically priced house in the fashionable Mayfair neighbourhood.

In early 2010, Ravi Ruia was quick to notice the news that the management of Royal Dutch Shell wanted to sell its refineries in Europe and focus on the emerging markets in Asia, including West Asia. Its last remaining oil refinery in Britain was Stanlow, the source of one-sixth of all gasoline/petrol consumed in the country. Having built India's second largest refinery at Vadinar and managed it successfully since 2006, Ravi Ruia felt confident of turning around the eighty-six-year-old, loss-making Stanlow refinery near Liverpool.

To raise enough capital to buy the 1,900-acre (7.7 sq km) petroleum facility, the Ruia brothers decided to sell 23 per cent of the 100 per cent stake they held in Essar Energy. Ravi Ruia and his aides worked hard to get top-notch underwriters for the IPO of Essar Energy by stressing the present assets of the company and the prospects of its rapid growth. Besides four power plants and the vast oil refinery in India, it possessed hydrocarbon reserves in half a dozen countries. Hungry for energy, India was a nation where nearly half of its 850 million villagers lacked electricity. JP Morgan Chase and Deutsche Bank agreed to act as the lead underwriters for the IPO to be launched in April 2010.

Despite the hype and the induction of the leading investment banks, the Ruia brothers failed to reach their target of raising $2.5 billion and had to be satisfied with proceeds of $1.95 billion (£1.3 billion).

Despite this, the event made headline news in the financial newspapers and television channels in Britain and India. This IPO was the biggest premium listing on London Stock Exchange (LSE) markets by an international company since the IPO of Eurasian Natural Resources in December 2007. It was the second largest Indian IPO on a public market anywhere on the planet.

Xavier Rolet, the CEO of the London Stock Exchange Group (LSEG), described it as 'a major win for London' and 'a significant achievement for Essar Energy', adding that 'London's deep pool of international, institutional capital continues to support the financing needs of the world's largest companies.' To celebrate the occasion, he chaperoned Ravi

Ruia, Prashant Ruia, and Naresh Nayyar, respectively the chairman, vice-chairman, and chief executive of Essar Energy Plc, to a welcome ceremony at the LSEG's headquarters, attended by Nick Anste, the Lord Mayor of the City of London, the second most important financial hub in the world after the Wall Street.[70]

With its market capitalization at $8 billion (£5.4 billion) at the end of June, Essar Energy Plc gained entry into FTSE 100, the index of the hundred most capitalized companies listed on the London Stock Exchange.

Thus fortified, Essar Energy's top officials entered into protracted talks with Royal Dutch Shell management for the purchase of the Stanlow refinery as well as the stock of crude oil and refined products at market prices. They signed a deal in March 2011, the refinery valued at $350 million, to be paid in two installments, with the first on the completion of the deal and the second a year later. The following month, the *Sunday Times* named Ravi Ruia as the twelfth richest man in Britain with assets of £4.9 billion ($7.8 billion).[71]

It was a Sunday on 31 July, the completion day for the takeover. The value of the refinery's stock of crude oil and refined products on the previous Friday came to $916 million. Essar Energy funded this transaction from a $1.5-billion, three-year, secured revolving-credit facility with Bank of America, BNP Paribas, HSBC Bank, Lloyds TSB, Standard Chartered, and Düsseldorf-based WestLB AG. At the refinery, all Shell signs were replaced by the Essar Oil logo during the weekend.

At midnight on 31 July-1 August 2011, the top floor of the elegant, beige-coloured twenty-seven-story Shell Centre along the South Bank of the Thames in London was alight to facilitate the enactment of a historic ceremony. Jorma Ollila and Peter Voser, respectively the CEO and chairman of Shell, exchanged documents with their counterparts from Essar Energy Plc, Ravi Ruia, and Naresh Nayyar, thus completing the handover of the Stanlow refinery and the stock of crude oil and refined products. The senior executives and their aides clinked celebratory champagne glasses.

Simultaneously, 200 miles northwest of London, along the banks of River Mersey at the Stanlow site, manager Frank Willsdon lowered the Shell flag and raised the Essar banner. 'When our employees come in today [Monday], we wanted them to see and feel a different looking site and start to feel part of a new company,' explained Willsdon. 'For the site, it's quite a long time since we heard of any investment and growth opportunities. So, from the point of view of employees, it's a positive message.'[72]

The equity capital enabled CEO Nayyar to invest $100 million to modernize the works. And drawing on the experience gained in running the Vadinar refinery in India, he broadened the range of crude oil to be processed. Following the example of Ratan Tata, he retained the current managers. These measures shored up the morale of the 950 employees. Within a year of its takeover by Essar Energy, the Stanlow refinery yielded a pre-tax profit of £87 million ($138 million) during the six months ending 30 September 2012.[73]

In contrast, the Essar Group as a whole lost £186 million ($297 million) because of the problems encountered by its subsidiary, Essar Oil, in India. The Supreme Court ordered it to pay back taxes of $939 million to the state government of Gujarat. It also experienced delays in Delhi's approval of the exploitation of coal blocks for the building of power plants which, according to Nayyar, was 'hitting investor appetite', including 'debt providers and equity investors'.[74] That, in short, explained the 70 per cent fall in the price of Essar Energy shares since the company's launch at the LSE with much fanfare in April 2010.

Here was an instance where a financial link with India had proved a liability to a subsidiary whose parent company was registered in India. This was the obverse of what had happened in the case of the Tata Group, which had turned to Indian investors when the going got rough in the Western financial markets.

Whereas corporations such as Essar Energy, Tata Motors, and ArcelorMittal made headlines in Western and Indian media, small and medium-size Indian firms operating in Britain or North America remained below the popular radar. This was particularly true of such companies among the 180 that had invested in Britain's IT sector.[75]

Travails of Small Indian Firms

Irrespective of the size of an Indian firm, the key to its success lay with localization. 'The only way an India-based IT company can succeed in the UK or any other Western country is to get localized, to grasp the business and culture of a Western country,' said Manik Dey in Slough, a bustling town 20 miles (32 km) west of London. A mild-mannered, moon-faced, bespectacled man in his mid-forties, he was the CEO of Ontrack Systems (UK) Limited, a wholly owned subsidiary of the Kolkata-based Ontrack Systems Limited. 'There are three ways to achieve localization. Learn the business culture of a Western country yourself—which takes a long time. Or set up a joint venture with a British IT company. This requires much research and probing; and then you must know how to work profitably with your local partner. Another way is to hire white British IT engineers, hoping they will attract contracts. But in general, it is difficult to get a qualified white engineer or a technician to work for a small or medium-size Indian company. You have to pay them above-average salaries. And you will still need networking and/or effective marketing. Even then, it takes a couple of years to get established and turn a profit.' Some Indian IT companies, he added, employed only Indians. 'That is not a wise policy. You need a good mix of Indians and locals who can help to bring in business.'[76]

The experience of his parent company, Ontrack Systems Limited (OSL), was a case in point. It was established as a private limited company specializing in software development and e-commerce solutions in 1988 by B. Hari (aka, Hari Balasubramanian), an electronics engineer from Calcutta University, and S.V. Ramani, a commerce graduate from the same institution. Early on, they realized that Europe was the second largest software export destination for Indian software after the US. To gain the advantage that accrues to the trailblazer, they opened an office in central London in 1995 for their subsidiary Ontrack Systems (UK) Limited. But their unfamiliarity with the British business culture and the absence of any network proved to be the hurdles they could not overcome for the next two years. In 1998, they managed to enter into a joint venture with a small local firm in Holland. With the help of their Dutch partners, they gradually became accustomed to the European business culture, an essential step for future growth.

A decade earlier, the virtue of an Indian firm forming a joint venture with a Western company was realized by the directors of Infosys Technologies. It formed a joint venture with KSA, a consulting company in Atlanta, Georgia, in 1987 and called it KSA/Infosys. It solicited software projects while Infosys in Bangalore provided the personnel. In 1990, KSA/Infosys achieved sales of $3.24 million with a profit of $553,000. 'This joint venture allowed us to build credibility in a market where we were relative newcomers and gave us access to a number of opportunities we would not have otherwise had,' recalled S. Gopalakrishnan, an Infosys director, responsible for managing the relationship with KSA.[77]

In Kolkata, to overcome the problem of high turnover of their technical staff in a very competitive industry, Hari and Ramani turned OSL into a public limited company in September 2001. Once it was listed on the country's stock exchanges, they could offer employees stock options to retain their loyalty. They succeeded. The debilitating turnover of the technical staff dropped sharply and led to more efficiency and higher profits.

Thus assured, both professionally and financially, the founders resurrected their British subsidiary. Their first employee was Dey, then serving as the head of operations for an Indian software firm in Britain. He struck an innovative deal with PersonalMedical Limited, a firm founded in February 2002 by a doctor, Simon Wallace, and his two business partners. In exchange for a 50 per cent stake in PersonalMedical's equity, Ontrack Systems (UK) agreed to develop a software application that would encapsulate the entire health record of a person and allow it to be stored in a smart card or a floppy disc. This gave it a head start in software application services in the healthcare sector. 'It would provide OSL with additional revenues because of the long-term software development agreement between these companies,' predicted Ramani.[78]

While the British subsidiary's technical staff designed software solutions, the far larger staff at the product development centre in India did the follow-up at a minimal cost to the parent company. Countering the general downward trend in the software industry in the West that followed the bursting of the dot.com bubble in July 2000, Dey managed to secure contracts with some UK-based clients who had strong interests in the oil-rich region of West Asia. 'For the year ending in March 2002, the turnover for our company in Holland and Britain was less than €1 million,' said Dey. 'It went up to €3.6 million three years later and kept rising until the credit crunch of 2008-09.'[79]

Meanwhile, realizing the importance of supporting the Arabic language software development, Dey opened an OSL (UK) office in the Fujairah Free Trade Zone in the United Arab Emirates, rather than in the expensive cities of Dubai or Abu Dhabi. A firm believer in 'localization', he appointed a

UAE national as the general manager. In Britain, despite the extra effort and cost required to hire white British technical staff, he assembled a racially mixed team in his office.

In Kolkata, founders Hari and Ramani pursued the twin strategy of 'buy-and-build', that is, achieve organic and inorganic growth simultaneously. In 2005, they converted their Dutch joint venture, Ontrack Systems BV, into a wholly owned subsidiary. It soon became profitable.

When the business started to pick up from 2010, Dey hired more staff. By 2012, his office in Slough had forty employees, with the sales and operational chiefs being white British, compared to ten in the Bilthoven, Holland, office administered by a Dutch national. Though the European subsidiaries employed only 23 per cent of the total company staff of 220 in 2012, they generated more than 70 per cent of the revenue despite the fact that Ontrack's charges were often lower than those of its British competitors.

In the case of OSL, the healthy profits generated by the business in Europe enabled Hari and Ramani to make acquisitions in Australia and in the Silicon Valley, part of the San Francisco Bay area, in 2011.[80] The Silicon Valley had emerged as the unchallenged capital of hi-tech products (faster and faster silicon chips powering smaller and smaller microprocessors, the brains of computers) and services (from business-to-customer, business-to-business, and customer-to-customer), and management consultancy for raising the efficiency and profitability of an organization with a proper mix of hi-tech goods and services.

THREE

The Indian Diaspora in America's Valley of Fortune

THE CONTRIBUTIONS MADE by Indian immigrants in San Francisco Bay Area's Silicon Valley were of a different order from those in other regions of the United States, or Britain as a whole. The prospering Valley became a magnet for them from the late 1970s. The freshness of the hi-tech revolution in the Bay Area created a rising demand for qualified engineers. That was one factor. Another was the climate of the region, more akin to what is typical in India, except the annual monsoon season.

Much more important were the attitudes of the local white businesspersons and entrepreneurs. 'The Silicon Valley was more of an even playing field because it really just started in the '70s,' recalled Satjit Chahil, who rose through the ranks at Apple Computer Inc. (later Apple Inc.) in the late 1970s to become its vice president for worldwide marketing. 'The entrepreneurs were from the '60s and '70s—the flower children—and were much more open-minded. They didn't have so much of the racial bias that would keep Indians down [elsewhere].'[1] The founders and early employees of Apple Computer, for instance, were part of the Californian counterculture. While white company executives as a group were not recruiting Indian yoga teachers or sitar players, they had benign attitudes towards India and Indians.

This development occurred in the aftermath of the 1964 US immigration law. It discarded the principle of dividing the annual 3,00,000 immigrant quota for a foreign country according to the percentage of American citizens originating there in the 1920 census and replaced it with priority for those professions and trades in which America was deficient. That removed the measly quota of 100 for India in the pre-1964 era.[2]

By 2010, the Bay Area became home to about half of the 5,28,000 Indians in the state.[3] They played a critical role in advancing the ICT industry in the Santa Clara Valley, which came to acquire the title of the 'Silicon Valley'—after silicon used to produce semiconductors, the indispensable components of all electronic products. Their universally acclaimed achievements included the Pentium P5 microprocessor, with its unrivalled speed of computing, and Hotmail free mail service.

The communal profile of Indians in the San Francisco Bay Area stood out. The median income of an Indian household was $107,000 a year. Three-quarters of the adults had at least a bachelor's degree, three times the national average; and 70 per cent were in management or professional positions.[4] These settlers were part of the larger Indian diaspora in the United States, the richest ethnic group in the country in 2005. At $68,771, their annual median household income was almost 50 per cent higher than the national average.[5]

A study by Annalee Saxenian of the University of California, Berkeley, published as 'Silicon Valley's New Immigrant Entrepreneurs' in 1999, showed that by the mid-1990s, a third of the Valley's science and engineering workforce was foreign born. A quarter of its engineers—28,000—were Indian, with a majority holding post-graduate degrees. By the end of the decade, when the hi-tech boom neared its peak, 774 of the 11,443 companies in this sector founded over the past two decades had Indian CEOs.[6] As a group, they became the seminal element in tightening links between the economies of the globe's most prosperous nation and a developing country struggling to improve its derisory rate of economic expansion. In the process, they brought about two inter-related developments. They helped to accelerate the hi-tech revolution in the US and turned India into a leading hub of software products and services, which would be exported to Western destinations, to the tune of many billions of dollars. This provided a welcome departure from the traditional Indian exports of minerals and other raw materials and helped to boost the country's current trade account and ease the pressure on its currency's foreign exchange value.

Most of these engineers received their higher education at the Indian Institutes of Technology (IITs) and/or the Indian Institutes of Management

(IIMs), which offered an MBA degree at the end of two years. The first IIMs were founded in 1961 in Ahmedabad and Calcutta (later Kolkata) in collaboration with the Harvard Business School and the Sloan School of Management of the Massachusetts Institute of Technology (MIT) respectively. It was Narendra Patni, an MBA of the Sloan School of Management, whose company Data Conversion Inc., incorporated in Massachusetts in 1972, pioneered commercial off-shoring, starting with the encoding of data on paper or magnetic tape in India at low cost and transmitting it by telephone for printing in the US.

Scaling IIT Heights, a Herculean Task

The first Indian IIT in 1951 in Kharagpur, 120 miles (195 km) southwest of Kolkata, was nothing more than an upgrade of an earlier technical college. It was only after 1956 that the Indian government adopted a plan to establish new IITs throughout the republic. But, lacking enough foreign exchange to import expensive equipment and teaching staff, it approached the Paris-based United Nations Educational, Scientific and Cultural Organization (UNESCO) and friendly foreign governments for help. Once UNESCO agreed to assist by channelling the funds provided by the Soviet Union to pay for the equipment and experts in 1958, the work on building the second IIT at Powai, a suburb of Mumbai, started.[7] During his visit to Mumbai in 1960, Leonid Brezhnev, then head of state in the Soviet Union, planted a sapling at the Powai campus spread over 2.25 sq km (550 acres) with twenty-four departments, centres and schools, which would come to include IT and management. Speaking to students and staff of the Powai IIT half a century later, Russian President Dmitry Medvedev described his visit as 'rekindling an old relationship between India and Russia' dating back to the mid-1950s.[8] Three more IITs followed in as many years after 1958. Then there was a long hiatus, which was broken in 1994.

Admission to an IIT became the dream of every aspiring Indian high school senior student. The competition was so tough that only one of every thirty-four applicants to IIT Bombay gained entry. Since then, the competition has become even more intense. IIT aspirants and their parents realized that American corporations valued IIT graduates highly, and that being hired by one was a lifelong ticket for the graduate to an affluent existence not on offer anywhere else on the planet. It would catapult him from his existence in a congested apartment in a noisy neighbourhood of an Indian city to life in a light and bright two-bedroom bungalow with a garage and lawns in front and back in a quiet street in the San Francisco Bay Area, worth at least Rs 13 million ($ 260,000). Instead of using the overcrowded public transport or rickety taxis, he would drive Ford Fusion or Nissan Altima on sleek highways or well-maintained side streets. If unmarried, his value in the matrimonial market would shoot up. His parents were not day-dreaming. Their expectations were quite realistic as proved by statistics. Between 1955 and 2004, nearly 25,000 IIT graduates settled in America.[9]

The minimum age for entry to an IIT was seventeen, and the maximum twenty-five. It cost the successful candidate's parents about Rs 35,000 ($700) a year for room, board and tuition. That was less than one fifth of the actual expense, with the Indian government paying the rest. Little wonder that at the age of sixteen or so, students enrolled in a privately run coaching class where they were drilled for the IIT entrance test, consisting of math, physics and chemistry. The exam was incredibly demanding, and so was the four-year course leading to a Bachelor of Technology or Engineering degree. 'Put Harvard, MIT and Princeton together, and you begin to get an idea of the status of an IIT in India,' remarked Rebecca Leung, a presenter of *60 Minutes* on CBS News. 'It is dedicated to producing world-class chemical, electrical, and computer engineers with a curriculum that may be the most rigorous in the world.'[10]

In 2012, almost 5,20,000 high school seniors took the entrance exam. Just over 10,000 passed, less than 2 per cent. By contrast, Harvard admits about 10 per cent of its applicants. Acceptance by an IIT is strictly on merit. For example, even Rohan Murthy, son of Nagavara Ramarao Narayana Murthy[11]—a former CEO (1981-2002) of the Bengaluru-based software giant Infosys Technologies, known as the Bill Gates of India—failed to pass the IIT entrance test in 2003. Later, Cornell University in Ithaca, New York, accepted him, and he majored in computer science. 'I do know cases where [Indian] students who couldn't get into computer science at IITs, they have gotten scholarships at MIT, at Princeton, at Caltech,' noted Narayana Murthy.[12]

US corporate managements, particularly in the fast-growing hi-tech industry, were quick to note the pristine quality of IIT graduates and went on a recruitment drive. 'Microsoft, Intel, PCS [Personal Communication Service network], Sun Microsystems—you name it. I can't imagine a major area where Indian IIT engineers haven't played a leading role,' said Vinod Khosla, a thin, grey-haired, gaunt-faced partner at leading venture capital firm Kleiner, Perkins, Caufield and Byers in the Silicon Valley in 2003. 'They are favoured over almost anybody else. If you're a WASP [White Anglo-Saxon Protestant] walking in for a job, you wouldn't have as much pre-assigned credibility as you do if you're an engineer from an IIT.'[13]

The resulting exodus of IIT graduates—followed by that of IIM alumna—became a sore point in India. 'Some people would say we are like subsidizing factories, which produce largely for the higher end of the American employment market,' said E. M. Rahim, a Mumbai-based journalist. 'You don't have to be crudely nationalistic to raise this question. There's a demand here, and these guys are simply not available.'[14] India's brightest engineers, educated at great expense by the taxpayers of a poor, developing nation, were being exported to the globe's richest and most technologically advanced country.

Yet the Indian government had no means of staunching this outflow. It was required by the Supreme Court to issue a passport to its law-abiding citizen. That meant a qualified IIT or IIM graduate was free to leave the republic and work abroad. But, to their credit, most Indian expatriates in the US maintained close contacts with their families back home, sending them part of their earnings and investing in new houses and offices being built in Indian cities and satellite towns[15], and sometimes in non-governmental organizations (NGOs).

Another example of inter-dependence pertained to corporate financing. When, having purchased a prestigious Western company in a new or long-established industry with borrowed funds, an enterprising Indian corporation found itself unable to refinance its debt on time because of the credit crunch in the West, it invariably turned to investors in India to bail it out. And Indian investors came to its rescue without fail. This afforded Indian corporations a gold-plated alternative not available to their Western counterparts.

Slightly more than half of the software services India exported were bought by US companies, the total value being $67 billion in 2011.[16] These included ITES, also known as offshore IT, and BPO, wherein

Western companies outsourced call-centre operations, accounting, payroll processing and primary research, as well as data analysis and data mining.

Over time, other unforeseen advantages began accruing to the Indian economy as engineers, entrepreneurs, and company executives travelled back and forth, particularly between San Francisco and Bengaluru. A former British military cantonment city with a salubrious climate, Bengaluru was home to 1,700 software companies in 2005.

This was the end result of two parallel paths, one inside the Silicon Valley and the other outside, involving both the newly arrived hi-tech industry and traditional businesses. As the subsequent survey in this chapter will show, the Silicon Valley's Indian diaspora has proved a key resource for both the US and India, making irreplaceable contributions to America's hi-tech industry and exporting to the homeland much of the energy, creativity and experience that has made the Silicon Valley the world's shining technology star. The outstanding examples in the traditional category are Indra Nooyi at PepsiCo, Ajay Banga at MasterCard, and Rajat Gupta, who set a record by becoming the first India-born executive to head the New York-based McKinsey & Company, a multinational consultancy company, in 1994.

Cross Fertilization

All these high flyers had one thing in common: they possessed a Master's degree in business administration either from an IIM in India or a reputed American university. That is, they were imbued with the business culture of the United States.

Rajat Gupta, for example, was a graduate of IIT Delhi with an MBA from Harvard Business School. He joined McKinsey & Company in New York in 1973, served as head of the firm's branch in Stockholm eight years later. After being promoted to a senior partner in 1984, he was appointed chief of the Chicago office in 1990. Realizing the opportunities that India's 1991 economic liberalization offered, he urged the directors to open an office there. They did so in 1993. It thrived because it had the advantage of being the trailblazer. Nine years later, he was elected the managing director for three years and re-elected twice. Under his leadership, the company doubled its workforce, which operated in forty countries. But, as a director of Goldman Sachs investment bank from 2006-10, he let his greed fog his judgement. He fell off the narrow perch of sterling American business ethics. He conveyed boardroom secrets to a billionaire hedge fund owner, Raj Rajaratnam. He was found guilty of securities fraud and conspiracy and sentenced to two years in jail in October 2012—thereby setting another record.[17]

By comparison, the rise of Ajay Banga (aka, Ajaypal Singh Banga), a bearded and turbaned Sikh, was slow and unglamorous. Having obtained an MBA from IIM Ahmedabad, associated with Harvard Business School, he joined Nestlé USA, worked there until 1994, and moved to PepsiCo's restaurant division before joining Citigroup in1996. There he became head of the US consumer assets division in 2000, then CEO of the global consumer group five years later before being promoted to CEO Asia/Pacific in 2008. Two years later came his big break. MasterCard's board of directors appointed him the company's president and CEO.

Far more striking was the example of an Indian woman, resplendent in her colourful saris, reaching the pinnacle of an American multinational which is a household word in 200 countries. In October 2006, Indra Nooyi, with an MBA from IIM Kolkata and a Master's degree in public and private management from Yale School of Management (1980), became the CEO of PepsiCo, the globe's second largest food and beverages' corporation with 1,85,000 employees. She had joined the corporation in 1994 after working for a consulting firm for seven years and subsequently Motorola, and she was promoted to chief financial officer in 2001. 'PepsiCo did not have a woman in the senior ranks, nor a foreign-born person who was willing to think differently,' she explained later.[18] More specifically, she permeated PepsiCo with a strategic vision which its management had lacked before. After she was appointed chairperson of PepsiCo in 2007, the *Forbes* magazine ranked her the third most powerful woman in the world the following year. 'It was overwhelming, honestly,' she told Simon Hobbs of CNBC TV. 'Incredible privilege and incredible responsibility. I realized I was going from a quasi-private person to a completely public figure. People build you up too fast and they have to realize that I'm [only] human.'[19]

She maintained her position as the most powerful businesswoman of America in *Fortune's* list from 2006 to 2010. She retained her ties with India, whose government bestowed the country's third highest award, the Padma Bhushan (Hindi for 'lotus ornament'), on her in 2007. Two years later, she held PepsiCo's board meeting in Mumbai, the second such gathering outside the US, pointing out that India was one of the corporation's top three markets. 'We want to show them [the other directors] the glory of India and the issues in India so that we [can] propose solutions,' she said. 'You cannot just import Western solutions to India. You have to crack solutions, which are right for India, right for its people and right for its farmers.'[20] In 2012, *Forbes* included her among the globe's 10 most powerful women, one rank behind Sonia Gandhi, president of the ruling United Progressive Alliance in India.

Vinod Khosla had such outstanding personalities in mind when he pointed out that 'some of these people who have reached the higher echelons in the corporate world in the US, they have persuaded their corporations to start operations in India, whether it's Texas Instruments, whether it's General Electric, whether it's Citibank.'[21]

An innovator and entrepreneur at heart, Khosla capped his IIT undergraduate degree in electrical engineering in Delhi and a Master's degree in biomedical engineering from Carnegie-Mellon University, Pittsburgh, with an MBA from Stanford University, the Silicon Valley's creative hub, in 1980. After briefly working for an electronic design automation company Daisy System, he co-founded Sun (the acronym for the Stanford University Network) Microsystems along with three of his Stanford classmates in 1982. It was funded by a board member of venture capital firm Kleiner Perkins Caufield & Byers (henceforth, KPCB), founded a decade earlier. As Sun Microsystems' first CEO and chairman, Khosla pioneered open systems and processors based on reduced instruction-set computing (RISC) architecture for microprocessors. That was a giant step in simplifying computing and leading to the evolution of a desktop computer for hundreds of millions of individuals worldwide.

Other Indian innovators followed. Cirrus Logic, established by Suhas Patil in 1984, became the leading supplier of personal computer graphic chips, audio converters and chips for magnetic storage products. Brocade Communications Systems, co-founded by Kumar Malavalli in 1995, emerged as the leader in storage area switching, thus setting the scene for broadband communication. And the twenty-eight-year-old Sabeer Bhatia, along with Jack Smith, inaugurated Hotmail, the globe's first free email service, on the American Independence Day in 1996.

Behind these successes lay such groundbreaking contributions to technological innovation as the Ethernet, Pentium micro-processing chip, and the truly revolutionary fiber optics. In each of these, Indian scientists and engineers played a central role. Kanwal Rekhi, a co-founder and CEO of the San Jose-based Exclean Inc. in 1982, pioneered Ethernet networking technology, one of the basic building blocks of the Internet. While working for Intel Corporation, Vinod Dham invented the Pentium P5 microprocessor in March 1993. It became the largest selling processor.[22]

The arrival of fiber optics in the communication industry heralded a new era. For this, most credit needed to be given to Narinder Singh Kapany (b. 1926), an Indian physicist. He conducted the first successful experiment in 1954 at the Imperial College, London, where he obtained his doctorate a year later. He then migrated to the US, where he founded Optics Technology Inc. in 1960, the year when in his *Scientific American* article, the term 'fiber optics' appeared for the first time. The replacement of copper with fiber optics in telephone cables speeded up telecomm traffic, with instant transmission of words and images becoming commonplace.

Following the example of Khosla, who left Sun Microsystems to become a partner in KPCB in 1986, many of these innovators and entrepreneurs opted for the role of venture capitalists, investing in and supporting a new generation of start-up companies.[23]

The Hi-tech Boom

As the dot.com boom accelerated in the US and elsewhere in the Western world from 1996 onwards, the number of Indian millionaires in the Silicon Valley blossomed like wild flowers in what the people of Indian origin (PIO) fondly christened the Valley of Fortune.

Earlier, realizing the absence of venture capitalists and entrepreneurial drive among qualified engineers in India, Khosla and other successful entrepreneurs, corporate executives, and senior professionals originating in South Asia set up The IndUS Entrepreneurs (TiE), a non-profit organization, in San Jose soon after Delhi launched its New Economic Policy in July 1991. Its aim was to foster entrepreneurship globally through mentoring, networking, and education, with special focus on the Indian subcontinent. By the late 1990s, it was an important part of the Bay Area's Indian network, which included the Silicon Valley Indian Professionals Association and the Indian Women's Business Association. 'The mentor relationship can help a firm survive and avoid drastic mistakes,' remarked Havani Kola, who built up her Media Kola from scratch with the assistance of her business contacts, in 1997. 'I called many [Indian] CEOs when I reached a dilemma, and most were generous with their time.'[24] During the next two decades, TiE acquired 15,000 members, including 2,500 charter members, across seventeen countries. The largest contingent outside America was in India, supported by active links to the mother ship, TiE Global, in Santa Clara.[25]

During this period, another phenomenon had come into play, namely, the cycling of knowledge in the hi-tech sector between America and India. By then, such US megacorporations as Cisco, Google, Intel, and Oracle filled top levels of their locally recruited staff in India, often engaged in research and development in Bengaluru, with their Silicon Valley employees of Indian origin. The India offices of such Bay Area companies as IDG Ventures and Sequoia Capital, founded in 1972, were also led by the returnees, who got along famously with their local partners. Together, taking into account India's huge market with mainly low-income consumers, they strived to develop their specific brand of innovation, based on effective but low-cost services and technology.

Whereas Sequoia Capital, with the track record of funding Apple, Google, YouTube and LinkedIn, started operating in India from 2002, the comparatively small IDG Ventures, formed in 1998, opened for business in Bengaluru and Mumbai four years later. Since then, demand for venture capital has shot up. During the first half of 2012, venture capital firms invested more than $787 million in 90 companies.[26] Companies such as Sequoia Capital, IDG Ventures and Silicon Valley Bank lend not only capital but also their experience, networking and hands-on support. Among those Indian firms that have benefited from this pool are the country's first consumer internet company, Naukri.com, its version of Expedia (MakeMyTrip.com), and Café Coffee Day, the local answer to Starbucks.

Little wonder that the San Francisco-Bengaluru flight, started by Lufthansa in 2001—dubbed 'Bangalore Express'—has always run to full capacity as entrepreneurs, employees and investors travel back and forth. It became one of Lufthansa's most heavily trafficked routes and its second largest long-haul market. These hi-tech businessmen (women being rarities), often in jeans and sweatshirts, travelled business class and gathered at the galleys for drinks during the eleven-hour flight from San Francisco to Frankfurt. 'They switch seats to get closer to people they want to talk to,' reported Mehul Srivastave of the *Businessweek*. 'Entrepreneurs stalk venture capitalists, salesmen scope out new clients, and CEOs get bombarded with business cards.'[27]

Whereas Indian engineers and entrepreneurs had notched up a fairly impressive list of highly publicized successes in the hi-tech industry, they had inevitably met with many more failures which seldom grabbed headlines. Khosla, the most successful and best known of the lot, who went on to establish his own venture capital company, Khosla Ventures, in 2004, was a good example. During his eighteen years with KPCB, he was instrumental in several successful ventures. Among these, NexGen, Juniper Networks and Cerent were best known. After NexGen had recruited the legendary Dham, it was bought by Advanced Micro Devices (ADM) in October 1995, which enabled ADM to provide credible competition to Intel's Pentium microprocessor. Juniper Networks curtailed Cisco's dominance in the router market, and Cerent transformed the moribund telecom business and its archaic synchronous optical network (SONET). Equally, Khosla had a string of stinking failures. These included Asera, BroadBand Office, Dynabook, Excite, @Home Network and Zambeel. But, when asked at a meeting of young Indian entrepreneurs in Bengaluru in 2011 whether he ever feared failure, he replied: 'Freedom to fail is a key ingredient in success. Try and fail, but do not fail to try.'[28]

Khosla's bullish tone stemmed from the fact that he had amassed a personal fortune of tens of millions of dollars. That enabled him to consider seriously sponsoring a mix of 'for profit' and 'for social impact' ventures as well as finance a few daring science experiments. 'Any sufficiently advanced technology is indistinguishable from magic,' he said, recycling a quote from the late science fiction writer Arthur C. Clarke, author among others of *2001: A Space Odyssey*. 'You can't tell what's crazy and so we encourage crazy. I often suspend disbelief and listen to a story that sounds crazy and impossible.'[29] That was why he funded Khosla Ventures entirely with his own capital. It was five years later that he took on Pierre Lamond as a partner. By then, he was fully committed to help green energy start-ups along with IT ones.

In May 2010, Khosla Ventures made international headlines when, having raised $1.3 billion capital so far, it hired Tony Blair, former British prime minister, as an adviser on an undisclosed retainer, to offer strategic advice on investments in environmentally friendly or helpful IT technologies. 'Understanding local and global politics is now important for us, techie nerds,' he said in uncharacteristic self-deprecation. 'This is where our relationship with Tony Blair can really help us. He understands far better than I ever will the political and geopolitical forces as well as organizational behaviour and social behaviour and change.'[30] In another high-profile move, Khosla Ventures added former US Secretary of State Condoleezza Rice and her consulting firm, RiceHadleyGates, as strategic advisers in December 2012 to help its portfolio companies 'navigate government and regulatory concerns abroad', particularly in the alternative-energy industry.[31]

Whereas Khosla combined his technical prowess with a flair for enterprise and risk-taking, the white-haired Dr Bala S. Manian (born, Bala Subramanian), had the distinction of marrying his innate entrepreneurship with expertise in science which covered optics, computer vision and bioinformatics. Over a period of three decades, he set up a string of life sciences and medical technology companies single-handedly in the Silicon Valley and then sold them at high premiums to large US corporations. His age (born in 1946), and the wearing of spectacles with one lens blackened to hide his missing eye, made him stand out physically. With characteristic clarity, he summed up his long, successful career thus: 'I am a scientist, entrepreneur, venture capital investor, still trying to figure out what drives me.'[32] He was truly a man of many parts whose multiple forays in various aspects of science, technology and business had flowered without exception. He was also a man with a social conscience.

A leading expert in the design of electro-optical systems, he held more than thirty patents, many of which had been put to commercial use. In 1999, the Academy of Motion Picture Arts and Sciences gave him a Technical Academy Award for advancing digital cinematography. He became a venture capitalist and turned his attention to India in 2002. By the end of that decade, along with his role as a venture capitalist and chairperson of the investment committee of India Innovation Fund, he served as a science and business adviser to entrepreneurial firms in America and India, including Galileo Labs, Biocon India, and ICICI Knowledge Park.

After an undergraduate degree in physics from Madras University and post-graduate diploma in instrumentation from IIT Madras (now Chennai), Manian obtained a Master's degree in applied optics from Rochester University, followed by a doctorate in mechanical engineering from Purdue University, Lafayette, Indiana. He worked as a research academic at Rochester University for four years. He moved to the Silicon Valley in 1980. There he founded Digital Optics Corporation, an optical instrumentation and systems development company, which developed the first three-colour laser, film reader/writer system that enabled filmmakers to insert or merge special effects into movies using computerized digital imaging. After selling this company in 1984 to Matrix Corporation, he founded Lumisys and Molecular Dynamics in 1987. Five years after Lumisys went public, it was swallowed up by Eastman Kodak. In 1991, he established Biometric Imaging Inc. to produce cellular analysis instruments in 1991 and sold it to Becton Dickinson, a $3 billion medical device and diagnostic company, eight years later. After Molecular Dynamics went public in 1993, it was acquired by the multinational Amersham Biosciences Corporation in 1998.

'I have a Ph.D. in mechanical engineering but dare not call myself a mechanical engineer,' he said, tongue-in-cheek, in 2011. 'I am a life science entrepreneur with no formal life science education. I have built many successful ventures in California, but I am still trying to get my bearings as an entrepreneur in India.'[33]

His survey of conditions in India led him to set up ReaMetrix, a biotechnological firm, in San Carlos, Silicon Valley, and Bengaluru to provide basic research and assay development services to biotechnology and pharmaceutical companies with the aim of producing affordable solutions for developing nations. He commuted between San Francisco and Bengaluru every six weeks.

In December 2005, ReaMetrix in Bengaluru, laced with a team of Indian returnees, developed a low-cost kit for testing HIV. But it was not until July 2009 that the Food and Drug Administration in the US cleared Dry Tri-T STAT, an HIV detection and management product. It is replacing the present liquid-based alternatives in HIV detection kits dependent on the costly and complex cold chain storage and drastically reducing the expense.

A Roller Coaster Path to the Billionaires' Club

Whereas the careers of Manian and Khosla followed a fairly smooth rising trajectory, the case of Romesh Wadhwani—a tall slim man with sharp features and an intense gaze—provided a contrast. His is a compelling tale. His career, topped with a prestigious trusteeship of the John F. Kennedy Centre for the Performing Arts in New York in 2012, included a dizzying financial crest and a deep dungeon.

Wadhwani earned a Master's degree and a doctorate in electrical engineering from Carnegie-Mellon University, Pittsburgh, after an undergraduate degree in electrical engineering from IIT Bombay in 1968. His entrepreneurial disposition led him to co-found Compuguard Corp in Pittsburgh to market computerized controls for air conditioning, heating and elevators in commercial buildings. The firm prospered. After he had sold it in 1981, he was invited to head American Robot, a privately owned company specializing in robotics and vision technology. In 1987, he changed its name to American Cimflex Corporation (CIM being the acronym of computer-integrated manufacturing) to reflect its diversification into computerizing tasks performed by white collar staff. These included monitoring production schedules, inventory control and procurement of raw materials and components. Two years later, he merged his company with the Palo Alto-based Teknowledge, a pioneering firm in artificial intelligence and expert systems, and became the CEO of the combined entity.

Working in the Silicon Valley's vibrant, innovative environment, Wadhwani came up with the idea of developing software which would enable a company to track its internal expenditure and inventory pattern, thereby optimizing its production and lowering its costs. He set up Aspects Developments Inc. in 1991. Funded by Sequoia Capital, he succeeded. When he turned his private firm into a public company in May 1996, its market capitalization was about $50 million. But he built up its database so rapidly that it contained 17 million items and components by early 2000. That put his company's shares on steroids. Its market capitalization zoomed to nearly $9 billion, a 180-fold increase in four years!

Still, this statistic was only about a third of what Dallas-based i2 Technologies, a provider of business-to-business (B2B) and business-to-consumer (B2C) software, was then worth. Sanjiv Sidhu, the co-founder of i2 Technologies, was ten years younger than Wadhwani. The son of a research chemist, he acquired a chemical engineering degree from Osmania University, Hyderabad, before earning a Master's degree in chemical engineering from Oklahoma State University in 1982 and then completing a post-graduate course in systems and control engineering at Case Western Reserve University in Cleveland. While working for Texas Instruments' artificial intelligence lab in Dallas, he realized that it was impossible for even the most intelligent person to make optimum decisions in which the number of variables exceeded nine. He therefore suggested that the lab should integrate artificial intelligence principles and advanced process modelling to create a computerized model of real business situations to make more efficient and intelligent decisions. When his superiors rejected his proposal, he resigned.

He struck out on his own. What he went on to accomplish was nothing less than a marvel. Working in his apartment along with Ken Sharma, his former colleague at the lab, Sidhu, a bearded, brusque genius, toiled on his idea while living on the salary of his wife Lekha. He succeeded. i2 Technologies Inc. he had founded in 1988 came up with the software that optimized production schedules. He then went on to develop software called TradeMatrix, which became the cornerstone of B2B exchanges and electronic marketplaces. He shunned venture capitalists. 'It took less effort to sell $3 million of software than to negotiate $3 million in venture capital,' he quipped.[34] He showed that the Silicon Valley, home to such mega IT corporations as Apple, Cicso, Google, Intel and Yahoo along Highways 101 and 280, did not have a monopoly on innovation or entrepreneurialism.

When i2 Technologies went public in April 1996, its market value was little over $50 million. Between then and March 2000—the peak of the dot.com boom—when the i2 Technologies share price rocketed to $220, the market capitalization of the company touched a stratospheric $26.3 billion, the second highest in Texas, home to such giant oil corporations as ExxonMobile. With his net worth at $6.5 billion, Sidhu became the richest person of Indian origin in the world. He was named the non-resident Indian (NRI) of 2000 by the government in Delhi.

It was then that Wadhwani agreed to sell his Aspect Developments for $9.3 billion to i2 Technologies in an all-share deal. The combined software of the two corporations enabled business partners and suppliers to do online transactions with access to more than 17 million items and components. That pushed the net worth of Wadhwani, now vice-chairman of the enlarged corporation, to $1.5 billion. He set up the $100 million Wadhwani Foundation in Bengaluru to encourage entrepreneurship in India.

By March 2000, the hi-tech industry was grossly overvalued, with even the shares of loss-making companies fetching high prices. But such a phenomenon had parallels in the past. When a new technology arrived in the US, which enlarged the size of the market, investors rushed to buy shares in the new firms, pushing up prices. For instance, with the onset of railways in America, the railroad companies and their suppliers flourished, with their share values rocketing. As the industry became crowded, only the fittest survived. But even their share prices crashed to earth. The same happened when broadcasting was introduced. Radio broadcasts turned all of America into a single market. The shares of the mushrooming radio companies became overpriced until the bubble burst. With the fairly recent information and communication technology extending the market beyond the shores of America and providing innovative ways of improving productivity in factories and offices, the thirst of the investors to benefit from this bonanza seemed unquenchable. Very few, if any, realized that a reality check would follow inexorably. And it did.

The grossly overvalued, hi-tech-heavy NASDAQ in New York, which surpassed 5,000 in mid-March 2000, went into a tailspin from July onwards. At the end of March 2001, devoid of all its fizz, i2 shares plunged to an all-time low of $20. Wadhwani's net worth shrivelled to $250 million and Sidhu's to $887 million. Whereas Sidhu chugged along at i2 Technologies, Wadhwani left to found a private equity (PE) firm, Symphony Technology, in January 2002. He deployed his own funds to form, acquire, or build nine B2B software development or market research firms. He refrained from borrowing heavily to fund his acquisitions. 'Financial engineering is not our game,' he declared sagely in 2009.[35]

By 2010, when i2 Technologies was taken over by the Cleveland-based JDA Software Group, the worldwide companies owned by Wadhwani's Symphony Technology Group had an annual turnover of $2 billion. Two years later, when he and his family were ensconced in a 13,000 sq ft pink mansion, built in the Venetian-Rajasthani style with floors and columns of Italian marble in ritzy Los Altos Hills, *Forbes* put his net worth at $1.9 billion.[36] He thus rejoined the billionaire's club a little less than a decade after losing his place there. Like Bill Clinton in US politics, he proved to be a 'comeback kid'.

The Wadhwani Foundation had proved its social and economic value. By 2010, it had forged successful partnerships with like-minded individuals, organizations, corporations, and governments, often serving as an incubator for new policies and programmes, to help economic expansion in India and other emerging economies. After establishing the Wadhwani Centre for Entrepreneurship Development at the Indian School of Business, Hyderabad (2001), it set up the National Entrepreneurship Network (NEN) in 2003. During the next seven years, the NEN, with its focus on helping Indians to start companies, included 600 academic institutions, 1,200 faculty members, 80,000 students, and nearly 2,00,000 registered members at www.nenonline.org.[37]

Whereas the likes of Khosla, Manian, Wadhwani and Sidhu hogged the media limelight for their outstanding achievements, there were hundreds of other Indian immigrants who had been winners of lesser import. Among them were Ashok Trivedi (b. 1949) and Sunil Wadhwani (b. 1953).

Nabobs of Networking

In the mid-1990s, the Indian hi-tech corporation outside the Valley of Fortune that made a mark nationwide was the Pittsburgh-based Mastech Systems Corporation, a global provider of high-value IT services and solutions since 1986. Compared to the average of 25 per cent growth for large IT corporations in the mid-1990s, it expanded at twice that rate. It proved to be a Porsche among Bentleys and Jaguars.

Its co-founders were Sunil Wadhwani and Ashok Trivedi. Wadhwani, a bespectacled, mustached man with a receding hairline, earned a Master's degree in industrial administration from Carnegie Mellon University (1978) after a Bachelor's degree from IIT Madras. He founded Uro-Valve Inc., a medical-device-manufacturing firm, in 1981. And Trivedi, a small-eyed, square-jawed man with a determined look, acquired an MBA from Ohio University in 1976 after a post-graduate degree in physics from Delhi University. For the next ten years, he toiled at the headquarters of

Unisys Corporation in Blue Bell, Pennsylvania, 20 miles (32 km) north of Philadelphia, as a software specialist, marketing manager, and product manager. During this period, he attended the Owner and President Management Programme at the Harvard Business School.

Longtime friends, they would exchange business gossip over tankards of beer at a Pittsburgh bar. During one such session in early 1986, Trivedi lamented how his company was trying to shove bulky mainframe computers down the throats of clients who really needed networked personal computers (PCs). Wadhwani would recount similar complaints from fellow graduate business students at Carnegie Mellon University. They considered the idea of doing something positive to set up their own firm. 'The more we drank, the better the ideas got,' Wadhwani would later tell the reporter of the New York-based *Inc*. business magazine.[38]

But when they presented their $350,000 unconventional business plan—telemarketing software-development and support programmes without setting up local offices in the areas they wished to serve—the bank managers turned them down. So they ended up capitalizing Mastech Systems Corp—a PC-networking-and-services business—with $100,000 by pooling their own savings and tapping their credit cards. They operated from a 10 by 10 feet room in Wadhwani's apartment in a Pittsburgh suburb, playing boss, secretary, and typist to each other.

At $244,000, the firm's turnover in 1987 was modest. But its PC-networking business model held great promise, and the company had low overheads. When sales exceeded $20 million in 1992, Mastech earned the thirty-first place on *Inc.* magazine's list of the 500 fastest-growing companies in the US, titled 'Inc. 500'. The smiling founders held high the Mastech emblem. Their firm retained a place on 'Inc. 500' every year, except one—until 1996, when it went public on the back of an annual turnover of $123 million. Its $15 share opened at NASDAQ in December at 14 per cent premium. It became one of the few IT companies listed on NASDAQ which had never borrowed venture capital—a fact its founders often trumpeted since it defied the well-trodden path of IT companies.

By 1996, it had opened a software development centre in Bengaluru, being one of the earliest US companies to do so, as well as offices in San Francisco, Washington, Toronto, London and Singapore. Of its 1,600 employees, less than 10 per cent worked in the Pittsburgh area. Yet, as

Wadhwani admitted in 1997, 'It is a handicap not being in the Silicon Valley. The biggest challenge for a firm like ours is finding top quality managers.'[39]

Still, with improved cash flow resulting from the listing on NASDAQ, Mastech accelerated its already high octane performance. 'Upstart Mastech has carved out a chunk of the market against bigger rivals by offering a wide range of services and some of the lowest costs in the business,' reported *Businessweek* Online on 31 May 1999. 'The result is sales growth averaging 56 per cent a year since 1995 to $390.9 million in 1998. That landed Mastech at No. 79 on our Hot Growth list.' It led the magazine to honour Wadhwani and Trivedi as the 'Nabobs of Networking'.[40] The company's 6,000 employees were spread globally from Japan to California via Australia and West Asia in thirty-two locations, serving more than 900 clients. Yet the founders stuck to their initial policy of shunning the showcase offices and large workforce of big IT competitors. 'Linking its three software development offices in India to the 400 people at the headquarters outside Pittsburgh [in Oakdale] lets technicians work on a project virtually around the clock,' noted *Businessweek* Online.

Trivedi attributed his company's meteoric rise to two main reasons. 'We got global faster than most others companies [by establishing a subsidiary in Bengaluru in 1993], and we developed services faster than many other companies,' he told Rediffusion.com, an Indian news agency, in October 1998. 'We follow technology very closely and find ways of helping our clients to derive competitive advantage from that. That is what clients want ... They say, "How can you help me use technology so that I, General Electric, General Motors, IBM or Johnson & Johnson can help myself to become more competitive?" That is what we do, help them.'[41]

Long before Nooyi came up with outside-of-the-American-box ideas to boost the reach and revenue of PepsiCo, Trivedi deployed his non-American background to grasp the cultural and economic mores that differentiated non-Western countries from America and amalgamated that perception with a resolve to maintain the best US business practices and Mastech's company values. That was the key to the firm's galloping success in such diverse countries and regions as South Africa, Malaysia, the Philippines, West Asia, India, Bulgaria and Japan. That was basically what won Trivedi plaudits from the audit and consulting firm Ernst & Young, *Inc*. magazine, the Pittsburgh Venture Capital Association, and the American Society of Engineers of Indian Origin.

Mastech's revenue topped $492 million in 1999. On 7 March 2000, at the zenith of the dot.com bonanza, the founders changed the name of their company to iGate Capital Corporation. They announced that iGate Capital will consist of five units of existing Mastech and four new companies, each specializing in a particular area of e-services such as teaching clients how to rebuild an Internet business designed for 56-K modem access into a broadband revenue earner and helping corporations install wireless capabilities for their communications equipment. This turned iGate Capital into an Internet incubator rather than as an IT services company and led to higher valuation of its stocks, which were already at $50-plus. Overnight iGate shares opened 25 per cent higher. In retrospect, this proved to be the crest of the founders' achievement.

During the next year, the corporation expanded rapidly, running thirty-four offices in sixteen countries with over 7,000 employees. In March 2002, the founders changed the name to iGate Corporation and moved the principal executive office to Fremont in the heart of the Silicon Valley to be able to recruit top quality managers. By then Fremont, home to almost 2,10,000 people, had become a popular destination for many expatriate Indians. Numbering about 39,000, they were the second largest ethnic group after white Americans. They were settled in that part of California where the median household income was almost 50 per cent higher than the national average of $49,800, according to the census of 2010.[42] For them, Fremont was 'home away from home'. It had three Hindu temples and one for Sikhs. On any day of the week, five of the six screens of the multiplex at 39160 Paseo Padre Parkway showed movies in Hindi, Tamil and Telugu.[43] And its seven Indian restaurants served a variety of the sub-continental cuisine. Undoubtedly, newcomers Wadhwani and Trivedi found Fremont very congenial socially and culturally.

But neither the relocation of the executive office nor the name change made iGate immune to the downward spiral in which the IT industry found itself when the dot.com tide went into an ignominious retreat. By the end of 2002, the iGate share collapsed to a derisory $3, with annual sales squeezed down to $293 million and earnings per share a puny 12 cents. The turnover of $288 million in the following year reflected the continued stalemate.

Faced with the crashing winds of the American market, Wadhwani and Trivedi sought a safe harbour in their home base of Bengaluru where they had founded a wholly owned subsidiary iGate Global Solutions Ltd. It was a move that the prestigious Tata Motors would follow later when the credit lines from the Western banks dried up. As Fremont-based IT entrepreneurs, the duo had noted with a mixture of admiration and envy the stellar performance of Phaneesh Murthy, the global sales chief and company director of Infosys Technologies.

A robustly built, square-jawed, bespectacled man with a trimmed moustache, Phaneesh Murthy was a high flyer. After capping his mechanical engineering degree from IIT Madras with an MBA from IIM Ahmedabad in 1987, he joined Sonata Software in Bengaluru to handle product management. His brilliant performance there drew the attention of N.R. Narayana Murthy, the CEO of the 11-year-old Infosys Technologies, whose annual revenue at $2 million had hit the buffers. After joining Infosys, Phaneesh Murthy argued that the only way the company could grow was by focusing on foreign sales, particularly in the US. He thus displayed a rare combination of talents, having earlier made his name as a top quality software programmer by designing India's first enterprise resource planning (ERP) software, which integrated all data and planning of an organization into a unified system. Accepting Murthy's strategy, the Infosys management set up the company's worldwide sales and marketing headquarters in 1995 in Fremont under him.

It was a smart move. Infosys's rising presence in the international market helped its directors to make it the first Indian company to be listed on NASDAQ in March 1999. The exponential rise in its American sales lifted its aggregate revenue to $700 million by 2002. It gained entry into the NASDAQ100 index in December 2006, an event which Murthy failed to celebrate.[44]

For, in June 2002, Murthy stepped down as the global sales chief and company director to defend in court the allegations of sexual harassment, stalking, and wrongful dismissal by Reka Maximovitch, a Bulgarian-American who served as his secretary for fourteen months starting October 1999. A pretty, lithe woman of twenty-seven, she alleged that she was pressured by Murthy, a married man, to have sex with him. Fearing the loss of her job, she capitulated and slept with him once. Regretting this lapse, she failed to turn up in the office the next day. She returned only after Murthy had assured her of putting their relationship on a 'professional footing'. This lasted for a while. Pressured again, she resumed an intermittent sexual relationship with him until December 2000. When she refused to return to work after that, she was dismissed by Infosys. But that was not the end. Murthy started phoning her at home and her new employer's office. To stop him, she obtained two restraining orders against him between January and June 2001, the first of which he breached. Finally, she filed a court case against Murthy in Oakland in December 2001.[45] Though the breach of the restraining order, unknown to the Infosys's board, shocked its members, it did not abandon Murthy after his resignation. It made an out-of-court settlement with Maximovitch almost a year later for $3 million.[46] Following Murthy's departure, the company's share price had dipped by nearly 7 per cent.

After leaving Infosys, Murthy teamed up with his wife Jaya to do a few consulting jobs before returning to Bengaluru. He founded Quintant Services, India's first BPO company in January 2003. Wadhwani and Trivedi contrived to recruit him by acquiring a majority stake in Quintant Services for $19 million through their Bengaluru-based subsidiary iGate Global Solutions Ltd in July. They appointed him the CEO of their subsidiary.

They also sought Murthy's overall assessment of iGate. He told them that, with half of the corporation's revenue derived from providing staffing to its clients, their business model was flawed. But there was no quick-fix solution for ending the woes of the parent company. The inescapable fact was that the hi-tech industry did not have a neutral gear. It was either on its way down, to become an easy target for a takeover by a leviathan of the industry, or up, as a rising star.

The only way Wadhwani and Trivedi could keep iGate solvent was to start selling their overseas subsidiaries. In 2004, they disposed of their subsidiaries in Australia and Britain for $10 million, followed by the disposal of their Canadian subsidiary for $11 million the next year. In contrast, their iGate Global Solutions in India, run by Murthy, focused on gaining outsourcing contracts from foreign corporations, steamed ahead. It helped the parent company improve its annual turnover from 2005 onwards until 2007 when it inched up to $307 million.[47]

The next year came the banking crash in the Western world. Share prices nosedived. Corporate managers reduced their investments to the barest minimum. Having strived hard and succeeded brilliantly until the early 2000s, Wadhwani—now a member of the board of the Information Technology Association of America—and Trivedi, together owning almost half of iGate shares, considered it wise to pass on the baton to the younger and more energetic Murthy. In April 2008, Wadhwani stepped down as iGate's CEO and Trivedi as its president. Murthy took over as the CEO based at the company's principal executive office in Fremont.

Within a few years, Murthy would merge iGate with Patni Computer Systems Limited (PCS), the second oldest IT consulting and services company of India, which claimed to have pioneered the concept of off-shoring. What would distinguish the buyout of PCS listed on the New York Stock Exchange (NYSE) was the involvement of private equity funds. That broke the pattern of the banks being the sole financiers of such acquisitions.

As a rule, private equity firms focus on industries with high growth potential such as IT businesses. By the same token, they are not much interested in traditional industries like steel and aluminium. Hence the funding for Tata Steel UK's acquisition of the Corus Group came from banks. In the case of iGate, the London-based Apax Partners, the seventh largest private equity in the world, funnelled money into the takeover of Patni Computer Systems through its Australia-based Viscaria Proprietary Ltd fund. To add a further distinctive element to this landmark deal, a vice president of General Electric Company, the sixth largest corporation of America by revenue, played a subtle, but effective, backdoor role in swinging the end result in iGate's favour. These elements made iGate's acquisition of Patni Computer Systems the most multi-faceted example of globalization of capital in the early twenty-first century.

A Ground-breaking Fremont-Mumbai Bonding

Though iGate Global Solutions continued to garner more outsourcing contracts, its gains were insufficient to counter the shrinkage in the parent company's business. As a result, revenue in 2009 sank to the record low of $193 million, a fraction of the figure for Mastech a decade earlier. The next year, however, Murthy succeeded in reversing the trend, improving the previous sales figure by almost $100 million, and reporting profit of $52 million. The share price soared to $25 in October 2010.

It was against this background that in August two partners of the Greenwich-based General Atlantic private equity firm, the twelfth largest in the world, met Murthy in his Kaiser Drive office in Fremont. By investing $100 million in PCS eight years earlier, it had acquired 17.4 per cent stake in its equity.[48] They urged him to buy PCS, which had been open to acquisition offers, off and on, since 2007. Its 282 clients were limited to the narrow fields of insurance and healthcare, which severely restricted its growth potential. In contrast, iGate's eighty-two clients were spread over manufacturing, retail, banking and financial services, media, life sciences, communications, and utilities. Financially, though, PCS had an annual revenue of $700 million with a profit margin of 19 per cent and cash reserves of $300 million. At 17,000, it had twice as many employees as iGate.[49] Murthy bought the idea. But putting it in practice proved fiendishly daunting, equivalent to what Ratan Tata encountered in 2006-07 when Tata Steel tried to purchase the far bigger Corus Group.

Patni Computer Systems was co-founded by Narendra Patni and his two younger brothers, Ashok and Gajendra, in 1976 in Pune initially to rent and sell mini-computers of Data General based in Westborough, Massachusetts, and computer hardware. Later the firm also produced software solutions for Data General's customers. The Patni brothers registered Patni Computer Systems Limited as a private limited company in 1978.

It also worked with Data Conversion Inc., which Narendra Patni—a clean cut, bright-eyed man with a smiling, relaxed visage—had set up in Massachusetts in 1972. Its business was to convert physical data into paper or magnetic tapes. He had topped his undergraduate degree in electrical engineering from IIT Roorkee in 1964 with a Master's degree in the same discipline from MIT and an MBA from MIT's Sloan School of Management.

While working as a consultant with Forrester Group in Cambridge, Massachusetts, he spotted a technical breakthrough in the printing of books being written by his boss Professor Jay Forrester and his colleagues. In those days, the printing technique was in transition, from linotype to photo typesetting machines driven by paper or magnetic tapes which had the data coded on them. Encoding the data was a time-consuming process. 'The idea came to me that why this tape can't be punched overseas [at a much lower labor cost],' Narendra Patni recalled later. 'That started the whole thought process about trying to outsource data conversion work to India.'[50]

He and his wife Poonam did an off-shoring trial run in their apartment in Cambridge, treating their living room as 'America' and their bedroom as 'India', and setting up a telex system. The bottom line was that there was to be no telephone conversation between the occupants of the two rooms. Once the documents and written instructions were sent from 'America' to 'India', the occupant in the American room waited for the taped text to arrive through the telephone as in a telex system. Once the couple had perfected the system, Poonam Patni returned to her hometown of Pune and hired a team of twenty data entry operators. That signalled the start of commercial off-shoring, now a business of tens of billions of dollars worldwide.

As for PCS, it received a head start when in 1979 it secured a $500,000 worth contract for developing a software package for a garment factory in Manhattan through the New York-based Data Basics Corporation. The successful completion of this job helped engender goodwill for Indian IT companies in the US.

In 1987, the Patni brothers formed a joint venture with Data General, PCS Data General India, to produce and maintain computer hardware. In 1995, the hardware and software segments of PCS were split, with Patni Computer Systems focusing exclusively on IT services.

By the time PCS went public in January 2004, with an IPO of Rs 230 ($5.15) a share with a face value of Rs 2 (in 1978), it had nine software development centres in India and twenty-one sales offices in North America, Europe and Asia-Pacific. It became India's sixth largest software company.[51] In 2005, it achieved the distinction of listing on the NYSE. Its revenue leapt from $450 million in 2005 to $579 million in 2006 and its income from $61 million to $80 million.[52]

This tempted the younger Patni brothers, owning 15.2 per cent of the equity each like Narendra, and General Atlantic to sell part of their stakes. But because they demanded a very high premium for a fraction of their shares, almost all the foreign private equity firms which had shown initial interest walked away. The exceptions were Apax Partners and Texas Pacific Group (TPG), the largest private equity firm on the planet.

But nothing happened. At first, it was a precipitate fall in Patni's sales, followed by the financial turmoil in the West in 2008-09. It was not until 2010 when financial markets recovered from the recession that interest in PCS revived. In the spring, Japan's Hitachi and IT giant NTT vied with America's aggressively successful Carlyle Group, the third largest private equity company in the world, and the Boston-based Advent International, specializing in takeovers, as well as Apax Partners. The three Patni Brothers decided to sell their combined equity of 45.6 per cent but only at a premium of 20 per cent-plus.

Apax Partners and Carlyle Group were interested only if they could acquire controlling stake in PCS. That made General Atlantic the pivotal player. Its two partners wanted iGate, run by the business-savvy Murthy, to enter the fray. That propelled them to his office in August. They got him fired up. Working with iGate's co-chairmen, Wadhwani and Trivedi, he moved with his customary gusto. They had been in touch with Apax Partners for a possible small size acquisitions earlier. Now the target became much larger.

While iGate's top officials were moving forward vigorously, the latest quarterly financial report of PCS showed an embarrassing 26 per cent drop in profit compared to the corresponding period in the previous year. 'Patni's founders lacked vision,' said Vijay Gautam, equity research analyst with Jaypee Capital Services Ltd in Mumbai. 'The company did not invest in human resources, research and development, expanding client accounts and in increasing the top line [clientele]. They could have used the Rs 2,000 crore [$400 million] cash (on books) to acquire small IT companies instead of announcing hefty dividends. That would have directly added to the top line expansion of the company.'[53]

By Christmas, the final bids by the two rival parties were in. The consortium of Carlyle Group, Advent International and the recently established Silicon Valley-based Akansa Capital offered Rs 600 ($12) a share with two main conditions. The Patni brothers had to refrain from entering the IT business, and a lowering of the bid price would ensue if the subsequent auditing of PCS accounts showed further liabilities. In contrast, iGate-Apax bid was around Rs 500 ($ 10) a share, the current market price being Rs 489, without such conditions.

What clinched the deal in favour of iGate-Apax was the call that the Carlyle Group negotiator made to a vice-president of General Electric after he had discovered that GE was one of the leading clients of both Patni and iGate. The GE official reportedly favoured iGate because of Murthy's extraordinary leadership qualities.[54]

The final acquisition price was Rs 503.50 ($ 10.07) a share on 3 January 2011, a premium of 10 per cent, amounting to $921 million. In keeping with the Indian law, iGate was required to make an open offer to Patni shareholders in order to buy an additional 20 per cent stake at the same price. That meant a further investment of $301 million. So the whole deal came to $1.22 billion. It was the biggest acquisition in the IT industry of India.[55]

The amount offered by Viscaria through Apax came to $270 million, iGate's own cash totalled $60 million, and the sale of iGate shares in the open market yielded another $192 million. In addition, iGATE secured commitments for debt financing of up to $700 million from the New York-based investment bank Jefferies & Company, Inc., and RBC Capital Markets, an investment bank of Royal Bank of Canada to finance the consideration.[56]

By the time the merger of the two companies was completed in mid-May 2011, the share price of the enlarged corporation called iGate-Patni Corporation closed at $18.50, far above the $11 in the immediate aftermath of iGate's acquisition agreement with Patni.

Whereas the glamorous hi-tech companies stole the limelight, mergers and acquisitions in older industries continued, with Indian corporations constantly exploring ways of leapfrogging technology by purchasing a Western company—succeeding sometimes with a memorable buyout. Such was the case with the Mumbai-based Hindalco[57] Industries.

Traditional Industries

Hindalco was part of the Aditya Birla Group (AB Group), the third largest multinational conglomerate after the Tata Group and Reliance Industries Limited, with operations in nearly forty countries. It grew out of the textile mills built by Birla Brothers Limited, founded by Ghanshyam Das Birla (1894-1983), in 1919. The origins of the Birlas lie in the same part of Rajasthan as those of Lakshmi Mittal and the Ruia brothers. Despite the Birlas' diversification into apparel, cement, metals, petrochemicals, financial services, telecom, and IT services, and a workforce of 1,30,000 worldwide, the group remained a family firm.

When the fourth generation Birla, Kumar Mangalam, became chairman of the group following the premature death of his father Aditya Vikram in 1995, the list of the conglomerate's companies included the thirty-seven-year-old Hindalco, producing primary aluminium and copper. He was only twenty-eight. Having obtained a commerce degree from Bombay University, he earned an MBA from the London School of Business. What he lacked in experience, he made up with strategic vision and manic drive combined with a radical departure from the management style of his predecessors. That is, he started rewarding merit rather than loyalty and blood relationship to the founding family, a bane of the leading Indian business houses. He gradually adopted the accounting and governance practices of the West as was being done by the other competing conglomerates, particularly the Tata Group. This was a major factor in enabling him to expand the AB Group with an annual turnover of $3 billion in 1995 to the point where his personal fortune ballooned to $4.4 billion by the time he was thirty-seven.[58]

Birla was intent on making Hindalco a leading vertically integrated corporation—starting with alumina (aluminium oxide ore) and ending with beverage cans and automobile parts—by acquiring a Western company with an advanced technology and global presence. Hindalco, the cheapest producer of primary aluminium on the planet, had 60 per cent share in the small but fast growing Indian market for rolled products. Birla found that that the Atlanta-based Novelis Inc. had all the attributes he was seeking. Operating aluminium sheet mills in eleven countries, it was the No. 1 producer of rolled aluminium in Europe, South America, and Asia, and No. 2 in North America. Overall, it had almost one-fifth of the global market with a clientele which included Coca-Cola Company, Anheuser-Busch, Ford and General Motors. It also recycled more than 35 billion used beverage cans annually.[59] But because of the long-term contracts it had signed with its customers, its profitability was reduced to a puny 1 per cent on sales of $8.4 billion in 2005 against the background of rising labour and primary aluminium costs. During January-September 2006, it lost $170 million.[60] That made its management open to takeover offers. Unlike Ford Motor Company in Britain, however, it was not so desperate to invite bids. Yet in autumn, it willingly entered into talks with Hindalco and others.

On 26 January 2007, it confirmed that it was negotiating the sale of the corporation with potential buyers. The share price of $30 started rising. It hit $38.40 on 10 February. The next day, it announced that it had agreed with Hindalco on the sale of Novelis shares in an all-cash transaction valued at $5.9 billion, including $2.4 billion of debt. Prone to using business-school speak, Birla said, 'This buyout is in line with our long-term strategies of expanding our global presence across our various businesses and is consistent with our vision of taking India to the world.'[61]

This meant $44.93 in cash for a Novelis share, 17 per cent premium on the previous day's closing price—or a thumping 50 per cent premium on the closing price on 25 January. (This was exactly what Tata Steel was forced to fork out for Corus Group shares, but in that case there was a hostile bid by CSN.) Novelis shareholders were jubilant. Contrary was the case with Hindalco's Indian investors. They judged that Birla had paid over the top. Hindalco shares plummeted by 13 per cent, wiping $600 million off its market value. Birla was defiant: 'When you are acquiring a world leader, you will have to pay a premium.'[62]

Like Tata Steel, Hindalco had to rally support from diverse sources to cough up so much cash. But then, like the Tata Group, the AB Group had built up substantial assets in such countries as Australia, Brazil, Canada, China, Germany, Italy, Spain and the United States. A little over half of its revenue originated overseas. It therefore enjoyed a good rating by Western banks. Birla was also able to convince leading bankers that creating a corporation as large as Novelis from scratch now would cost $12 billion, twice the amount he was paying. Furthermore, he assured them that he would leave the current Novelis management intact—a repeat of what Ratan Tata had told the *Financial Times*.

AB Group established a shell company, AV Metals Limited, in Canada. It managed to secure a $2.8 billion loan from (Swiss) UBS, (Dutch) ABN-Amro and Bank of America. Half of this sum was in the form of a bond with an extortionate interest rate of 7.2 per cent. AB Group's Canadian subsidiary Essel Mining and Industries contributed $300 million and Hindalco $450 million. That enabled AV Metals to pay $3.5 billion to buy all Novelis shares. With the addition of another $2.5 billion, consisting almost wholly of Novelis' debt, the grand total of $6 billion made it the highest Indian investment in North America and the second-largest foreign investment by an Indian corporation after Tata Steel's purchase of Corus. Novelis Inc. became the wholly owned subsidiary of Hindalco.

On the industrial side, this transaction, completed on 15 May, catapulted Hindalco from the thirteenth largest primary aluminium producer in the world to the fifth largest vertically integrated aluminium manufacturer on the planet.[63] Recalling this fact would often make Birla's round, spectacled face topped with coiffured jet black hair, break into a generous smile. It also pleased him to realize that other industrial tycoons now came to view him with an undisguised blend of admiration and envy.

But his smile turned into a scowl when the West's banking tsunami of 2008-09 froze Hindalco's credit lines from Western financial institutions. That made it unfeasible for the company to refinance the bridge loan it had raised. So Birla did what Ratan Tata had done: offer Hindalco shares at a discount to the present shareholders. That raised \$1.25 billion. In addition, he managed to raise a loan of \$1 billion from a syndicate of twelve foreign banks against Hindalco's vastly increased assets of nearly \$9 billion.[64]

What Birla shared with Ratan Tata, Indra Nooyi, Narendra Patni, and other high flyers was the imbibing of the management practices of successful Western companies: an open business culture, rewarding talent, fostering innovation by adequately funded research and development, stress on client satisfaction, speedy responses to queries and complaints, and delegating authority.

By pursuing this style of management combined with entrepreneurial skills for several decades, Habil F. Khorakiwala (b. 1942) transformed a modest over-the-counter medication facility in Mumbai into India's fifth largest pharmaceutical corporation while branching out into biotechnology.

An American Tonic for an Indian Pharma Firm

A member of the Muslim trading community of Bohras, Habil F. Khorakiwala was born into a joint family that owned a supermarket chain called Akbarallys in Mumbai. In 1959, his father Fakhuruddin purchased the small Worli Chemical Works, which produced cough syrups and tonics, worth Rs 2,60,000 (\$55,000) a year. That inspired Habil to major in pharmacy from a pharmacy college in Ahmedabad and then acquire a post-graduate degree in pharmaceutical science from Purdue University Lafayette, Indiana, in 1966. Later he would enroll in the advanced management programme of the Harvard Business School.

On his return home in 1967, he took charge of Worli Chemical Works and turned it into the property of Wockhardt Private Limited, which he formed in 1973.[65] To expand his business, he resorted to making complex medicines. 'I learnt on the job over the years,' recalled Khorakiwala, aged 70, a balding, bespectacled man with a well-trimmed white goatee. 'We had a very small manufacturing facility employing forty-odd people, and then we set up our first manufacturing plant on our own in Aurangabad [in central India] without much money. I had no support from my family so I had to find my own way.'[66] And so he did through diligence, hard work and the application of his own pharmaceutical knowledge enriched by experience.

However, Wockhardt's stellar growth came only in the wake of the economic liberalization of 1991. To finance the expansion of his generic medicine manufacturing, he floated his company on the stock markets in 1994. With Khorakiwala remaining the chairman and managing director of Wockhardt Limited, it achieved an impressive expansion rate of 20-plus per cent over the next five years. Flush with funds, he focused on research and acquisitions at home and abroad. In 1998, he purchased the loss-making Wallis Laboratory in Luton, Britain, producing generic medicines, for $5 million. He also entered into a joint venture with Sidmak Laboratories Inc. in East Hanover, New Jersey, in his attempt to penetrate America's lucrative pharmaceutical market.

But it was not until July 2003 that he was able to make a dent in Britain's pharmaceutical market, the fifth largest on the planet. He acquired CP Pharmaceuticals Limited in Wrexham, Wales, for £10.9 million ($17.50 million) in an all-cash deal. That catapulted Wockhardt Limited into Britain's top ten generic medicines companies, with the British market contributing one-third of the parent firm's receipts within a year. Khorakiwala merged the two British acquisitions and founded Wockhardt UK Limited as a wholly owned subsidiary of Wockhardt Limited. That smoothed the way for the parent company to raise funds in the British financial markets.

In 2004, Khorakiwala set up Wockhardt USA LLC in Parsippany, New Jersey, as a wholly owned subsidiary of Wockhardt Limited. It went on to acquire a manufacturing facility in Chicago to make products approved by the Food and Drug Administration (FDA). 'Most of the commercial work we do here [in Chicago],' explained Kurt Orlofski, president of Wockhardt

USA. 'But the direction of the facility in Chicago and the selection of future products to be developed in India are all controlled out of the New Jersey office.'[67]

With its many manufacturing units operating in India, Britain and America, Wockhardt Ltd acquired a powerful edge over its British and American competitors in the way TCS and other major IT services corporations had done in the service industry. 'Using an SAP software solution [designed by a German company], Wockhardt USA can focus on the needs of the US market by efficiently utilizing the company's global infrastructure,' reported Eric Slack in the *Inside Healthcare Online* magazine. 'The concept of globalization is simple as companies like Wockhardt can improve efficiencies, lower costs, and gain economy of scale advantages. In the case of Wockhardt USA, it not only costs less to manufacture pharmaceuticals in India but it also costs less to build or expand plants in India when capacity needs to be increased.'[68]

By acquiring a well-known player in America's liquid generic drugs market, Morton Grove Pharmaceuticals in Martin Grove, Illinois, in October 2007 for $38 million, Wockhardt Ltd secured a firm footing in the US, where generic drug sales in 2008 were valued at $74 billion.[69] 'About 80 per cent of the prescription volume filled in the US is basically controlled by fewer than ten major players,' noted Orlofski. 'Because they distribute a tremendous amount of product, they therefore shape the market. They want fewer suppliers. In order to be relevant to these major players, you need to bring them good prices on quality generic products and a broad product offering.'[70] And that was where competitive prices, resulting from low operating and research and development costs in India, held a rosy prospect for Wockhardt Ltd. It would realize this potential sooner rather than later.

Wockhardt's buyout of Morton Grove was its third international acquisition in twelve months. Khorakiwala, who had been prudent so far, had gone into overdrive, which would come to haunt him later. In the previous October, he acquired Pinewood Laboratories, which had half of the generic drug market in Ireland, in a transaction of $150 million. And in May 2007, he bought Negma SA., an independent French pharmaceutical company producing patented drugs, for $265 million in cash. To consummate these deals, Wockhardt had to borrow heavily in the financial markets of India and the West. Its total debt spiralled like a tornado—to Rs 3,400 crore ($8.3 billion).

Khorakiwala acted rashly against the background of overheated stock markets in India with the National Stock Exchange Index (SENSEX) reaching a record high of 21,000-plus in January 2008. But the turmoil that gripped the Western financial markets from then on led many foreign institutional investors (FIIs) to start pulling out of the Indian bourses. This had an adverse impact on the Indian currency's exchange rate. Between January and September 2008, its value against the US dollar shrank by 20 per cent to Rs 50.50 to $1. Wockhardt suffered a double whammy. With a sharply increasing portion of Wockhardt's revenues coming from Europe and America, Khorakiwala had resorted to hedging Indian rupee's exchange rate and buying up dodgy derivatives. He bet the wrong way around on the rupee's foreign exchange values. Wockhardt ended up with an aggregate loss of Rs 600 crore ($1.2 billion) on these two accounts.

As the lenders came ringing the door bell, Khorakiwala failed to meet the repayments. In early 2009, like the Ruia brothers a decade earlier, he defaulted on $110 million in foreign bonds. Wockhardt's credit rating and credibility received a hammer blow. Gloom filled its sleek multi-story green glass-fronted headquarters in Mumbai. In March, the board of directors forced the sixty-seven-year-old Habil Khorakiwala to step down as the managing director of Wockhardt while remaining its chairman. His elder son Murtaza succeeded him as the managing director, and his younger sibling, Huzaifa, as the executive director. The Khorakiwala brothers sold Negma S.A. to reduce the crushing weight of debt, which was five-and-a-half times the value of the equity. They signed a corporate debt restructuring to reschedule the repayment of a Rs 1,300 crore ($270 million) debt, largely incurred from the syndicate led by ICICI Bank, the second largest private bank in India.[71]

The company gained breathing space. It survived. It showed signs of revival thanks largely to the performance of Martin Grove Pharmaceuticals, which was best suited to take maximum advantage of low costs in India in the expensive drug market of the US. Within four years, the contribution of Wockhardt USA to the parent's treasury shot up to 41 per cent from a measly 9 per cent in 2007 before the acquisition of Martin Grove.[72] Earnings from Europe formed 28 per cent of the company's turnover. So altogether the US and Europe contributed 69 per cent of the Wockhardt's turnover of $908 million for the fiscal year ending in March 2012. Its 31 per cent profit margin was the envy of its competitors. These statistics elevated Wockhardt to the much coveted rank of a cutting-edge IT company—a remarkable feat.[73] Little wonder that between March and December 2012, the share price of Wockhardt zoomed from Rs 350 to Rs 1,500.

Like Romesh Wadhwani, Habil Khorakiwala had social conscience. It had led him to establish the Wockhardt Foundation in 2000 to help the poor and needy by providing them with free healthcare services.

Corporate Social Responsibility

In 2002, in association with the Harvard Medical International (HMI), the Wockhardt Foundation formed a non-profit organization called WHARF to train health-care providers in the prevention and management of AIDS in high-risk communities. Later Habil Khorakiwala passed on the running of the foundation to his son Huzaifa. Under his leadership, the foundation undertook several projects. Its most ambitious one, called 'Vision 1000', was aimed at bringing free primary health care to 25 million Indians in urban slums and in rural and remotely based communities through mobile medical units by 2017.

His modus operandi was to run a pilot scheme to refine his scheme and then co-opt large public and private corporations to fund the project in specific areas. In this case, he tried out the mobile van medical unit model in a slum in Mumbai first.[74]

The Wockhardt Foundation also tried to inculcate the concept of 'social business' among India's business executives of the future. For instance, in association with the Dhaka-based Yunus Centre, it sponsored a lecture by Nobel Peace Laureate Muhammad Yunus, the founder of the micro-credit banks in Bangladesh, in Mumbai in June 2011. By working in tandem with the San Jose-based The IndUS Entrepreneurs (TiE), the foundation enabled Yunus to address more than 10,000 students of twenty management colleges through a live video conference. He argued that 'social business' should become the primary instrument to alleviate poverty. 'Social business is a cause-driven business where the purpose of investment is to achieve one or more social objectives through the operation of a company,' said

Khorakiwala in his newly acquired evangelical role. 'The involvement of these key management institutions will further promote the objective of social business in India.'[75]

The down-to-earth, incremental approach of Khorakiwala and the Wockhardt Foundation was at variance with the one adopted by Rafiq Dossani and Henry Rowen at Stanford University, famed as 'the germplasm for innovation', without which it was impossible to imagine the rise of the Silicon Valley. Their research project, conducted jointly with the Indian ministry of communications and information technology, focused on exploring ways in which rural India—where there was less than one telephone for one hundred inhabitants (compared with twenty-plus in urban areas)—could gain the benefits of ICT. After consulting many private and government providers and NGOs during their visits to India, they concluded that there was a substantial demand for ICT services, primarily for public services such as records (land records and birth certificates) and entitlements (health information and social welfare services). However, existing services, focused on email and Internet-based information and entertainment, failed to promote self-sufficiency.

They proposed the establishment of a network of 'kiosks', or information centres, linked by wireless to the regional headquarters (or 'block', as known locally) and connected by fiber optics from the block to the national telecom grid. They outlined the regulatory, ownership, and financing structure of the network. They presented the report to the ministry in early 2006. Once the ministry had accepted the report's recommendations, they added, the next step was to create such a network as a pilot project in collaboration with companies in Silicon Valley and India.[76]

Nothing happened. Government ministries in India are slothful except when they have to hand out contracts or licences which generate kickbacks for the bureaucrats and their ministers. By then, the seventeen-year-old state-owned Power Grid Corporation of India Limited had established a telecom network of only 25,000 km (15,500 miles), giving preference to urban centres rather than rural areas. Such decision-making had become part of the overall pattern of favouring urbanites at the expense of villagers following the adoption of the New Economic Policy in 1991.

FOUR

Scandalous Neglect of India's Agriculture

THOSE WHO FUME at the disrepair of streets and roads in India's urban areas often muffle their criticism after a foray into the countryside along seemingly black-topped roadways. Such was the case with me when I ventured out of Dehradun. Besides being the capital of the northern state of Uttarakhand, it is a garrison city with a vast military cantonment and the headquarters of the Oil and Natural Gas Corporation, the country's largest company by market value.

Chaperoned by an NGO official, Arijit Banerji, my host in Dehradun, I boarded a 4x4 vehicle with a sturdy, hawk-eyed driver at the steering wheel. The 50-mile (80-km) journey to the village of Rasulpur proved to be a more stomach-churning, bone-crunching experience than a dozen roller-coaster rides interspersed with vigorous shake-ups inside a washing machine. This happened despite the driver's dexterous handling of the treacherous thoroughfare, waterlogged in places, and pockmarked throughout with craters deep enough to slow down a tank.

The atrophy of rural roads captures starkly the state of the rural economy, heavily dependent on agriculture and such allied activities as horticulture, animal husbandry and dairy. Between 1970 and 2011, their contribution to the GDP plunged from 43 per cent to 14 per cent, a steep loss of two-thirds. In terms of the country's labour force of 487 million in 2011, a little over half was producing only one-seventh of the GDP.[1] The advocates of the neo-liberal tenets are blasé about this scandalous state of affairs. They attribute agriculture's relative decline to the rapid expansion in services and industry, particularly after 2000. By so doing, they inadvertently agree with those critics who lambast the government for downgrading the importance of agriculture, on which two out of three Indians depend for their livelihood. In contrast to the steaming economic expansion during 2004-10, the improvement in the agrarian sector barely kept pace with the rise in population, with agriculturists suffering a downturn in their productivity and incomes. The worst victims were the landless labourers. That explains why, even in the most prosperous period, the annual reduction in poverty was a puny 1 per cent.[2] More than a third of India's 1.2 billion citizens survived below the official poverty line of Rs 32 a day (64 US cents) in cities and Rs 26 a day (52 US cents) in 2011.[3] According to the multidimensional poverty index (MPI), developed in 2010 by the United Nations Development Programme and Oxford Poverty and Human Development Initiative, 53.7 per cent of Indians were MPI poor.[4] The figures based on the findings of the sixty-sixth round of the National Sample Survey Office (NSSO) for 2009-10, with rural and urban monthly averages of Rs 1,054 ($21) and Rs 1,984 ($40) per capita respectively, showed 65 per cent and 67 per cent of Indians living below the poverty line.[5]

Such statistics were not on the mind of Prem Singh Pawar—known as Prem Lala among his fellow villagers—the elected president of the village council, called gram panchayat[6] (or just panchayat), in Rasulpur, a settlement of 2,000 souls. A slim man in his mid-forties with sunken cheeks and a black moustache, he was neatly dressed in khaki cotton trousers and a checkered sweater over his white shirt. His family lived in an L-shaped house with an open courtyard, furnished with a bore well and a hand pump for water (one of the twenty-five in the village), verandas on both arms of the L supported by wooden pillars and occupied by string cots in front of four rooms. The walls were embellished with gaudy posters. The most striking one portrayed Durga—a Hindu goddess with her multiple arms bearing a trident, a scimitar, a sword, a mace, a bow, a conch shell and a lotus flower—riding a tiger. And an altogether different mood was conveyed by the image of Lord Krishna, painted in blue, playing a flute while his lover, demure Radha, rested on his shoulder. His house was more spacious than those of others consisting merely of a living room, a bedroom and a kitchen, with an outside latrine.

Pawar was a practical man with first-hand knowledge of what transpired in the portals of power. 'The government spends too much money on towns and cities but not enough on villages,' he grunted.[7] As leader of the panchayat which covered Rasulpur and two nearby settlements with a combined population of 6,000, he had a set of rights and responsibilities. He was mandated to maintain the existing infrastructure and build any further additions after they had been approved by state authorities. He was authorized to supervise local markets. He kept a record of births, deaths and marriages in the community. He functioned alongside a gram sevak (Hindi for 'village servant'), a state government-appointed civil servant who acted as a conduit between the state capital and the panchayat.

Pawar's budget was made up of grants by the state administration and the district council, called zilla parishad, which covered several 'blocks', each block consisting of a clutch of rural settlements. The state government's grant to a panchayat was in proportion to the revenue it received from that community, including land revenue, covering the costs of assessment and collection of revenue, periodic land surveys, and maintenance of land records, and such indirect taxes as value-added tax. This meant that the villages which were at the bottom of the heap remained there—a vicious cycle, with paupers unable to break the shackles of the self-sustaining penury.

In practice, Pawar received his funds from his block development officer (BDO), a civil servant. Most of this money was channelled to building contractors and suppliers of goods or services, and this created opportunities for kickbacks. 'As the panchayat president, I have not made money for myself,' said Pawar as he sipped sweet milky tea, surrounded by a group of curious fellow villagers. 'There is a temptation to spend some of the money given by the state government and put some in your own pocket. But it is better to be honest.'

There is an embezzling opportunity whenever money changes hands between an elected or appointed government functionary and a private contractor. In such instances, the sums involved are substantial to colossal. In rural India, these transactions are primarily centred round constructing new infrastructure or repairing an existing one. The contractor bolsters his profit by using substandard materials and/or failing to meet other building requirements he had signed up to. 'Let us say a contractor has agreed to construct 1 km of asphalt road for Rs 5 million [$100,000],' explained my Dehradun host. 'He is required to build a metre-deep hard base and then put gravel to a specified depth before pouring tar to produce a solid, smooth road. But he prepares a shallow foundation, unloads less gravel, and economizes on tar. He bribes the government inspector, who certifies that the work has been done as required. Come monsoon, and the seepage of rainwater through the unevenly asphalted layer makes the road surface crack. With traffic, the cracks spread, the road breaks up, and you get potholes and loose gravel.'[8]

Then there is the citizen's everyday experience of forking out petty bribes, euphemistically called 'speed money'. Here, a civil servant demands and receives a 'fee' from an applicant for doing something that is part of his routine task. In India, it is mandatory to produce copies of certain official certificates or documents to claim government benefits. For this, villagers have to approach petty functionaries. As someone who had been involved in an improvement project for Rasulpur for some years, Banerji had an inside track on the speed money. 'The minimum bribe was Rs 50 ($1) to get a photocopy of a ration card for purchasing staples at subsidized prices, or a certificate declaring a household to be below the poverty line or belonging to the underprivileged scheduled castes,' he said.[9] That is, obtaining one such photocopy wiped out half a day's earnings of a landless labourer, who depended on the erratic chance of work on daily basis to support his family.

Skewed Distribution, Land Hunger

As a villager without a plot of his own, a landless worker forms the lowest rung of the rural economic ladder. One out of ten village households belongs to this category. The next rung consists of marginal peasants owning less than the national average of 1 hectare, or 2.59 acres, each. Such is the preponderance of marginal tillers that, together with the landless, they account for 80 per cent of rural households today. Yet, cumulatively, they own merely 23 per cent of the arable land. In 1971, only 60 per cent of village households belonged to this stratum.[10]

The rate of pauperization accelerated after the introduction of the NEP in 1991.[11] The Gini Index or Co-efficient[12] of land ownership holdings remained constant at 0.71 during 1971-92 but increased to 0.74 in 2003.[13] As part of the International Monetary Fund (IMF) loan in 1991, India was required to reduce its fiscal deficit, then running at 8.2 per cent of the GDP. The government drastically cut its investment in irrigation, water management, flood control and scientific research, power generation and related rural needs. This reduction was not matched by a corresponding rise by the private sector in these sectors.[14] Nor did the central and state authorities substantially increase investment in improving education and health care in villages. Pressured by the World Trade Organization (WTO) and the IMF, the Indian government started withdrawing market controls and curtailing subsidies for such inputs for cultivation as chemical fertilizers and diesel needed to run water pumps. And cash crops like cotton, vanilla and black pepper became exposed to volatile international markets, an unnerving experience for Indian cultivators untutored in coping with wild jumps in prices. Because of the generous subsidies given by Washington to its cotton farmers and blatantly overlooked by the WTO, the international price of lint cotton—that is, seedless cotton—fell from $1.10 a pound in 1996 to 52 US cents a decade later.[15] This hurt cotton growers in India, the second largest producer of the commodity on the planet in 2007.

What about the 20 per cent of rural families who own 73 per cent of the land? They divide into four categories: small farmers (1-2 hectares), semi-medium (2-4 hectares), medium (4-10 hectares), and large (10-plus hectares).

Where did Rasulpur fit into this matrix? 'About 60 per cent of the 320 families have some land, the maximum being 10 bighas [2.5 acres, or 1 hectare],' averred Pawar. 'And 40 per cent have no land at all.' That gave Rasulpur the lowest rank in the hierarchy of landownership. Yet the land distribution in this settlement was typical. During my visit to Sisola, home to some 5,000 people, 15 km (10 miles) from Meerut in Uttar Pradesh, accounting for one-sixth of India's population, I came across similar figures. The only difference was that the richest farmer, Salahuddin, possessed 17 acres (6.5 hectares) of land. He was the only one who could afford to buy a tractor, costing Rs 2,75,000 ($5,500), by raising a bank loan with his land as collateral.[16]

Since Rasulpur is in a region that gets generous rainfall of about 80 inches (207 cm) during the summer monsoon (June to September), it is part of the 60 per cent of the arable area nationally that is rain-fed. The downside is that monsoon is quirky, and it limits cultivation to a single crop in a year. Therefore total dependence on monsoon rains leads to low productivity.

'When you depend purely on monsoons, one bigha [0.1 hectare] yields 3 quintals [300 kg, or 666 pounds] of sugarcane,' said Pawar. 'With assured man-made irrigation, we can double the crop. And if we also use a tractor and chemical fertilizer, then we can harvest 8 quintals per bigha. In reality, we get only 4 per bigha because we depend on bullocks.' The modern alternative to them is a tractor.

It first appeared in one of the neighbouring villages of Rasulpur twenty years ago. Since then, their number had risen to three. 'By using a tractor, we save time,' remarked Shikha, Pawar's wife, decked in a cotton sari with printed flowers, undulating ear rings and a shining nose piece. 'One hour by a tractor is equal to eight hours by two bullocks. These animals cost Rs 200 [$4] a day plus all the hassle of maintaining them. The rent for a tractor is Rs 1,500 [$30] a day. So the cost is the same as with oxen but there is no hassle with a tractor.'

Shikha's intervention encouraged an older man with a walrus moustache, dressed in a long bedraggled shirt and a dhoti, to speak. 'For sugarcane you can get only one crop a year,' he said. 'Then the following year you have to do other crops which do not take out so much nutrition from the soil. Like you can plant wheat, pulses, groundnuts, mustard, or vegetables.' Others nodded agreement.

What was the source of water for these crops? 'Tube wells.' The first was drilled outside the village around 1991. Two decades on, it had turned dry due to the fallen groundwater level. The other materialized seven years later. 'It works intermittently because the electric supply is erratic,' said Pawar fatalistically. 'And when the power is on, the motor to run the pump is often out of order.' Since this tube well was also linked to an overhead tank, connected to several communal taps, the supply of filtered water for drinking and other household purposes ceased.[17]

Why did the villagers not complain? 'Who should we complain to?' retorted Pawar. 'If you do not pay a bribe, the official will not look at your complaint. If you then go to the police and wish to register a complaint against that official, they demand a bribe.' In any case, irrigation water was not cheap. 'If you want irrigation water, you pay a fixed monthly charge,' explained the older man with a walrus moustache. 'Then you pay for the water supplied per hour depending on when electricity is available.'

Unreliability and costliness of the irrigation water was the subject that came up in my interviews in Sisola, located in the Gangetic plain, where, unlike Rasulpur nestled in the foothills of the Himalayas, monsoon showered the region with only 35 inches (90 cm) of rain annually.[18]

In Rasulpur, being an elected office-bearer was no guarantee that Pawar would be spared the venality of civil servants or bank managers. 'If you want to get your bank loan application expedited, you pay a bribe so that your file is moved and signed and the loan is granted,' he said plaintively. 'Each time your file is moved, you pay. The bribe, as a percentage of the loan, varies.'[19]

Rural indebtedness had increased in the wake of the NEP and the trade liberalization dictated by the WTO. Their emphasis on export-led growth encouraged cultivators to switch from food crops to such fertilizer-intensive cash crops as cotton, coffee, sugarcane, groundnuts, pepper, and vanilla. As a result, the daily per capita availability of food grain plunged by about one-fifth, from 510 gm in 1991 to 422 gm in 2005. The trend continued. A study by the official National Nutrition Monitoring Bureau published in 2009 showed 35 per cent of Indians suffering from chronic hunger as measured by the body mass index (BMI). The BMI is calculated by dividing the weight in kg by the square of height in metres. Figures below 18.5 indicate chronic hunger; those between 18.5 and 22 normalcy; and the ones above 22 rising degrees of overweight.[20] During the first post-NEP decade, indebted farm households in India nearly doubled, from 26 per cent to 48.6 per cent.[21] In 2001, this figure in Andhra Pradesh was a staggering 82 per cent.

For marginal and small landholders, the move to cash crops had been very risky. It meant steep jump in agricultural costs and loans and exposure to the vagaries of international commodity prices determined by the colossal Western multinational trading corporations. When a cultivator in Kerala changed his crop from paddy to vanilla, the cost per acre rocketed from Rs 8,000 ($160) to Rs 1,50,000 ($3,000). An agricultural bank would only lend him up to half the value of his plot under paddy cultivation, not the far more valuable vanilla. Therefore he ended up borrowing funds from traditional moneylenders, who charged a minimum of 24 per cent annual interest. Once he had signed such a contract, he got sucked into a vicious cycle because of his inability to repay the loan in full. Such became the fate of hundreds of thousands of Indian cotton growers, who were driven to kill themselves because of unbearable indebtedness. Invariably, they were marginal or small landholders in dry areas.

Cotton Belt into Suicide Belt

Most of these suicides happened in five states—Maharashtra, Karnataka, Andhra Pradesh, Madhya Pradesh and Chhattisgarh—which accounted for only a third of the national head count. In India, committing suicide is a crime. The police keep records and note the probable cause. This data is collated by the National Crime Records Bureau (NCRB) of the Union home ministry in Delhi. Concerned about farmers suicides in their state—as revealed by Palagummi Sainath, the rural affairs editor of *The Hindu* daily—some members of the Andhra Pradesh legislative assembly demanded to see the records in April 1998. They discovered that of the 1,800 suicides in Anantapur district in the past fifteen months, three-fifths were attributed to 'stomach ache'! This 'ache', it transpired, was caused by a hapless peasant swallowing pesticide freely available from the state authorities.

From then on, annual statistics about these suicides started appearing in the media. By 2010, the total had ballooned to 2,50,000.[22] The score had risen sharply after 2001. In April of that year, the BJP-led coalition government in Delhi removed quantitative restrictions on imports two years ahead of the deadline specified by the WTO. Among other measures, it abolished price control on agricultural produce. The bulk of peasants suffered. During 2001-06, they committed suicide every half an hour.[23]

The cotton farmlands contributed most to this human tragedy. The worst plagued was Vidarbha, home to 3.2 million cotton-growing families and the eastern region of India's second most populous state, Maharashtra. During 2001-05, the annual number of self-killings swelled nine-fold to 445. The area was prone to droughts. The deadly impact of the one in 2005 was felt in the following year.

In June-July 2006, Prime Minister Manmohan Singh made a two-day trip to Vidarbha. Addressing the suffering families of Dhamangaon and surrounding villages, he said, 'After what you have told me about the difficulties that you are going through, I understand that debt is a big problem.' He failed to mention the gargantuan size of the collective debt. At Rs 266 billion ($5.3 billion), it amounted to Rs 80,000 ($1,600) for a family of 5.4 members.[24] The average annual expenditure of the typical farm household with 2.59 acres of land was little over Rs 32,500 ($650). Of that, it spent 60 per cent on food and 18 per cent on fuel, clothing and footwear.[25] (These figures roughly tallied with the findings of the NSSO's sixty-sixth round in 2009-10, which showed the average Indian farm household spending 55 per cent on food and 18 per cent on clothing and footwear.[26]) So the amount available for investment in cultivation was paltry. Appeals to Singh to cancel the distressed farmers' loans fell on deaf ears.

The farmers' need for back-breaking loans arose after the environment ministry in Delhi allowed Monsanto, a company based in Creve Coeur, Missouri, to carry out experimental cultivation of genetically modified (GM) bacillius thuringienis (Bt) cotton seed in 10,000 hectares in different parts of India. Bt cotton seed was spiked with the gene of a toxic to kill parasites and pests. Once these experiments proved satisfactory, it was left to individual state administrations to grant permission to Monsanto to market these seeds.

The government of Maharashtra, the second largest contributor of cotton to the national pool, did so in June 2005. The government-owned Maharashtra State Seeds Corporation Ltd (Mahyco) entered into partnership with Monsanto to patent Mahyco-Monsanto Bt cotton seed. Mahyco-Monsanto sub-licensed many local seed companies in different states to produce and market this seed. Thus, state authorities acquired commercial interest to promote what the sales agents of its sub-licensees called the 'magic seed', guaranteed to yield bumper crops free from parasites and insects.

But they were exorbitantly expensive, selling for Rs 1,800 ($36) per bag of 450 gm as against Rs 350 ($7) for a bag of the local hybrid seed. This was so because, exploiting its monopoly, Mahyco-Monsanto reaped huge profits from the sale of the Bt seed, part of which was pocketed by the seed retailer. A field study revealed that four out of five Maharashtra farmers had learnt of the Bt cotton seed from seed dealers, who made more profits selling it than any of the traditional non-Bt varieties. 'We cannot afford planting Bt anymore,' admitted Sumant Meshram in the village of Hiwra. 'But we cannot buy non-Bt seeds in the market either. The dealers tell us that there is no supply.'[27] What the gullible peasants were not told was that these magic seeds needed twice as much water as the traditional ones, partly because they took almost seven months to turn into cotton buds as against the five taken by the local varieties, and that they were sterile, forcing the cultivator to purchase a fresh batch every season.[28]

Agricultural banks gave loans of only Rs 12,000 ($600) per acre even though the market price of the land was Rs 1,00,000 ($2,000). To purchase the much-hyped Bt cotton seed, a farmer was therefore compelled to borrow from traditional moneylenders by mortgaging his land. These unlicensed, unregulated lenders charged usurious interest rates with a minimum of 24 per cent a year.

However, after Prime Minister Singh's visit in mid-2006, the Indian government announced a relief package for Vidarbha, costing Rs 3,750 crore ($800 million) over five years. It covered irrigation projects, new loans, extensions for old ones, and economic diversification. This figure was reached by including the earlier sanctioned projects, with only half of it being new funding. Even then, it translated into spending Rs 2,300 ($46) annually for each cotton-growing family.[29] Little wonder that during the next five years, the irrigated area in the region increased by a puny 2 per cent.

There was no dip in the rate of suicides. Indeed, between 1 and 15 July 2006, at least sixty-two farmers took their lives. The glaring irony was that the landscape of the epicentre of peasant suicides was peppered with massive advertisements on walls, billboards, and public buses, displaying a smiling farmer showcasing a huge crop of raw cotton. These were funded by the many sub-licensees of Mahyco-Monsanto. At one stage, it hired Nana Patekar, a popular film actor, to promote its seed. Besides his product promotion on TV, he toured his native Maharashtra, addressing farmers' rallies.[30]

As the founder of the Vidarbha Jan Andolan Samiti (VJAS, Vidarbha People's Movement Committee), Kishor Tiwari, a balding, moon-faced engineer in his late fifties, monitored the rural deprivation from his office in the small town of Pandhar Kawada 100 miles (160 km) south of the regional capital of Nagpur. 'Millions of cotton growers and their families in the Vidarbha region are distressed because of slashed agricultural subsidies, dismantled price controls, and closed state-funded cotton procurement centres,' lamented Tiwari in mid-2006. 'Essential agricultural input costs of water and electricity have increased a lot. Farmers used to getting water and power for minimal charges for many years now face rising input costs—at a time when the market prices of their produce do not cover their expenses. Last year [2005], cotton procurement price was Rs 2,500 [$50] per quintal (100kg). This year, affected by international market prices, the rate plunged to Rs 1,700 [$34] a quintal. Growing cotton at this price is a loss-making proposition.'[31]

Unsurprisingly, following the bumper crop of 1,448 suicides in Vidarbha in 2006, the annual number settled down to an average of 1,260 for the next two years. The Indian government's offer of giving a grant of Rs 1,00,000 ($2,000) to the family of the farmer who had killed himself made little difference.[32] When drought struck Vidarbha in 2009, more than 2 million hectares were planted with Bt cottonseed primarily because non-Bt seeds had virtually vanished from the market. But when the fledgling plants did not receive rainwater in time, cotton crops withered. The score of suicides climbed to 900-plus in that year.

When drought struck Vidarbha again in 2011, at the fag end of that year, the state's chief minister Prithviraj Chavan announced aid of Rs 200 crore ($40 million) as relief to dejected cultivators. But these funds were released only in May 2012.[33]

In between, in March, there were nationwide demonstrations against Bt seeds on the tenth anniversary of their introduction. Protest was widespread in Vidarbha, with small and marginal farmers and the widows of those who had committed suicide burning sacks of cotton to give vent to their anger.

In June, a field study of the impact of Bt cotton seed on cotton growers by the Council of Social Development (CSD) led it to conclude that lack of irrigation was a major cause of their suicides in Vidarbha. This chimed with Tiwari's repeated refrain that 'Vidarbha is a classic example of the wrong selection of the Bt technology in dry regions. Most farmers who committed suicide there are Bt farmers'.[34]

Earlier, at a function organized by Monsanto in Pune, the state's second largest city after its capital Mumbai, agricultural commissioner Umakant Dangat urged farmers to plant Bt cotton only in irrigated areas. On 9 August, he followed this up with a sweeping announcement of an immediate official ban on the sale and distribution of Mahyco's Bt cotton seeds because of the company's 'inferior quality seeds'[35]. It remained to be seen whether or not this meant the demise of the Bt cotton seed per se.

It was not just marginal and small cotton farmers who were driven to self-destruction. Even the medium-sized landholders (4-10 hectares) were feeling the squeeze. Such was the case with Badruddin Jeewani in Pandhar Kawada, where the market was lined with fertilizer and seed shops. Sipping a glass of milky tea in the pleasant November sun in 2012, he chatted with visiting social workers. 'I now own a good 16 acres of land,' he told them. 'Things have got so bad that I had to sell almost 10 acres in the last five years. There is no other way I could sustain my family. Cotton doesn't bring any profit now. If things don't improve soon, I will be landless.'[36]

During my research in India, I met a middle-size farmer, Koja Ram Parihar, at his farm near the Rajasthani town of Tinwari, 30 km (20 miles) from Jodhpur, the prime city of the Marwar region, the ancestral land of the Mittals, Birlas, and Ruias. The owner of 10 hectares (26 acres), he was at the top end of the medium stratum in the rural hierarchy. Nationally, such farmers, forming barely 3 per cent of village households, owned 30 per cent of the arable land.

The Middle Layer

A slim man of medium height, fifty-eight-year-old Parihar was an attractive man with high cheekbones, brown eyes, a prominent grey moustache, and sun-burnt skin. Dressed in a white vest and a white dhoti, he smiled readily. He stated, disarmingly, that he was illiterate. His father, born into the gardener sub-caste, owned 60 acres (24 hectares). As the eldest of three brothers, he inherited 30 acres (12 hectares).

He and his wife lived with the families of their three married sons, a household of fifteen. Altogether, eight of them worked the land which Parihar had prudently partitioned into different segments, each given to a different type of crop. A little over half was turned into fields of various vegetables, with garlic and onions as favourites because of the comparatively high prices they fetched. Another quarter was allocated to groundnuts, yielding him a profit of Rs 2,00,000 ($4,000) a crop. On the remainder, it was the cotton seed which thrived. The sale of raw cotton enriched Parihar by Rs 2,50,000 ($5,000). 'The cotton crop needs a lot of attention,' he said. 'Cotton-picking is hard work, back-breaking.'[37]

Did he know of the cotton farmers in Vidarbha committing suicide because of crippling debts? 'Yes, I have heard,' Parihar replied vaguely.

'Looks like they are buying expensive American seed. That needs a lot of fertilizer and pesticide and water to get higher yields. The American seed is good for only one crop. Ours is natural and replicates itself. My yield is not as much as theirs. But a cotton merchant pays the same price for the commodity whether it's from the American seed or Indian.'

Parihar was based in an area that had an average annual rainfall of a derisory 13 inches (32 cm). 'I am independent of rain,' he declared with the wave of his calloused hand. 'I depend on one open well and two tube wells.' How much did a tube well cost? 'Drilling it and equipping it with casing, Rs 1,00,000 ($2,000). Then you need a water pump, another Rs 70,000 ($1,400); and for an electric connection and cable and outside piping add another Rs 1,00,000 ($2,000). All told, roughly Rs 3,00,000 ($6,000).' He had supervised the whole process personally, from selecting the site to the inauguration ceremony conducted by the local Brahmin. Yet that was not the end. 'Next to each tube well I erected a steel tank to store water,' he continued. 'That cost me Rs 1,00,000 ($2,000). For getting irrigation water from the government, you must have a meter with a monthly rent of Rs 45 ($1). The power bill for my two tube wells is Rs 4,200 ($84) a month. That is cheap because I signed up early on. Now metered water supply for two tube wells is Rs 9,000 ($45) a month. But power supply is only for five hours at a time, from 4 a.m. to 9 a.m. and 1 p.m. to 6 p.m.'

For building up all these capital assets, did he raise loans from banks? 'I avoid doing that as much as I can,' Parihar replied. 'Look at the State Bank of India (SBI). It gives a loan of Rs 15,000 ($300) per bigha [0.625 acre] when the land is worth Rs 2,00,000 ($4,000) a bigha. And it charges 11 per cent interest.'

What Parihar told me about the government-owned all-purpose SBI applied to agricultural banks as well. Earlier, during my stopover in Tinwari, I had walked into the year-old branch of the Oriental Bank of Commerce—a public sector bank specializing in agricultural credit—nestled between a general goods store and a barber shop. Its manager, Bhawar Lal, a dark, plump man in trousers and a bush-shirt, facing a flat screen computer, told me that his brief was to help marginal farmers. He was authorized to grant a loan of up to 50 per cent of the collateral, and that he had pegged the price of one bigha at Rs 30,000 ($600). He had no intention of raising that figure.[38]

At Parihar's farm, it was now mid-afternoon. We saw three of his grandchildren return from school. 'All our children now go to school,' he said proudly. 'Things have changed. When my illiterate father died thirty-seven years ago, we lived in a mud house. Seventeen years later, I built that red brick house.' His hand pointed towards a low, solidly built, sprawling structure some 200 yards from the string cot under the margosa tree where he sat. 'We have a colour TV. And two months ago, we got a TV dish. But the problem is that there is no electricity in the evening when we have time to watch TV.' The TV dish shining in the afternoon sun was therefore more a status symbol than a utilitarian object of everyday use.

Erratic power supply was the norm in rural India. In the village of Sisola, for instance, they had electricity for only twelve hours a day, alternating every two weeks. 'It is from 8 in the morning to 8 in the evening, or the other way around,' explained Salahuddin. 'We have a refrigerator. We remove everything from it when the power is off. It is a nuisance, but what can we do?'[39]

How did Parihar's present lifestyle compare with his father's? 'In the early days, land and irrigation were cheap,' he replied. 'Now expenses are high. But, in general, life is better than before.'

At the top rung of the rural hierarchical ladder was the farmer who owned more than 10 hectares. He belonged to that minuscule 0.6 per cent of village households that possessed nearly 12 per cent of all agricultural land. To meet a member of this class, I did not have to stray too far from Jodhpur.

Top of the Tree

Everybody in the village of Kuri Bhagtasni knew Hanuman Ram Jangid and his family. Among other things, in 2005, the Jangids had built a splendid house with a large screened porch, marble floors, piped water, and porcelain wash basins and furnished it with a colour television, chairs and tables. They were the ones who had bought a Massey-Ferguson tractor as early as 1976. A quarter century later, they became the proud owners of a four-wheel Jeep which remained in fine fettle ten years on.

They could afford to build up such exceptional assets: the rural rich are exempt, nationwide, from income or wealth tax and capital gains tax. As elsewhere in India, landownership was obscenely uneven in Kuri Bhagtasni, a settlement of 600, or 110 families. 'Now only thirty to forty families are engaged exclusively in agriculture,' said Hanuman Ram Jangid. 'Most of them have 5 to 10 bighas [3 to 6 acres; 1.25 to 2.5 hectares], the maximum is 15 bighas [9 acres; 3.75 hectares]. The income of those dependent on agriculture is low and their children are not going into it. In agriculture, there is no work for five months in a year, so farmers and agrarian labourers have to find other work.'[40] Earlier, he had told me that cumulatively the village community possessed 4,500 bighas (2,800 acres; 1,125 hectares), of which less than half was being cultivated.

For a forty-four-year-old stocky man of medium height and greying hair, Hanuman Ram Jangid was very energetic, making his points with a vigorous thrust in the air with his muscular right arm. After finishing his compulsory education at fourteen in 1981, he started assisting his late father, Dewa Ram Jangid, whose heavily turbaned colour portrait dominated the sitting room, in managing the vast landholdings worked by hired labourers or tenant farmers.

Since a tenant peasant lacked agricultural property to offer as collateral, he could not receive a bank loan. So he ended up borrowing from better-off relatives, who charged 2 per interest a month. 'If you fail to repay on time, the interest goes up,' said Jangid in a voice devoid of any emotion. 'That forces the tenant farmer to sell his wife's gold ornaments, a heart-wrenching experience.' Irrespective of class, Indians' attachment to gold borders on the mystical.

'Before the early 1980s, we depended on rain and open wells, 25 to 30 metres (40 to 100 feet) deep, which yielded sweet water suitable for irrigation,' recalled Jangid. 'After 30 metres, you hit sandy rock. Once past the rock, you get water which is salty and unsuitable for growing crops. Twenty years ago, an open well supplied enough water to irrigate 40 bighas (25 acres). But not now. The water table has been depleted. Also, twenty years ago, there was more rain than now. Tube wells started appearing in the early 1980s. One tube well irrigates 20 bighas (12 acres). Their number grew so large that around 2001, they started yielding saline water. Now there are 200 tube wells in the area, capable of irrigating 4,000 bighas (2,500 acres), but the cultivated land is down to half that figure.'[41]

Tube well irrigation was expensive. 'Power supply is erratic,' said Jangid languidly. 'It is available for five hours at a time and the timing varies from week to week. And if you decide to have your own generator then the cost shoots up. Most of us have diesel-fuelled generators, which we use only in case of emergency. At Rs 500 ($10) an hour, it is very expensive to run your generator to pump water.' This was in 2011 when the retail price of subsidized diesel, the most popular petroleum product consumed in India, was about Rs 40 (80 US cents) a litre. (That figure went up in September 2012 when the government cut the subsidy by about Rs 10 per litre.)

'We grow millet and oatmeal as well as guava and lentils,' continued Jangid. 'Before the late 1980s, harvests were good; there was more irrigation water than now. But on the negative side, we had pests and plant diseases—which is not the case at present. Also, now we get subsidized fertilizer even though the subsidy came down recently. Last year (2010), with a subsidy of 50 per cent, the price of potash fertilizer was Rs 522 ($11) for a bag of 50 kg. Now, with the subsidy slashed to 25 per cent, the price has leapt to Rs 980 ($20) for a bag of 50 kg. By 2013, the subsidy will be removed completely.' Didn't farmers like him complain? "Yes, we did. But the central government explained that we are under pressure from the IMF to reduce subsidies. There are bigger forces outside India twisting our government's arm and imposing their will.'

With the rising cost of agricultural inputs and electricity, land cultivation was becoming a loss-making proposition. 'If you use tube wells and factor in the costs of power utilization and fertilizer, you will spend Rs 1,00,000 ($2,000) on a plot of 40 bighas (25 acres),' said Jangid impressively, at ease with figures. 'The yield will be 40 quintals, putting your cost of production at Rs 250 ($5) per quintal. But the selling price is only about half that. So you will lose Rs 50,000 ($1,000) every season. Therefore you decide to keep the land fallow.' Later, driving his Jeep, he gave me a tour of his fallow land overgrown with weeds.

A stark contrast was provided by Punjab and Haryana, where practically every square inch of agricultural land was cultivated. It was the Punjab-Haryana region which was the seed bed out of which grew the Green Revolution. The term is short hand for the provision of chemical fertilizers, credit, price incentives, marketing facilities, and technical advice, with the high-yielding varieties (HYV) of wheat and rice seeds at the core. The earlier title for this scheme was Intensive Agricultural Area Programme (IAAP).

The Green Revolution Hits a Ceiling

At partition in 1947, India lost large areas with food surpluses to West Pakistan, and the communal violence and the uprooting of millions of people caused loss of production in India's own fertile northwestern region. Therefore it had to import food and pay for it in hard currencies from its meagre foreign earnings. Despite the stress of its first three five-year plans—starting in 1951—on rural community development programmes, land reclamation, and irrigation projects, the food output reached a plateau of 8082 metric tonnes a year during 196064.[42]

It was against this background that the Green Revolution was launched in 1965 when the earlier IAAP was extended from the original fifteen districts to 114. This coincided with the arrival from the United States of the HYV seeds for wheat and rice. The subsequent increase in the yield of these food grains encouraged more and more cultivators to adopt the new techniques. The area under the miracle seeds zoomed from 4.6 million acres in 1966 to 34.6 million in 1970. It covered about a third of the total wheatgrowing land and oneseventh of the ricegrowing acreage. Because of the jump in the area under wheat cultivation and in the yield caused by the new techniques, the production of wheat doubled during these four years.[43]

Punjab and Haryana were the leaders. They had a large number of peasant proprietors, and the state governments had invested heavily in building up an infrastructure of irrigation systems, roads and electricity, and supported it with a reasonably efficient system of credit and distribution of new seeds, chemical fertilizers, farming equipment, etc. During the 1960s, in the Ludhiana district of Punjab, for instance, the land under irrigation increased from 45 per cent of the total to 70 per cent, the consumption of fertilizer from 18 pounds per acre to 242 pounds, the wheat acreage under HYV seeds from 1 per cent of the total to a jaw-dropping 90 per cent. The average yield of wheat per acre leapt from 1,385 pounds to 3,280 pounds.[44]

However, with fourfifths of the ownerfarmers working plots of more than 10 acres (4 hectares), Ludhiana was far from typical. In the large wheatgrowing states of Uttar Pradesh and Bihar, fourfifths of all cultivating households operated farms of less than 8 acres (3 hectares). They lacked the resources needed to have a reliable source of irrigation, often a deep tube well, which became a common site in the Punjab-Haryana region from the early 1970s, and which was the key to increased output.

Nationally, though, rice cultivation, which covered more acreage than wheat, was more important. The average landholding in the rice belt was much smaller than in the wheat zone. Therefore the proportion of landowners who lacked the resources needed to utilize the new technology was much higher.

A study of the rice-growing region by Francine R. Frankel, an American expert on Indian agriculture, at the end of the five years of the Green Revolution led to the conclusion which, astonishingly, remains valid four decades on. She noted that farmers with 20 acres or more in the rice belt had made 'the greatest absolute and relative gains' by mechanizing farm operations and diversifying their cropping pattern, and those with 5 to 10 acres had experienced 'some improvement in net income' while the vast majority 'probably as many as 75 per cent to 80 per cent'—had suffered 'a relative decline in their economic position'.[45]

The overall advance of the Green Revolution continued for almost two decades—but only in the areas which had irrigation facilities, because this was the sine qua non for the success of the miracle seeds. 'The new technology [of the Green Revolution] matured from 1980-83 to 1990-93 when it spread widely to more areas and encompassed more crops,' noted professors G.S. Bhalla and Gurmail Singh. 'The result was a notable increase in the levels and growth rates of yields and output as well as in agricultural worker productivity in most states and regions. Thus, from 1980-83 to 1990-93, the crop output recorded an unprecedented annual growth rate of 3.40 per cent compared with a growth rate of 2.24 per cent from 1962-65 to 1980-83.'[46]

With this, India became self-sufficient in food. It no longer had to spend foreign currencies to import food grains to feed its rising population, which, in 1991, stood at 846 million compared to 361 million in 1951.[47] However, this did not alter the grossly skewed consumption of food by Indians, with the upper-middle and upper classes increasingly displaying the ill-effects of excessive eating such as overweight and obesity.

But the implementation of the NEP retarded the steady progress in this crucial field. After a meticulous study of the official statistics on the subject, Bhalla and Singh concluded, 'From 1990-93 to 2003-06, the growth rates of both agricultural output and of land yields slowed compared to the pre-liberalization period. At the all-India level, while the output growth decelerated to 1.74 per cent per annum from 3.37 per cent per annum, the yield growth declined to 1.52 per cent per annum from 3.17 per cent per annum.'[48]

As explained earlier, this setback was nationwide related to the central and state governments' slashing of investment in irrigation and water management, which reduced cultivator's profit margins. Region-wise, the resource-poor eastern India—Assam, Bihar, Odisha, and West Bengal—suffered more than the other three regions: northwestern (Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Uttar Pradesh, and Uttarakhand), central (Gujarat, Madhya Pradesh, Maharashtra, and Rajasthan), and southern (Andhra Pradesh, Karnataka, Kerala, and Tamil Nadu).

The exception that proved the rule was the prosperity of the plantations of spices and condiments in the southern state of Kerala. Between 1990-93 and 2003-06, the value of the plantation produce of condiments and spices to aggregate agrarian produce more than doubled from 16.7 per cent to 36.3 per cent. With trade liberalization creating favourable conditions for exporting these commodities, farmers increased the area and production of these crops.[49]

On the other hand, in the fertile northwestern region, the absence of crop rotation to break the duopoly of wheat and rice, the lavish application of fertilizer and pesticide and the excessive drilling of tube wells led to reduced efficiency. Farmers' profits shrank. The soil quality deteriorated, and the groundwater table fell dramatically.

Plunging Water Table and Rainwater Harvesting

OF India's 192 million acres (74 million hectares) of arable land, 70 million acres (27 million hectares) were dependent on man-made irrigation. Of these, three-fifth had come to rely on groundwater by the late 2000s.[50] To monitor the situation, the Indian government in 1970 established the Central Ground Water Board in the ministry of water resources by renaming the Exploratory Tube Wells Organization of the agriculture ministry and merged it with the Ground Water Wing of the Geological Survey of India.

Over the next two decades, its lead was followed by state governments which set up their own groundwater departments.

By 2005, there were roughly 20 million individual wells in the country, contributing to groundwater depletion. These included traditional open wells and hand pumps as well as deep tube wells.[51] Unlike in China, India had virtually no law on groundwater. Anyone could pump water as long as it lay under their plot of land. As a result, groundwater was being extracted from lower and lower levels and much faster than rainfall could replenish it.

With an average annual rainfall of 42 inches (108 cm), India was not short of this precious gift of nature. But the amount varied widely from region to region. What most areas had in common was the loss of rainwater, which went down the drain or disappeared as steam.

The solution lay in capturing rainwater and storing it in containers above or below the ground for immediate use, or in channelling it into the soil for later extraction. This is called rainwater harvesting (RWH). It has been practised in India and elsewhere in different ways since antiquity. In modern times, RWH can be accomplished by using rooftops, storm water drains, paved or unpaved areas, or lakes and ponds. Individual households in towns and villages prefer to store rainwater for their gardens, livestock, washing and bathing. Given the alarming drop in the water table in the countryside, those who resort to RWH opt for recharging groundwater.

A typical RWH system consists of a catchment area—the terrain which receives the rainfall—a coarse mesh to prevent the passage of debris, gutters to collect and transport the liquid to the storage container, and pipes to carry the stored water for reuse or recharge. If this water is filtered properly, it could be used for drinking.

For a recharge, the storage tank has to be installed into the ground and connected to another tank with holes in its bottom. Here, two options are available: one in which rainwater seeps through soil at shallow depths into recharge trenches, and the other in which water percolates much deeper and joins groundwater, as in recharge wells.

Faced with a severe drought in Andhra Pradesh, its chief minister Nara Chandrababu Naidu devised a water conservation mission codenamed 'Neeru Meeru' in 2000. Its ten-point programme included 'Rooftop rainwater harvesting devices in urban areas'. Following a drought in Tamil

Nadu in 2003, the next year its government mandated the installations of RWH devices in about half a million urban households, including those in capital Chennai. A survey of 759 households in the city by Chennai Metrowater in 2009 showed that groundwater levels had risen by 3-6 metres. Such a satisfactory result led Metrowater officials to conduct a random check for the maintenance of RWH structures before the onset of the summer monsoon.[52] Thanks to the Kerala government's RWH campaign and publicity by various media, RWH is quite popular in that state.

Compared to the popularity of RWH in the south, the situation in Punjab was bleak. Its people and politicians proudly broadcast the fact that though the state accounted for merely 1.5 per cent of the Indian territory, it produced one-fifth of the nation's wheat and more than one-tenth of its rice.[53]

But farmers seemed oblivious of the disaster that awaits them if they continue to over-exploit groundwater and deplete the table by a metre annually. 'This state would turn into a desert in less than twenty years,' warned a town planning official in Jalandhar, requesting anonymity. According to the soil conservation department, more than 65 per cent of the rainwater was 'going waste' every year.[54]

A few years earlier, the state government's local bodies department made it compulsory for every new building to be equipped with an RWH plant. But this bye-law was not being reinforced. Mahender Kamal, a senior officer in Jalandhar's planning office, admitted that they had covered twenty schools in Patiala and a few in Jalandhar in 2009 but the department presently lacked funds to undertake such projects. His boss, Tarlok Singh, conceded that despite the existence of this bye-law, its implementation was 'nominal' as 'only commercial buildings are installing such plants'.[55] This was the case in other urban centres. With the exception of Kerala, the prospect of RWH in the countryside on a mass scale elsewhere was as yet not on the horizon.

Besides improving irrigation facilities, a slow process, India badly needed a major biotechnological breakthrough in agriculture to cope with the static or falling grain output at a time when its population was rising by an average of 1.7 per cent a year against the backdrop of the earlier Green Revolution hitting a ceiling.

New Biotechnological Leap Needed

The HYV seeds of wheat and rice had originated in the US in the early 1960s. A generation later, once again, America pioneered a new technology in agriculture, based on the more refined gene splicing in plants which led to gene transfer. It enabled agricultural engineers to impart certain desirable genes to organisms or suppress or remove undesirable genes. Their early trials showed reduced frost damage to the treated plants. Later, this technique was applied to potatoes.

The next step was to produce GM seeds by adding new traits to the plant such as resistance to certain pests, diseases or environmental conditions, or the production of a particular nutrient or pharmaceutical agent. These seeds divided into food and non-food. GM food crops proved controversial because the long-term effects on humans of the toxins they carry have not been fully determined.

The first GM crop approved for sale in the US was tomato, showing a longer shelf life, in 1994. The following year, the bacillius thuringienis (Bt) potato became the first pesticide-producing crop to be approved by Washington. Bt crops are GM plants that kill insects using a toxic protein from the Bt soil bacterium. Other foods—maize, squash and soybeans—followed. In the non-food category, Bt cotton seed produced by Monsanto in 1996 was a breakthrough of paramount interest worldwide.

In 2011, India became the largest cultivator of Bt cotton, jumping from 10,000 hectares for experimental purposes to 10.6 million hectares, covering 88 per cent of the record 12.1 million hectares under cotton cultivation.[56] This commodity was the most important raw material for India's Rs 1,50,000 crore ($3 billion) textile industry, which contributed nearly 20 per cent to the country's total industrial output and employed more than 15 million people.[57]

When sufficient water was available for planted Bt cotton seeds thanks either to rain or man-made irrigation, and these plants were treated with proper doses of fertilizer and pesticide, the crop was capable of increasing the cultivator's profit by 75 per cent. Before the arrival of the Bt variety, even the traditional seeds benefited from the use of fertilizer and pesticide, not to mention the irrigation water extracted from tube wells. As a result of these advances, the cotton yield per hectare in India more than doubled from 225 kg in 1991 to 519 kg in 2011.[58]

As for food, eggplant, called brinjal in India, has been in the news since 2005 when Mahyco co-opted two Indian agricultural universities to develop Bt brinjal to reduce the use of pesticide and counter pests. After studying the results of their experiments, an experts committee recommended commercialization of the Bt brinjal to the genetic engineering approval committee of the ministry of environment and forests in early October 2009.[59] Soon after, permission was granted.

But three months later, environment minister Jairam Ramesh put a moratorium on the release of the transgenic brinjal hybrid, Bt brinjal, 'until we arrive at a political, scientific and societal consensus'.[60] It was two years later in February 2012 that in an interview with CNN-IBN, Ramesh revealed the full background to his decision: 'There was opposition from state governments. There was no scientific consensus on the need for Bt brinjal; scientists were divided ... The full protocol of tests had not been completed. Unlike Bt cotton, Bt brinjal is something you eat every day. Safety and reliability tests had not been completed. There had been no independent regulatory mechanism which could instill confidence in the public.'[61]

Following a petition by environmental activist Aruna Rodrigues, under the public interest litigation (PIL) provision,[62] before the Supreme Court, the court appointed a technical experts committee in May 2012 to advise on the open field trials for GM food crops. In its report in October, it recommended a ten-year moratorium on all Bt food crop trials. This was in line with a report by a parliamentary committee on the cultivation of GM food crops in August. The technical committee's report also recommended overhauling the regulatory authorities that oversaw GM trials and reviewing regulations to ensure GM crops posed no risk to human health or the environment. It stressed the need for specifically designated and certified field trial sites and added that sufficient mechanisms must be established for monitoring trials before any field trials could resume. Suman Sahai of advocacy organization Gene Campaign pointed out a major lacuna in the approach of the current regulatory protocol. 'In failing to consider the impact of a GM crop, for instance, on organic farming, the Indian regulatory system completely ignores the interests of farmers, who would lose their markets if contamination with the GM product were to take place,' she observed.[63]

Role of Advocacy Groups

In the Vidarbha region, farmers' advocacy group VJAS played a critical role in highlighting the plight of the peasants suffering the calamitous consequences of the failure of rains after they had planted Bt cotton seeds. The moving spirit of this NGO was Kishor Tiwari. He had set up the VJAS office in Pandhar Kawada, where he maintained an up-to-date blog, promptly pasting all the news about Vidarbha. He kept tabs on farmers suicides, a task made easy because of the popularity of mobile phones even in rural areas. The speed with which he disseminated this depressing news kept the subject in the public eye throughout India.

He believed that he had a divine mission to accomplish. This was made explicit by the note in Hindi he prominently displayed on the windshield of his car: 'God has sent this man to the poor.' Sharing the backseat of his car as it was steered by his driver, he told a visiting journalist, "The same liberalization that is driving India's growth is breaking farmers' backs"[64]

This has been the thesis of the leaders of the All India Kisan Sabha (AIKS, All India Peasants' Assembly), the country's oldest peasant organization, dating back to 1936. After the Communist Party of India (CPI) was legalized by the British government in 1942 in the wake of the Soviet Union joining the Allies in the Second World War, the AIKS became the front organization of the CPI. When the CPI split in 1964, each of the resulting two parties claimed the AIKS as its own peasants' body. Its strength varied from state to state. By and large, it had tried to advance the interests of the middle-sized farmers, neglecting the interests of landless and poor peasants.

When Indira Gandhi's government lost its majority in parliament in 1969, members of the two Communist parties lent it support. Pressured by them, her administration passed such pro-poor measures as the nationalization of fourteen leading banks. The new law required government-run banks to provide 40 per cent of their credit to 'priority sectors: such as agriculture, small scale industry and small businesses'. With the nationalization of six more banks in 1980, the branches of the public sector banks increased tenfold to 64,000 by 2003, with half of them in rural areas, focused on agriculture.[65] Yet that amounted to extending banking facilities to only one in twenty villages.

In 2004, the Congress-led coalition of Manmohan Singh had to rely on the votes of the Communist-led Left Front MPs. They were instrumental in pressuring the government to pass the National Rural Employment Guarantee Act in 2005. It helped alleviate poverty in the countryside to some extent. But the credit for it went to the Congress, which was returned to the Lok Sabha as the largest group in 2009, not the Communists who fared badly in that poll.

Between the solo campaign by Tiwari and a group decision by Left Front MPs in parliament, there was space for medium-sized NGOs to help the downtrodden villagers. That was where the People's Science Institute (PSI), founded by Ravi Chopra in Dehradun, fitted in.

An IIT Bombay graduate, Chopra obtained his doctorate in material science from Stevens Institute of Technology, Hoboken, New Jersey, in 1973. He returned home and assembled a team of dedicated scientists and social workers to form the PSI to devise original schemes to combat environmental damage, droughts, and other disasters. To identify with the underprivileged he wished to help, Chopra switched to wearing the north Indian dress of a long shirt and loose pajama and grew a beard. The PSI managed to integrate traditional practices with latest technology to design a watershed system as an alternative to big dams. It helped village panchayats to draft self-sustaining development plans. It also tried to popularize the RWH in rural areas. Chopra's own house was capped with a 40 kilolitres RWH tank on the roof.

He caught the attention of the national media in 1982 as the co-author of the citizens' report on the state of India's environment. He also published a paper on the country's water needs in the twenty-first century. As a result, the Indian government appointed him to the working group on perspective planning of the National Commission for Integrated Water Resources Development in the Twenty-first Century. Since then, he has remained in touch with top policy makers, politicians as well as senior civil servants in Delhi.

Chopra is therefore familiar with their basic thinking. 'The Indian government has no interest in making agriculture efficient,' he told me. 'It very much likes rural migrants to provide cheap labour to thriving states like Gujarat or local cities for construction and other work.'[66] As it happened, six months earlier, Prime Minister Manmohan Singh had made the same point but placed it in a different context. 'The only way we can raise our heads above poverty is for more people to be taken out of agriculture,' he had averred.[67]

FIVE

Slums Galore

IT WAS A windy day in February in Delhi. The breeze whistling through the half-stuck window of our rickety taxi turned fetid as we got off the historic Grand Trunk Road in the sprawling capital's northeastern district adjoining the impoverished, overpopulated Uttar Pradesh. The obnoxious smell turned out to be an advance sign of the proximity of our destination: the slum of New Seelampur. The logic of qualifying a slum as 'new' escaped me. It was only later that I discovered the reason—to distinguish it from the much earlier, authorized Seelampur Colony, popularly known as Seelampur.

The source of the malodorous air, however, was anything but new. It was a stagnant pond of sewage surrounded by rubbish and detritus. Numerous plastic and polythene objects shone in the pale sun, some of them set alight, the resulting weak acrid smoke competing lamely with the foul exhalation of the simmering dark blue liquid.

From Flat Land to Slum of 55,000

IT required much physical dexterity on my part to reach the threshold of Sajid Farouk's tiny, single room 'health clinic', bordered by a channel of exposed sewage, home to countless malignant germs, with methane gas gurgling to the surface. I was helped by my companion, Omair Anas, a Ph.D. student. A short, dark, squat man with salt-and-pepper beard, Farouk, in his mid-forties, looked spruce in blue cotton pants and a white shirt. He was a self-taught paramedic, known locally as a hakim (Urdu for 'physician'). He treated a little boy with a running sore by applying a balm and bandaging it, charging him Rs 5 (10 US cents).

Farouk was born in Sanjarpur village in Azamgarh district of Uttar Pradesh. 'There was very little land to go around in our large family,' he explained. 'I was too poor to afford a wife. So I thought of trying my luck in Delhi. I arrived in 1997 only to find the city to be very expensive. I ended up here because of the migrants from Uttar Pradesh. The rent was low. In those days, there were only jhuggi-jhopris [Hindi for 'makeshift huts'] here, nothing made of red bricks.'[1]

His carpenter friend, Abdul Haq, who had been reading a newspaper while lying on the upper berth of a two-berth wooden bed next to our plastic chairs, lifted himself on his right elbow and sat up. He put aside the *Dawat* (Urdu for 'Feast'), an Urdu newspaper, to reveal a neatly trimmed moustache on a fair-skinned face of someone aged about thirty-three. 'I was born in this area,' he said. 'Thirty years ago, this was a plain field, government-owned. A few people from Uttar Pradesh put up jhuggi-jhopris. The numbers started increasing rapidly about ten years ago here and in Seelampur, with mostly villagers from Uttar Pradesh and some from Bihar.'

Indeed, this happened at such a rate that the Northeast Delhi district became the most densely populated in India, according to the 2011 census: home to 2.24 million people in an area of 60 sq km (23 sq miles).[2] 'The migrants were mostly landless labourers in their villages,' continued Haq. 'They could not survive in the shrinking agrarian sector. They heard about jobs in Delhi, mainly building work, at Rs 150 ($3) a day.'

Property developers in India's urban settlements were operating in a sector that started booming from 2001. Taking its cue from the United States Federal Bank's slashing of interest rates after 9/11, the BJP-led government in Delhi followed suit. Lower interest charges encouraged young middle class professionals to switch from the traditional 'save and buy' route to house ownership to the 'buy now, pay later' path. Another factor which boosted demand for residences was the increased number of nuclear families due to the gradual dissolution of the traditional joint family model in the majority Hindu community. Research in 2006 showed that the average age of the owner of a new house had plunged from forty-five to thirty-two years during the past decade. The commercial property market was equally buoyant, with shopping malls, hotels, and showrooms springing up in cities and major towns. The expansion in office space was well illustrated by the 150 million sq ft of built-up area needed by the burgeoning outsourcing and IT sector during 2006-10. Altogether, the real estate sector by revenue exploded from $10.1 billion in 2005 to $66.8 billion in 2010.[3]

Cement factories operated at full tilt to satisfy the construction industry's demand growing annually at 8 per cent during 2001-11. The total cement output at the end of 2011 reached a record 320 million-plus metric tonnes a year.[4] Brick kilns could not cope with the vertiginous demand. No wonder, with its contribution of 8 per cent to the GDP, the construction sector ranked second, behind agriculture.

Yet there was a much wider scope for the expansion of this industry. According to the official sixty-third National Sample Survey (July 2006-June 2007), 55 per cent of urban residents lived, slept, cooked, and washed in an area of 5.5 sq metre (59 sq ft) per person. This happened to be the minimum specified for prisoners in America, where the average living space per person was 83.6 sq metres (896 sq ft).[5]

For now, though, the construction contractors' cascading prosperity did not trickle down to those who did the actual building. In Delhi, for instance, they paid their labourers well below the statutory minimum daily wage of Rs 190 ($3.80). At the very least, these underpaid workers could complain to their representative in Delhi's legislative assembly—its members known as MLAs—I said to Farouk and Haq in New Seelampur.

'Ahmad Mateen [our MLA] has more important things to do,' Farouk responded. 'He has helped us as a community. It was only when he intervened that we got proper electricity connections. Before that we used to steal it from the main supply line. We also got communal water taps at about the same time. But water comes only for a few hours a day.' Haq piped up. 'Still, it was a bargain. For getting that done, we gave him our votes. Most of the 10,000 families here did. That is how he has bagged the assembly seat twice after his first win in 1998.' Which party? 'Congress.'

It was just before the 2003 assembly elections that the slum dwellers were allowed to build proper brick structures. Each family was allocated a total of 20-metre (62 feet) perimeter. It partitioned the small space into two parts: one for cooking and daily activities and the other as the store room doubling as the bedroom. Five to six members of the typical family were consigned to sharing the cramped space. They dug a deep hole in the ground to serve as a latrine.

Sadly, the authorities failed to construct a sewage system. Individuals, who did not have the required skills, resorted to building a brick-lined drain. So the sewage did not flow down a slope. It stagnated and then spilled over in the street in the absence of a cover for the drain. The end result: a stomach-churning stink emanating from a revolting sight.

It was taxing for Omair and me to squeeze our way through the narrow, rutted, people-choked by-lanes. So we sauntered along the main street. At the butcher's, the hanging meat was invisible under the impregnable sheath of thousands of black flies. Hamid Baksh, the long-faced, toothless owner of a flyblown vegetable shop selling tomatoes, onions, potatoes, cabbages and peas, had arrived many years ago from a village near Meerut. His shop in the street exceeded the space he had been allocated for his family. A backless wooden bench by the side of the store served as a meeting point for slum dwellers to exchange gossip and watch colour TV on a set placed behind Baksh's bent back. 'The rent for cable TV is Rs 50 ($1) a month,' he told us. 'My daily turnover is Rs 120 ($2.40), and I make a gross profit of Rs 50 ($1).'

Among those who assembled at his shop was Abid Reza. Dressed in well-laundered khaki pants, striped shirt and polished shoes, this clean-shaven, chubby-faced, fair-skinned forty-year-old man with a greying moustache stood out. 'I come from a village near Rampur in Uttar Pradesh. After much trial and error, I managed to find a job as a peon-messenger with a graphic design company in Seelampur Colony. It is called HM Graphics. My salary is Rs 7,000 ($140) per month, and it is a six-day week. I have a bank account and a credit card.' Yet he had no plans to leave the slum to follow the ten families which, over the past fifteen years, had moved out to a decently habitable place.

A subsidiary of the Delhi-based HM Advertising, HM Graphics (Private) Limited, formed in 1995, specialized in outdoor advertising. Its clients included Dove (toiletries) of Unilever, General Motors, HDFC Bank, associated with JP Morgan Chase Bank N.A., and Heinz, thus illustrating the globalization of goods and services that India has undergone since 2001.[6]

Slum India Profiled

As the commercial capital of India, Mumbai, home to the Reserve Bank of India and the local and national stock exchanges, was at the forefront of financial globalization. The subsequent spurt in expensive private residential and commercial property development made the land and the built-up structures in India's most populous city among the most expensive on the planet.

In upscale South Mumbai, land on Altamount Road was worth Rs 1.25 million ($25,000) per sq metre in 2008. It was on that road that on a plot of 4,532 sq metres, a twenty-seven-story cantilevered structure—named after a mythical island, Antilia, mentioned by Aristotle, and valued at $1 billion—was unveiled in October 2010. It was the new 'house' of Mukesh Ambani, the fifty-three-year-old bull-necked, jowly-faced chairman and CEO of Reliance Industries Ltd, the country's most valued company. Its six floors, large enough to accommodate 160 cars, were meant primarily for visitors. Then arose a cinema and a ballroom, over which stood a series of floating gardens, topped by a multi-story health centre and a swimming pool and a floor of guest apartments—as a base for the several stories to accommodate the five-member Ambani family. What stood above the Ambanis' core residence were three helipads. It required a staff of 600 to maintain this new 'house' of Mukesh Ambani, whose net worth was put at $29 billion.[7] 'The person who lives in there [Antilia] should be concerned about what he sees around him and [ask] can he make a difference,' said Ratan Tata, with a net worth of $1 billion, in his interview with *The Times* (of London). 'If he is not, then it is sad.'[8]

Mumbai had also the distinction of attracting almost half a million rural migrants annually after 2001.[9] Some of the villagers walked to the outlying settlements of Mumbai with their family's milch cow in tow. Unable to find or afford suitable animal fodder, the migrant household let the animal free to roam and forage rubbish dumps to survive. It was this cow on the loose that appeared suddenly in the traffic in India's urban centres, often standing pat in the middle of the road, immune to the noise and speed of the vehicles trying to bypass her.

The population of metropolitan Mumbai, however, increased only by 8.7 per cent during 2001-11 because, as a peninsula attached to the mainland, it had limited habitable space. So the migrants ended up swelling the city's suburbs. Despite the rising wealth of the metropolis, the percentage of the slum dwellers in the city's population remained obstinately at 50 per cent.[10] Given the unhygienic conditions in which they survived and the absence of affordable health care, the life expectancy of the slum dweller was way below that of the one living elsewhere. As a consequence, the life span of the typical resident of this 'City of Dreams' was seven years less than the national average of sixty-six in 2010.[11]

The definition of a slum varied. A United Nations' agency, UN-Habitat, defined a slum household as 'a group of individuals living under the same roof, lacking one or more of the following conditions: access to safe water, sanitation, secure tenure, durability of housing, and sufficient living area.' The Indian government defined a slum area as a cluster of households lacking facilities of drinking water, drainage, and latrine. Using the cluster size of sixty households and limiting their survey to places with 20,000-plus people, the census authorities in 2001 put India's slum population at 52.4 million out of the 278 million urbanites living in 5,480 cities and towns. Later, this figure was revised upwards to 61.8 million, or 22 per cent of the total urban head count.[12] But, according to the UN, there were 158.4 million slum dwellers in India, more than half of the total urban population.[13] The final figures of the 2011 Indian census were expected to put the nationwide number of slum dwellers at over 93 million, a 50 per cent increase in a decade. During that period, the growth in the urban population as a whole was 34 per cent.[14]

In terms of the sheer size of a city's slum population, Delhi was second to Mumbai. Its 3.16 million slum dwellers in 2011 were up on the 2001 figure by nearly two-fifths.[15] This was so even when the capital was the second richest city in India, partly because of the dollops of cash that the central government showered on it. Its annual per capita income of Rs 1,76,000 ($ 3,520) was three times the national average.[16]

Yet Delhi was unable to buck the national trend wherein the unregulated and rising influx of rural migrants into urban settlements had led to a steady deterioration in water supply, education, health care, and round-the-clock electricity. Whereas Delhi's power supply was integrated into the national grid which was divided into regions, the responsibility for providing clean potable water to citizens rested with the local authorities. They had failed.

Even the middle class neighbourhoods suffered. The experience of Ritu Prasher, a resident of an apartment block in the Janata Colony, was typical. She had to get up at 6.30 a.m. to queue up for a private water tanker delivering muddy brown liquid, since public taps discharged only reluctant trickles. Leaking pipes in the capital lost as much as 40 per cent of the water they carried. A melee invariably ensued the moment the private tanker arrived. To overcome the deficit, the residents of middle class colonies such as Janata had resorted to drilling deep tube wells. But so many tube wells had been drilled in Greater Delhi over the past quarter century that the groundwater level had fallen sharply and many of these wells had started delivering saline water unfit for drinking or cooking.[17]

A similar trend prevailed in Bengaluru, underscoring an unmistakable linkage between globalization and accelerated urbanization. As the bastion of the IT industry, it recorded the highest leap in head count—65 per cent—during 2001-11. From being the sixth largest Indian city, it became the third largest within a decade. During that period, its slum population grew from 23 per cent to 33 per cent of the total.[18]

Among other provincial cities where the rise in population between the latest decennial censuses stood out was Dehradun. It scored 33 per cent, with its total head count a shade lower than 4,50,000. The reasons were both domestic and global. In order to have a substantial presence abroad, ONGC Videsh Limited (OVL), a subsidiary of the Dehradun-based Oil and Natural Gas Corporation (ONGC) specializing in foreign operations, intensified its efforts to acquire and exploit oil and gas reserves abroad from 2001. It succeeded. During 2002-10, OVL's annual oil output from its wells in fourteen countries climbed from 0.25 million metric tonnes to 8.87 million metric tonnes.[19] The subsequent growth in ONGC's permanent staff raised demand for residential property in Dehradun. Another factor was the naming of Dehradun as the capital of the newly created state of Uttaranchal, later renamed Uttarakhand, in November 2000.

Landless peasants from rural Bihar started pouring in. With 79 per cent of its population in 2001 living below the poverty line—as measured by the multidimensional poverty index (MPI)—Bihar was even poorer than the neighbouring Uttar Pradesh adjoining Uttarakhand.[20] Among the existing slums in Dehradun that experienced rapid expansion was the one along the banks of the seasonal tributary called Bindal, which was reduced to a drain during dry months. Of the city's 113 slums in 2000, ninety had come up near a drainage channel and most of the remainder along railway lines.[21] These included both 'notified' and 'non-notified' categories. The city's figures showed a dismal failure of the local and state authorities when the

National Sample Survey Organization published its data on slums collected between July 2008 and June 2009. India had 49,000 slums, 24 per cent of which were next to drains and 12 per cent along railway lines.[22] Any slum clearance programme periodically implemented by the local government applied only to a small section of the 'non-notified' slums, as it lacked the resources to tackle the problem on a wider scale.

Bindal Bridge Slum

Though the official title of the water course passing through Dehradun was the Bindal river, it was in reality a seasonal tributary which flowed into the Song river in the southeast. It came to life only during the monsoon months. For the rest of the year, it became an open drain. Its unclaimed dry bed started attracting rural migrants, mainly from Bihar, from the mid-1980s. Their number shot up after 2001. A decade later, the jhuggi-jhopris along the tributary's banks accommodated 20,000 people, about 3,000 families.

Even when viewed in the bright sunshine of early spring, the sight of squalor and degradation of the slum at the Bindal Bridge induced a faint sense of nausea in me. The tributary was down to a blue-black ribbon of stagnant muck, a feast for mosquitoes. The communal water tap planted on the margin of this shallow channel stood out because of the languid line of girls with plastic containers and white buckets painted sky blue all over except for the words 'Asian Paints'.

In the background was a haphazard line of ramshackle, hand-built, windowless shelters, held together by wooden planks, plastic sheets, tarpaulin, duct tape, plywood panels, empty sacks and corrugated metal sheets—with rickety doors, populated by ill-clad humans, and loitering pigs and mangy dogs. A token architectural variation was provided by the occasional piles of bricks assembled to form walls without any cementing material. The linear slum was hemmed by sand bags and flat stone blocks in the front to keep the monsoon water at bay and a robust fencing wall at the back to delineate it from the elegant whitewashed multi-story homes of the wealthy.

During the day, when their husbands were away at construction sites, the wives and daughters spent much time outside their shacks, cooking, looking after small children, washing utensils and clothes, and waiting at the shared water tap. Children mingled with one another and played with pigs in dirty puddles.

I found Basanti, the wife of Devidas Kurmi, scrubbing her five-year-old son with a wet rag. A dark, oval-faced woman, with a round vermillion mark on her forehead, swept back jet black hair, and a bead necklace, she was wearing a long-sleeved beige blouse and a dirty sari. Inside the four walls of wooden planks and loose bricks, topped with a corrugated metal sheet, some clothes hung precariously on nails. Other garments were strewn on a bunk bed. A straw mat was rolled up in a corner to be turned into a bed at night. Instead of a door, her shanty had a dirty rag hanging from a thick string tied round two rusty nails hammered into two vertical wooden planks on either side of the opening.

'The weather here is better than in Bihar,' she remarked. 'But monsoon is a problem. The river water rises up and flows fast. We have to guard our children closely to see that they don't fall into the water and drown. The rain falling on our metal roof is very noisy, like a horde of cows running on the roof. We cannot sleep at night.' How was her family life, I asked hesitantly. She blushed as she translated my question in her mind. 'My husband is a good man,' she said. 'He does not beat me the way many others do their wives when they get drunk.'[23]

She was friends with her neighbour Aarti, the wife of Lakshman Ram. They and their husbands came from the villages in Bihar's Gaya district. Basanti looked after the twenty-three-year-old Aarti's toddler during the day when the young mother went to the nearby small tailoring and educational school run by Aasra for Community Transformation, an NGO focused on improving the lot of the indigent. This open plan facility with some eighty students and tailoring equipment was located below the shops along Omkar Plaza next to the bridge.

Aarti was a slim, petite woman with soulful eyes in an ascetic face. She wore a purple sari, with a vermillion mark on her forehead, the equivalent of a wedding ring for Western women. 'We came from Gaya seven years ago,' she said. 'My husband is a carpenter. He is now working in the houses they are building in the Prem Nagar Colony. At first, we lived with my husband's maternal uncle, who had come to Dehradun earlier. But it was too crowded. So we built a hut on the riverbed. I do odd jobs for the Aasra school and get Rs 1,000 ($20) a month.'

In contrast to Aarti, Gayatri, the wife of Bharat Ram, was large, dark and curvaceous, wearing a checkered sari and a tight blouse. But like Aarti, she was born in impoverished Gaya. Surprisingly, for a woman of twenty-nine, she was the mother of a fourteen-year-old boy. 'My husband was a weakling and could not do hard labour in the fields, so he decided to move to Dehradun. He knew someone from our village who worked here and initially rented a slum hut with him for Rs 1,000 a month. But after the children and I arrived, we moved to a single room in a proper building. The rent is Rs 2,000 a month. I come to the tailoring class here. We have to bring our own cloth.'[24]

With the expanding upper-middle and upper classes in the city, there was a rising demand for maids, cleaners, cooks, and domestic servants. Older rural women, not encumbered with child rearing, and their young, unmarried daughters provided the service. And a minority of the male villagers, intent on improving their lot, learnt driving, since car owners in India often employ chauffeurs to ferry them and their families.

As a long time resident of Dehradun and as a social activist, Ravi Chopra was familiar with the influx of villagers and the upsurge in the size and number of the city's slums. 'When someone comes here from Bihar, he gets inducted into the local Bihari community,' Chopra explained. 'As construction workers, they get hired through labour contractors, who take their commission. Their net daily wage is Rs 180 ($3.60), just above the minimum wage of Rs 150 ($3). It reflects the high demand for construction. Initially, they send money home. Then some bring their families to live in a slum. Building their own makeshift huts is the cheapest option for them.' But how does he acquire land? 'Through the local mafia—with political and police connections. Somebody from that cabal will get the Bihari a small plot on the riverbed to rent. As a tenant of the land, he has to pay three months' rent in advance.' But that was not the end of the newcomer's dependence on the local fix-it don. 'If the Bihari wants an electricity connection or a voting card or a ration card, the mafia man will arrange it for a fee.'[25]

Food and Public Distribution

A ration card was every rural migrant's top priority. Rationing has a long history in India, dating back to the scarcity created by the Second World

War. But it then applied only to urban areas. Food shortages in the mid-1960s led the Indian government to set up the Food Corporation of India (FCI), to procure and store food, and the Agricultural Prices Commission, in 1965, to set prices for agricultural produce. These became part of the renamed public distribution system (PDS) for all of India. It was administered by the central ministry of consumer affairs and depended on the shipments from the FCI's central pool. It aimed to stabilize prices, ration basic needs in case of deficit in supplies, ensure availability of such commodities to the needy, and discourage hoarding and black marketing. The PDS was revamped in June 1992 to focus on the areas in need, and the task of delivering the goods was transferred to state authorities, which were put in charge of supervising fair price shops (FPS). The central government continued to be responsible for procurement, storage, and transportation of food grains.

Five years later, it introduced the concept of the targeted public distribution system (TPDS), with its focus on the underprivileged. The households were divided into three categories identified by the ration card colours, which differed from state to state: the poorest of the poor, covered by the Antyodaya Anna Yojana (AAY; literally meaning 'a food plan for the last person in the queue'); those below the poverty line (BPL); and the rest, who were above the poverty line (APL). The classification was to be done by state authorities. The main distributed commodities included wheat, rice, sugar, and kerosene. However, it was not until December 2000 that the scheme was implemented.

A household with the AAY card was entitled to purchase 35 kg (77 pounds) of rice or wheat a month per person in the family at Rs 3 or Rs 2 per kg respectively. For the BPL families, the same amounts of rice and wheat were available at Rs 5.65 and Rs 4.15 per kg respectively. As for the APL households, the purchase was subject to availability of stocks from the central pool, and the respective prices were about Rs 8 and Rs 6 for rice and wheat, the quality of both being rather sub-standard.[26] Since the market price for a kg of rice varied between Rs 19 and Rs 38, and since for wheat it was around Rs 13, the holder of a BPL ration card saved quite a lot on his family's food bill.

A material subsidy of this sort went some way to mitigate the strain that a rural migrant felt by moving to a city. But it was not enough, given the arduous nature of his work and filthy environment of his dilapidated home stead.

Home-brewed Hooch Dulls Grim Reality

On arriving in a city, a rural peasant felt psychologically dislocated. In his village, he lived in a neighbourhood along with other members of his sub-caste. He knew everybody else in the small community, even though he did not socialize with those who were outside his sub-caste. Aside from the busy harvesting season, there was always time for leisurely gossip at the local open air tea stall. He found the city unbearably impersonal. In the countryside, he had fresh breeze to breathe, not the polluted air of congested, vehicle-choked urban roads or the putrid smell of slums. Almost invariably, he made the initial adjustment by sheltering himself in a cocoon with others who had come to the city from his native area.

Such had been the case with Lakshman Ram and Bharat Ram when they arrived freshly in Dehradun. On their first day as building workers along with other Biharis, they found that at the end of the work hours, their site was besieged by vendors of desi (Hindi for 'local') liquor—officially called hooch, the slang being 'tharra'. Poured neatly into quarter-litre pouches, it was priced Rs 5 (10 US cents) a unit. They followed their co-workers and bought a pouch or two. They found the first few sips pretty rough, the smell pungent, and coughed. But they needed to socialize with their comrades. So they continued. Eventually, they got hooked. Every day, they looked forward to a session of group drinking enlivened with gossip, which released the tension of unremittingly hard labour. Their wives lamented their lapse. Increasingly, they resorted to snatching whatever cash they brought with them to the hovel. After all, they bore the ultimate responsibility for running the household and balancing the budget. A typical slum-dwelling family spent 60 per cent of its budget on food and drink, 10 per cent on rent, 15 per cent on electricity and fuel, and the rest on footwear and clothing.[27]

Despite the efforts of those who ran the tailoring school near the Bindal Bridge and other of my contacts in Dehradun, I failed to find a place where desi liquor was brewed. It was much later in the slum of Nat Basti in central Jodhpur in the state of Rajasthan that I finally tracked down the recipe for hooch, which accounted for two-thirds of the alcohol consumed in India, according to the London-based *The Lancet* medical journal.[28]

It was disclosed to me by Ramesh Nat, a tall wiry man in his late twenties, with a thin moustache, donning well-ironed pants and a shirt. 'We fill large spherical earthen pots with rotten jaggery [unrefined brown sugar] and water and add ammonium chloride to speed up fermentation. We bury the mixture underground for seven days. Then we transfer it to other containers and distill it. The yield of 5 litres of alcohol is then diluted with water to turn it into 10-12 litres of tharra. The price is Rs 40 (US 80 cents) per litre or Rs 10 (US 20 cents) per quarter litre.' How was the business? 'With all this building work in new colonies, the demand has gone up. People come to us to buy. Earlier we used to sell it for Rs 5 (US 10 cents) a quarter litre.'[29]

As a derivative of sugarcane, this rough, pungent drink is like unrefined rum, with alcohol by volume (ABV) of 40 to 50 per cent. The cheapest legally produced Indian rum sold for Rs 270 ($5.40) per litre, almost seven times the price of the moonshine version. By comparison, beer, with an ABV of 8 per cent, was considered insipid but still cost four times as much as tharra. Even then, every so often, a distiller attempted to spice up his brew by adding some untried chemical which proved lethal, causing many deaths among the unsuspecting drinkers.

As a sub-caste, the peripatetic Nats were entertainers who enthralled villagers with their acrobatics, juggling, and singing. They brewed tharra for their own consumption. The onset of movies and TV made their traditional calling redundant. So they started settling down in towns and cities. Their slum, with the moniker of Nat Basti (Hindi for 'Nat Settlement'), was part of a bigger entity named Masuria Paharhi, established in the early 1970s. Its 10,000 dwellers included Hindus of different castes, Dalits, and Muslims. A triangular saffron flag flew over the temple of the sacred Nagmichi Mata, revered by lower-caste Hindus. And there was a well-maintained mosque in front of the main tea stall. Located only 4 km (2.5 miles) from the Jodhpur railway station, Masuria Paharhi was an integral part of the city.

It therefore consisted of brick buildings constructed haphazardly. Other than that, it had all the hallmarks of an urban slum: dust, puddles of dirty water like boils on a living body, wayward alleyways and pathways, the uneven surface of one resembling the terrain on a hill, broken bricks, and other rubble piled up in heaps here and there. All human activity, except love-making, was on display. As in all other slums, privacy was an alien concept. What was refreshing, though, was the sight of a couple of youngsters, perched on string cots, studying. But this feeling vanished when the brewer told me that none of the Nat children went to school. The drab colours of men's clothes contrasted sharply with the floral frocks of girls and the colourful salwar kameez of some women. Occasionally, a newly built shop lightened up the bleak environment. In scantily stocked shops, the sign 'Philip Larsen' shone like a star in a murky sky.

Walking around the adjoining slum of Rajiv Gandhi Nagar along with my university graduate auto-rickshaw driver, Ravindra Krishnawat, I saw a small car parked closely to a neat house. As elsewhere, there was a communal water tap and the residents stole electricity from the overhead cables. Here I met Sunil Kanodya born into the sub-caste of washer men. The dark reddish edges to the line of teeth and gums of this short, skinny, dark man in his mid-twenties were tell-tale signs of his habit of chewing tobacco. He was born in Saura village in Bihar's Gaya district, where his father, who had sired five sons and three daughters, owned 5 bighas (3 acres) of land. As the youngest son, he had the least claim on the family land. He therefore pursued his education to the final year in a senior secondary school but did not opt for higher education. Instead, he came to Jodhpur to join a relative who told him about jobs in the building sector. Polishing marble slabs at work sites earned him Rs 200 ($4) a day.

The hills around Jodhpur were a rich source of marble, sandstone, and red stone. The demand for these stones had risen sharply all over India, since it was fashionable to furnish high-end residences and offices with marble floors and use sandstone and red stone as prestigious building material. Jodhpur was decked with such signs as Navi Tiles, Baba Marble & Art Stone, Solanki Tiles, and JM Sandstone. While leaving the city on my way to Tinwari, I noticed huge mechanical saws slicing the surrounding hills into transportable layers, and smaller blocks of sandstone and red stone being carried away by camel carts to be shipped later in trucks to construction sites all over India.

What did the residents of Masuria Paharhi think of the prosperity that had visited these traders in the area's natural resources, and which had made the signs of 'Wangler Jeans', 'Numero Uno Jeans' as familiar as the local 'PROVOGUE', and 'Van Heusen' shirts rub shoulders with the local 'MUFTI' shirts? To find out, accompanied by Krishnawat, I settled down for a cup of black tea in a thick, semi-opaque glass on a bench at the open air tea stall opposite the mosque to chat with other customers. None of them wore jeans, their long pants invariably cotton or cotton-polyester in beige, khaki or blue. Nor did Van Heusen shirts leave them awestruck. The arrival of Western labels in apparel, an everyday illustration of globalization, meant nothing to them.

They noticed the growing enrichment of businessmen and industrialists but attributed this to their good fate, kismat in Urdu/Hindi. But on the subject of politicians lining their own pockets they had a consensual opinion, because, as voters, they had been approached by candidates. 'All of them say they will improve our roads, clean up sewage, provide education for our children, and get us free medicines. But, in reality, not much improvement takes place,' said Abdul Ghani plaintively. 'In the end, the candidate does not come around a second time.' Heftily built, unshaven, wearing an open neck shirt that showed the grey chest hair of a man in his late fifties, he smoked bidis made of unprocessed tobacco rolled in a dry leaf. 'Electoral candidates are supposed to fill our bellies, but we end up filling their bellies.' He had come from his nearby ancestral village to Jodhpur thirteen years ago and now earned his living as a taxi driver. 'But my son is in the first year of his engineering degree course,' he beamed with a wide smile.[30]

That was what made Masuria Paharhi stand apart from Bindal Bridge and New Seelampur slums. It showed a glimmer of upward mobility. Also unlike the other two places, it had existed inside a city for decades. Yet they all had one thing in common: each was a quarry for the local police to exploit to fill its pockets.

Hotbed of Illegality and Police Collusion

As elsewhere, upward social mobility in a slum was linked to education. New Seelampur's residents witnessed the opening of a primary school in 1991. Then, each year, the authorities raised the final grade by one so that, twelve years later, it became a full-fledged secondary school. 'Now all small children go to school,' said Sajid Farouk. 'But the problem is that 80 per cent drop out before the tenth grade.' And very few among those who pass the final twelfth grade examination enroll at a university. In all these years, the slum had produced only half a dozen university graduates, including men and women. 'They are all arts graduates, nobody with a degree in engineering, medicine, or computer science,' Farouk continued. 'Unemployment among arts graduates is very high. To become a teacher in a town or city, you need an MA plus a teacher training diploma. Only in villages can you be a teacher with a BA. But who wants to return to a village when their parents left theirs?'

As a result, there was no role model for youngsters in New Seelampur. Some of the school dropouts got recruited by hardened criminals. That pushed up the local crime rate. 'There are three major criminal activities here, and they pay far more than the Rs 150 ($3) a day a man gets for the building work,' Farouk explained. 'Stealing is one. Drug dealing is another. Then there is gambling on the last digit of the closing wholesale cotton price on Mumbai's cotton exchange. We call it satta [Hindi for 'betting'].[31] Some young fellows get recruited to become couriers for ganja and opium and other drugs. When one of them gets arrested, the big, rich dealer pulls strings, and he is released. That impresses the young fellows. They think the big dealer is truly influential, although it is a hefty bribe which does the trick. Satta is illegal, so the police are weekly paid bribe money, called hafta [Hindi for 'week'], not to raid the bookies' dens.'

It was the same in the Masuri Paharhi slum. 'The police know what we do and where,' confided Ramesh Nat, the brewer. 'We pay them Rs 1,000 ($20) a week as protection money.' This was a nationwide practice. Following the deaths of 140 drinkers of tharra in Kolkata in December 2011, the source of the liquor was traced to an illegal distillery in Mograhat, 50 km (30 miles) south of the city. Its residents pointed out that one shop selling this alcoholic drink openly was located opposite a police station.[32] In short, the police were in league with organized crime.

Yet in the overarching scheme of things in India, this racket was chicken feed compared to the corruption rampant in the political-business nexus that had garnered further power and influence with the advent of the NEP and globalization.

SIX

Sleaze Grows Exponentially

AMONG THE MANY buildings constituting the administrative heart of New Delhi, the Sanchar Bhawan (Communication Building) stands out. The three-story structure of polished stone, interspersed with semi-opaque glass windows, with an entrance marked by two sturdy columns holding up the horizontal entablature with a flag pole, combines elegance with modernity. It is the home of the ministry of communications and information technology, with one of its divisions called the department of telecommunications (DoT).

A well-maintained headquarters, the Sanchar Bhawan boasts functioning lifts and clutter-free hallways traversed by office peons carrying files and executives of mobile phone operators and Internet server companies bearing sleek briefcases. Its quietude compares favourably with the nearby, barely visited, National Philatelic Museum.

Drama of 10 January 2008

Suddenly, in the afternoon of 10 January 2008, it turned into a beehive of frantic activity. A horde of men in business suits were seen pushing their way to grab a crucial piece of paperwork from an office, then race down the hallway, jostle their way downstairs—ignoring the smooth-running lifts—and rush headlong towards a room where an ill-shaven clerk was leisurely processing applications. It was an astonishing spectacle to see mature business executives stampede like unruly schoolchildren. What drove them was their unquenchable thirst for lucre. Only a few hours earlier, they had spotted the ministry's press release on its website announcing a last-minute change of rules about the much-coveted prizes: These were to be awarded on the first come, first served basis between 3.30 p.m. and 4.30 p.m. later that day at the Sanchar Bhawan, read the operative clause of the online message.

What were the prizes? Licences for electromagnetic waves—carriers of mobile phone service messages—to be allotted to cell phone operators, each portion of the spectrum being as valuable as a block of oil-bearing soil or seabed. Such a document would permit the operator to expand the band width on second generation (2G) telecomm networks. With India divided into 22 telecom zones, the DoT had the authority to issue 281 zonal licences.

The origins of the drama on 10 January 2008 could be traced to 1994. As part of the NEP, the government of P.V. Narasimha Rao opened up telecom to the private sector four years after the introduction of the first generation (1G) advanced mobile phone system in America in 1990. The new arrangement specified revenue sharing between the government and the telecom operators, with the state receiving funds for allocating parts of the spectrum and a licence fee. This raised the importance of the DoT as a revenue generating source, which rubbed off on the ministry of communications.

It was not long after that the balding, square-faced communications minister Sukh Ram became mired in corruption. In a raid on his residence in August 1995, the Central Bureau of Investigation (CBI; established in 1963), working directly under the prime minister, seized Rs 57.8 million ($1 = Rs 32 at the time) he had received as bribes and hoarded in pillow cases, trunks, and suit cases. It also confiscated diaries containing bank accounts and names of individuals who had bribed him. He was arrested the next month on the charge of owning assets disproportionate to his known sources of income.[1] Apparently, he had not transformed his ill-gotten black money into white through the purchase of property or managed to export it to a foreign destination through an informal money transfer system called hawala.

Five years later, during the rule of the BJP-led government, the DoT allocated the licences for the 1G spectrum in India. Following the April-May 2004 parliamentary poll, a Congress-led cabinet assumed office but only after co-opting small regional parties to gain a majority in the popularly elected Lok Sabha. These groups included the Tamil Nadu-based

Dravida Munnetra Kazhagam (Tamil for 'Dravida Progressive Federation'; DMK). One of its members, Dayanidhi Maran, became the minister of communications and another, Andimuthu Raja, minister of environment. In a cabinet reshuffle in 2007, Raja, a 47-year-old stocky, moustached lawyer from a small town in Tamil Nadu, with no background in technology or communications, replaced Maran.

It was high time to introduce the fifteen-year-old second generation (2G) mobile phones in India, the government decided. That necessitated fresh allocation of 2G spectrum for telecom companies. On 25 September, the communications ministry issued a press release fixing 1 October as the deadline for 2G spectrum applications. This led to forty-six companies submitting 575 applications to the DoT. In November, Prime Minister Manmohan Singh and the finance minister directed Raja to allocate 2G licences in a fair and transparent manner and ensure that licence fee was increased from the earlier 2001 figure for 1G.

On the morning of 10 January 2008, Raja decided unilaterally to consider only the applications received by his ministry by 25 September. He then announced on the ministry's website that those who applied the same day between 3.30 p.m. and 4.30 p.m. would be issued licences in accordance with the stated policy. Hence the mad scurrying at Sanchar Bhawan.

This event would snowball into the most egregious corruption scam because the selling of the 2G spectrum at bargain basement rates caused an estimated shortfall of Rs 400-500 billion ($8-10 billion) to the central exchequer. Compared to this enormous amount, the loss of Rs 17 million ($500,000), resulting from the shady rewarding of a supplies contract by Sukh Ram in the mid-1990s, was peanuts. Whereas the total bribes taken by Ram added up to less than Rs 50 million ($1.56 million), the backhanders allegedly received by Raja were estimated to exceed Rs 30 billion ($600 million).[2] The latest figure reflected the exponential growth in sleaze after 2001 when the privatization plans really took off.

The largest number of licences (twenty-two) at Rs 16,610 million ($302 million) went to Unitech Wireless, a subsidiary of Unitech Group, which until then had focused on construction and lacked any telecom experience. It later sold 60 per cent stake for Rs 62,000 million ($1.24 billion) to Telnor, a Norway-based company. Swan Telecom, the winner of fifteen licences, did not meet eligibility criteria. Though Tata Teleservices received only three licences, its successful entry into 2G spectrum encouraged Japanese telecom giant NTT DoCoMo to pick up a 26 per cent equity stake in its equity for Rs 130.7 billion ($2.4 billion) in November 2008.

Unsurprisingly, therefore, the later CBI investigation established that several rules were violated and that bribes were paid to favour certain firms which received the licences at throwaway rates. The audit report of the Comptroller and Auditor General (CAG) concluded that several licences were issued to companies which were ineligible or had suppressed relevant facts or had no prior experience in telecom.

And yet, there was more. Further investigations laid bare the inroads that the relentlessly growing private corporations had made into shaping public policy at the level of the composition of the cabinet in Delhi. Deploying slick public relations executives, they had managed to plant stories with high-profile journalists in which backing for their parochial commercial interests was dressed up as 'the national interest'. It exposed lobbyists intervening in policy-making in natural resources, licensing of industries in power, natural gas and aviation, and the degree of regulation.

Graft on this scale and clout stood apart from nepotism—awarding positions or other benefits based on personal relationships rather than qualifications—and petty bribery, popularly called baksheesh (gratuity) or speed money, to gain favour or special treatment. There was a long tradition of bribing civil servants and policemen to move a citizen's application from one desk to another, to certify that a family was below the poverty line, or to overlook a minor traffic transgression. Though this malpractice affected tens of millions of ordinary Indians, the amounts of cash involved were small. In independent India, a secondary level of graft had grown in the wake of the official schemes for low-cost housing and small businesses in the countryside. This led to collusion between bureaucrats disbursing funds and rural beneficiaries. But, given the modest aims of these programmes, the size of backhanders was comparatively modest. Altogether, such underhand transactions had minimal impact on the political landscape at the state or national levels.

What really mattered in the nation's political economy was grand corruption involving large construction and supplies contractors, rigged licensing procedures, and fraud on a gigantic scale by private companies dealing with the governments at different levels. Since elected officials operated through senior civil servants, the network consisted of businessmen, politicians, and top bureaucrats.

As it was, the cozy relationship between business houses and the Congress had a long history.

Birth of the Business-Politician Nexus

The rapport between the Congress and the business community dates back to the early 1900s, when the rising Indian industrialist class supported the party in order to counter the influence of the British capital, an adjunct to the imperial government in London. The hostility of British captains of industry towards enterprising Indians with industrial aims was well captured by the curt refusal of Britain's steelmakers to advise Jamsetji Tata on establishing a steel mill in eastern India at the turn of the twentieth century.[3] The Congress-business affinity continued throughout the preindependence era, when the party came to depend, for its financial survival, almost entirely on the handouts by the leading Indian business houses.

After independence, these donations, some made in cash and others by cheque, became the chief source for the party's central election fund. This happened in the first Lok Sabha poll in 195152 and again in 1957. Later in 1957, when the new Companies Act 1956, designed to rationalize the working of companies, came into effect, the public limited firms found themselves barred from making donations to political parties. But a later amendment to this law, which came into effect in 1961, allowed firms to pay 5 per cent of their profits to political parties. In the 1962 general election, business houses hedged their bets by backing the pro-private sector Swatantra Party. And in the 1967 poll, company funds flowed generously into the coffers of the parties to the right of the Congress. Piqued by this and the loss of power in many major states, the Congress amended the law and banned contributions by companies to political parties in 1969. This drove the practice underground and benefited the Congress, which, being the ruling party in Delhi, could deliver an instant quid pro quo to businessmen making donations to it in black money.[4]

Prime Minister Jawaharlal Nehru (r. 1947-64) stayed away from the nitty-gritty of raising funds for his party, leaving the task to Sadashiv Kanoji Patil, a favourite of the industrialists in Mumbai, and Atulaya Ghosh, the doyen of Kolkata's business community. 'The big business houses support the Congress with huge sums because they know that the party believes, in practice, in capitalistic development,' said Abhijit Sen, an industrialist in Kolkata, in 1970. 'The Chamber of Commerce here would tell us before elections that Atulaya Ghosh would approach each of us for money—and he did. And we paid.'[5]

On his part, Nehru made a point of choosing a finance minister, a key post in the cabinet—he appointed six of them—acceptable to business interests. His government revised the nation's industrial policy in 1956, after consulting with the Federation of Indian Chambers of Commerce and Industry (FICCI), when the sectors requiring massive capital investment with little or no return for many years were allocated to the public sector. That was why such industries as steel, metals, oil, and ship-building were reserved for the public sector.

However, Nehru had not expected that his only son-in-law Feroze Gandhi, married to Indira and a Congress MP, would turn into an investigative journalist and expose the shady dealings of businessmen in the Lok Sabha. Unlike his fellow Parsis, who invariably appeared in public in Western dress, this square-jawed, moustached man was always dressed in a home-spun cotton long shirt, loose pajama, and waistcoat, de rigueur for a Congress leader.

In December 1955, he laid bare the shenanigans of the Kolkata-based Ram Kishan Dalmia. He produced documentary evidence to prove that, as chairman of a bank and an insurance company, Dalmia had transferred their funds to acquire Bennett, Coleman & Company, a media group. Dalmia was arrested, found guilty of fraud, and sentenced to two years imprisonment.[6] More importantly, this episode led to the passing of the Life Insurance Corporation of India Act in 1956, which nationalized all 245 private insurance companies by purchasing their shares and created the Life Insurance Corporation (LIC).

After being re-elected to parliament in 1957 as a Congressman, Gandhi exposed another underhand dealing. It revolved around a Kolkata-based businessman, Haridas Mundhra, who sold fictitious shares worth Rs 12 million ($2.4 million) to LIC with the possible connivance of H.M. Patel, the principal secretary of finance minister T.T. Krishnamachari. Nehru, intent on preserving the clean image of his government like his well-laundered wardrobe, appointed an investigating commission led by Justice Muhammadali Currim Chagla. He ruled that Mundhra had sold fake shares to LIC. Nehru forced Krishnamachari to resign.[7] Mundhra was convicted of fraud and embezzlement and sentenced to twenty-two years in jail, a punishment which has not been meted out to subsequent embezzlers.

With the premature death of Feroze Gandhi in 1960, India lost its most valiant anti-corruption fighter. But Nehru's lily white image acquired a blemish when he dismissed the corruption charges against a Congress veteran in Punjab, Chief Minister Partap Singh Kairon—instantly recognizable by his long, unkempt, snow white beard—and his family as 'fantastic, frivolous and absurd'. This led opposition Akali Party leaders to submit a memorandum to the President of India, Sarvepali Radhakrishnan, listing twenty corruption charges against Kairon and his family, amounting to about Rs 10 million ($2.1million). After a heated debate in parliament, the government appointed a commission of inquiry under Justice S.R. Das, a retired Supreme Court chief justice. Upholding several graft charges against Kairon, it concluded that such acts were 'unbecoming of a person holding the high and responsible office of the chief minister of a state'.[8] It submitted its report to Prime Minister Lal Bahadur Shastri in June 1964, a few weeks after Nehru's death. When Kairon refused to resign, Shastri released the report, thus forcing him to step down. But no further action was initiated against him or any of his family members.

Post-Nehru Era

Following Shastri's death in January 1966, Indira Gandhi became the prime minister. The fracturing of the Congress in 1969 saw Patil and Ghosh joining the conservative wing, which lost the internecine battle. With this, Indira Gandhi and her personal envoys became the recipients of the funds to shore up the party's central election chest. Power became concentrated into her hands.

The split in the party encouraged the corrupt leaders to join the Indira Gandhi camp, hoping their misdemeanours would be overlooked by her government. The case of four former Congress ministers in Bihar, including Ram Lakhan Singh Yadav, was typical. They were investigated by two commissions of inquiry and found guilty of corruption. Their houses were searched in September 1970 and April 1971 by the CBI with a view, ostensibly, to starting court proceedings against them. But in the end, nothing came of it. Indeed, soon after the last house search, Yadav found himself emerging as a protégé of Gandhi and securing, with her active support, the leadership of the Congress group in the state legislative assembly and becoming Bihar's chief minister.

On the eve of the midterm parliamentary poll in March 1971, the Gandhiled Congress approached all prominent members of the business community, and—to quote K.K. Shah, then a minister in the central government—'there was no big businessman or industrialist who refused money to the ruling Congress'. And the sums involved were higher than ever before. 'These ... [industrialist] owners of [major newspaper chains] are said to have given Mrs Gandhi roughly Rs 15 crore [$20 million] for election purposes,' wrote Kuldip Nayar in his book *India: The Critical Years*.[9]

Besides making cash payments to a few top Congress leaders in Delhi, most of the big business houses instructed their sales agents in the country to help the local Congress candidate in cash and assured them that they would be reimbursed through proper 'adjustments' in their commissions on sales. They also asked their constituent firms at the local, state, and national levels to buy advertising space in hundreds of souvenirs and election news sheets to be published by the district Congress committees before the elections.[10]

At the state level, ministers were expected to tap their sources for 'contributions' to the Congress election fund. For instance, the transport minister approached bus and trucking operators; the public works minister, construction and supplies contractors; the excise minister, licensees for the sale of alcoholic drinks; and the industries minister, local industrialists who depended on the state authorities for water and power supplies, protection of property, and harmonious labour relations.

During Indira Gandhi's premiership, nepotism and favouritism thrived. In 1971, the registration papers of Maruti Limited showed Sanjay Gandhi, the twenty-five-year-old younger son of Indira, as its managing director. Though he had no experience in car design or production, Maruti was given an exclusive licence to manufacture a passenger vehicle. Nothing came of it, though. Sanjay died in a crash of the airplane he was piloting at the Delhi Flying Club in June 1980. A month earlier, he had been appointed general secretary of the Congress following his election to the Lok Sabha in January.

After Sanjay's death, his elder brother Rajiv, an airline pilot with an Italian wife Sonia, was inducted into Congress politics. He won the parliamentary seat held earlier by Sanjay. He became the rising star on the Indian political horizon. Among those who stood to gain by this sudden turn of events was Ottavio Quattrocchi, a young representative of the Italian oil corporation ENI and its petrochemical subsidiary Snamprogetti in Delhi since the early 1970s. After the introduction of Quattrocchi and his wife Maria to the Gandhis in 1974, close relations developed between the two couples and their children.

These led to Snamprogetti winning many lucrative contracts between 1981 and 1987.[11] Intriguingly, a hugely profitable deal won by him in 1986 did not appear in the list of his successes. Unconnected with Snamprogetti, it was secured by a front company he had set up, called A.E. Services Limited, with an account in a Swiss bank.

This was one of the mysteries unmasked by investigations into what became known as the Bofors scandal. Many shady facts came out tumbling from a cache of about 350 documents—payment instructions to banks, open and secret contracts, handwritten private notes, minutes of meetings and an explosive diary—leaked by a secret Swedish source to an Indian journalist, Chitra Subramaniam (later, Chitra Subramaniam-Duella).

Ticking of the Bofors Time-Bomb

In March 1986, the Rajiv Gandhi government signed a $1.3 billion deal for the purchase of 410 field howitzers, and a separate supply contract worth almost twice as much with AB Bofors, based in Karlskoga, 235 miles (380 km) north of Stockholm. It was the largest arms deal any Swedish company had signed. It required the hiring of an extra 900 workers.

To secure these contracts against tough competition from a French rival, Bofors' managing director Martin Ardbo (1926-2004)—a slim, balding, oval-faced man—spent much time in Delhi in 1985 to lobby and negotiate the terms of a possible deal. He was introduced to several middlemen promising to swing the contract and agreeing to receive their fees after it had been inked. Later, Ardbo would tell the chief Swedish police investigator that 'if Bofors [had] ended the relationship with the agents, then they (Bofors) would not have got the contract'[12]. More intriguing was the sudden arrival at the scene of Quattrocchi and his A.E. Services towards the fag end of a drawn-out process. In the interview that police chief Sten Lindstrom, the sole whistleblower, gave in April 2012, he revealed that before his death in 2004, Ardbo had told him that he did not have a choice but to pay A.E. Services at the last minute.[13] Among other things, Lindstrom stated that Rajiv Gandhi did not receive any kickbacks. (Earlier, in 2004, a Delhi court had exonerated Rajiv Gandhi of any wrongdoing.)

What triggered the unearthing of this complex clandestine swindle was a news item broadcast by the Swedish National Radio on 16 April 1987, alleging that Bofors had paid kickbacks to top Indian politicians and key defence officials to close the deal.

Several senior journalists from India made a beeline to Stockholm and Karlskoga to dig deeper but got nowhere. Except one, a reporter for *The Hindu*, who was based in Geneva mainly to cover United Nations events—a sharp-witted, doe-eyed post-graduate of Stanford University, Chitra Subramaniam. She struck a chord with Lindstrom, a highly intelligent social democrat with a hang-dog expression.

Yet he waited for a year before deciding to hand over the copious documentary evidence about the kickbacks paid to Indian officials and middlemen and Quattrocchi to Subramaniam, who insisted on the presence of her editor, Narasimha Ram, a graduate of Columbia University's School of Journalism. The first documented details of the scam appeared in the *Hindu* in April 1988 followed by another in June. This was grist to the opposition's mill in India. It blew to smithereens Rajiv Gandhi's 'view' expressed between April 1987 and January 1988 that neither 'commissions' nor 'middlemen' nor 'Indians' were involved in the Bofors deal.[14]

In the wake of the exposure, Rajiv Gandhi and his aides changed tack, arguing that any payments made by Bofors to A.E. Services, Moresco-Pitco, and Tulip/Mont Blanc/Lotus were for the 'services' they rendered to Bofors. The documentary evidence published in the *Hindu* in November 1988 showed that the only visible 'service' they had performed was to provide 'safe' clandestine recipient arrangements, thereby creating a cover for the illicit payoffs.[15]

By early 1989, the image of Rajiv Gandhi as Mr Clean was blackened. He did what US President Richard Nixon had done when the Watergate scandal broke in 1974: devise an elaborate cover-up plan to sustain the myth that the Bofors payments were not commissions paid to acquire the much-coveted contract. This scheme would be detailed by B.M. Oza in his 1997 book *Bofors: The Ambassador's Evidence*. He was the Indian ambassador in Stockholm when the scam came to light in 1987.

Rajiv Gandhi's ploy failed. In October, a month before the parliamentary election, *The Hindu* delivered a coup de grace to his credibility. It published the facsimile of the secret part of the report by the Swedish National Audit Bureau (SNAB) which had been suppressed for more than two years by the Swedish government in collusion with Rajiv Gandhi's. The SNAB concluded that the Bofors payments were 'entirely proven commission payments to [the receiving] companies' accounts in Switzerland in relation to the Bofors FH-77 deal'. It added: 'that these payments unquestionably relate to this business is based on the fact that this has been communicated in writing by AB Bofors to the Bank of Sweden'. It then listed several payments made on 22 May 1986 (reference: Mont Blanc), 3 July 1986 (reference, Tulip), and 8 July 1986 (reference, Tulip).[16]

Altogether, Bofors paid out 3 per cent of the \$3.9 billion worth contracts it had signed with the Rajiv Gandhi government. Of the \$11.7 million kickbacks, \$7 million reportedly went to Quattrocchi and the rest to the earlier agents and middlemen.[17]

By studiously trying to protect Quattrocchi, Rajiv Gandhi generated a strong impression that he was one of the recipients of the kickbacks. In the election campaign, the opposition groups, allied under the banner of the National Front, made hay of the Gandhis' close relations with Quattrocchi and Rajiv's efforts to cover up the sordid affair. The number of Congress MPs in the new Lok Sabha plunged from 415 to 197, way behind the National Front's 275.

It was profoundly ironic that the surviving son of the pioneering anti-graft campaigner, Feroze Gandhi, lost power for being seen as corrupt.

Whatever the impact of the Bofors scandal on the domestic scene, it signalled to foreign companies that an effective way to win major contracts in India was to hire well-connected middlemen to bribe the Indian decision-makers. In fact, this process got going in 1988, although its existence did not surface for some years in the form of a scandal centred on the hawala dealings recorded in the diary of Surendra Kumar Jain.

The hawala channel would become an important factor in the post-1991 liberalization era.

Free Market Lifts the Sleaze Level

With the onset of the NEP, the Bombay Stock Exchange's Sensitive (Sensex) index—also known as BSE 30 Sensex—rocketed from 1,298 on 5 July 1991 to 4,285 on 31 March 1992. Financial commentators attributed this bonanza to the onset of the neo-liberal policies which were codified further in the free market-friendly budget presented by Finance Minister Manmohan Singh.

But their analysis covered only half of the driving force behind the vertiginous rise in BSE 30 Sensex, the other being subterranean at the time. It came to light on 23 April 1992. On that day, Sucheta Dalal, the financial editor of the *Times of India*, disclosed the details of how Harshad S. Mehta Group of financial brokers had stoked the market through fraudulent methods. Among Mumbai's financial brokers who also traded on their own account, Harshad Mehta had a high profile. A robustly built man of thirty-eight, bespectacled, jowl-faced with a clipped moustache, he had earned the moniker of the 'Big Bull'—which he savoured as much as his mansion 'Madhuli', furnished with a mini-theatre, a billiards room, a swimming pool, and a nine-hole golf course as well as a garage for his fleet of imported luxury cars.

A hardworking professional, Mehta had a full grasp not only of the regulatory regime of the financial sector but also its loopholes. He espied a major lacuna in the intra-banking borrowing. It is a universal practice among banks to borrow from each other in order to maintain the government-imposed liquidity ratio (cash reserves to total assets) by using part of their assets as collateral. Government bonds or shares of highly rated corporations are the most acceptable form of collateral.

Banks are free to contact one another directly to sign such deals. Alternatively, in India, a bank in need of a loan for a short term (often fifteen days) can approach a broker to find it counter-party and mutually agreed terms for a fee. Government securities registered with the public debt office of the Reserve Bank of India (RBI) in its Securities General Ledger (SGL) are the safest collateral. Unlike non-governmental securities, which are passed on physically, no such transfer takes place in the case of government securities. Once the two parties have gone through the RBI's specified negotiated dealing system, the appropriate amendment is made in the SGL. What changes hands is the banker's receipt (BR), issued by the lending bank, for the money received from the borrower. This implies that the lender possesses the securities and will hold them until the buyer is ready to repurchase them at a slightly higher price usually after fifteen days. The difference between the two prices is the fee that the lender earns for parting with its money for a short, pre-determined period. The transaction is called a Repro (or repurchase) deal, or a Rapid Forward (RF) trade—that is, a transaction funded by selling a security held on a spot (ready) basis and repurchasing it on a forward basis. Depending on the demand, a lending bank could go through this exercise as many as twenty times in a year and make a tidy profit.

All this sounds straightforward. But it is quite possible to create a bogus BR with no securities to back it up or to forge securities. Secondly, a crooked broker can find a way to get the cheque due to the account payee credited to his firm. Alternatively, avaricious bank executives can be bribed to issue cheques without receiving securities or get copies of the amended entry in the SGL of the RBI. These are the elements which cumulatively produced a monumental banking scam in an environment where the monitoring and surveillance systems in banks were very lax. Once Mehta, a master manipulator, had noted the loopholes in the financial system, he set out to exercise his extraordinary skills. He found bank executives prepared to issue BRs which were either fake or lacked the backing of government securities. 'Two small banks—the Bank of Karad (BOK) and the Metropolitan Co-operative Bank (MCB)—came in handy for this purpose,' noted Dalal in her article. 'These banks were willing to issue BRs as and when required for a fee.' Armed with bogus BRs, Mehta passed them on to other, larger banks. The contagion spread. Fake BRs proliferated, so too did forged securities.

The later revelations made by the RBI-appointed committee to probe the mega-fraud were beyond belief. It found that that Bank of Karod with equity of Rs 10 million ($570,000) had issued BRs of Rs 10,000 million ($570 million), with Standard Chartered Bank accepting BRs of Rs 2,000 million ($114 million) from Mehta's brokerage firm. It caused an astronomical rise in money supply. The committee also found that 60 per cent of all stock exchange trades were handled by brokers, and in 40 per cent of the stock exchange transactions there was only verbal understanding.[18]

This committee estimated the magnitude of the scam to be Rs 40.25 billion ($2.33 billion).[19] That is, Mehta and a few other unscrupulous brokers had drained the banking system of a colossal amount and injected it into the stock market and enriched themselves by artificially raising the value of the shares of the companies in which they had invested.

Mehta was the lead player. He focused on certain corporations included in the BSE 30. His aggressive buying led to these shares tripling in price between March 1991 and March 1992. During this period, shares of his favoured ACC, a cement company, ballooned from Rs 500 to Rs 10,000. Overall, the total market capitalization of the listed shares in stock exchanges zoomed from 20 per cent of the GDP to an eye-popping 50 per cent of the GDP.[20]

When Mehta's racket was exposed on 23 April 1992, Thursday, the shell-shocked investors went into denial. It took three working days for the catastrophic revelation to sink in. On 28 April, Tuesday, BSE 30 Sensex plunged 570 points (12.77 per cent) to close at 3,870. Panic spread. The Securities and Exchange Board of India (SEBI) shut down the BSE for the rest of the week. Further steep falls on 6 and 12 May deflated BSE 30 Sensex to 3,086. In six weeks, Sensex shed 30 per cent of its value, an alarming bear run.

Once the multi-billion-rupee swindle was exposed, many banks, including the State Bank of India, National Housing Bank, and four foreign banks—Standard Chartered, Citibank, Bank of America, and ANZ Grindlays—were left holding BRs running into billions of rupees which were worthless.

On 5 June, the government arrested Harshad Mehta along with his two brothers Ashwin and Sudhir. Their properties were taken into custody by the custodian appointed under the Torts Act.[21] After being held in custody for nearly four months, Harshad Mehta was released on bail. Following this debacle, SEBI tightened up the trading and settlement procedures at the bourses. But these were far from foolproof as another capricious operator, Ketan Parekh, would demonstrate eight years later.

The Mehta episode was a landmark in the history of sleaze in India. Thriving exclusively in the private sector, it broke a new ground, courtesy of the NEP. Its scale put in the shade the earlier examples of corrupt practices among politicians and businessmen. That alliance, however, remained firmly in place.

The Business-Politician Nexus—Continued

In June 1993, Mehta claimed that he had handed over Rs 10 million ($379,000) in two suitcases to Prime Minister Narasimha Rao at his official residence in November 1991 on the eve of an important parliamentary bye election. Rao's denials appeared increasingly less convincing because of the contradictions in his own narrative of the episode and the furnishing of fabricated evidence to back his alibi.[22] This energized the opposition. Both right- and left-wing opposition parties came together to back a no-confidence motion against his government. On 28 July, it survived—just by 265 votes to 251.

Meanwhile, the CBI moved at a snail's pace to prepare a charge sheet against Mehta. It was only in 1996 that it pressed fifteen charges of bank defraud against him and his associates. And it was only in October 1997 that the special court set up to hear all the securities scandal-related cases could approve prosecution on thirty-four charges of defrauding banks.[23]

By then, other scams had surfaced. These followed the earlier pattern of collusion between businessmen, politicians, and top civil servants or senior executives of public sector undertakings (PSUs). It transpired that, as the central food minister in 1993-94, Kalpnath Rai, a fat, flabby-faced Congress leader prone to making bombastic statements, had imported sugar at a price well above the international rate. It resulted in a loss of Rs 6.5 billion ($210 million) to the public treasury. He was arrested but later.[24]

At least the promised sugar arrived. This was not to be the case with a contract for urea, a white crystalline substance rich in nitrogen, a key element in producing fertilizers.

The urea scam was a Byzantine episode which started in March 1995 and ended a year later. At its centre was a young, wide-eyed man with a well-trimmed, drooping moustache, M. Sambasiva Rao, a relative of Narasimha Rao. He ran Sai Krishna Impex, a small trading company, in Hyderabad. On learning that the government-owned National Fertilizer Limited (NFL) was desperately trying to fill a shortfall of 5,00,000 metric tonnes of urea, he saw a lucrative business opportunity. He co-opted P.V. Prabhakar Rao and Prakash Chandra Yadav, the respective sons of the prime minister and the fertilizer minister, Ram Lakhan Singh Yadav, in his scheme. Such filial links impressed D.S. Kanwar and C.S. Ramakrishnan, the respective executive director (marketing) and managing director of NFL.

Having failed to procure 3,00,000 metric tonnes of urea from foreign suppliers earlier in the year, Ramakrishnan persuaded his board of directors in mid-September 1995 to authorize him to approve contracts for purchase of the chemical expeditiously in line with the 'prescribed procedure'.

Acting as an agent of NFL, Agnaldo Pinto of Brasil Trading Limited, registered in London in May 1995, found Karsan Danismanlik Turizm Sanayi Ticaret Limited (Turkish for Karsan Consultancy for Tourist Industry Trade Limited; Karsan Limited, for short) in Ankara ready to supply 2,00,000 metric tonnes of urea originating in former Soviet republics. To facilitate a possible deal, on 30 October, Karsan Limited informed NFL that Sai Krishna Impex was its representative in India with its CEO Sambasiva Rao as its special agent. Sai Krishnan Impex made an offer to NFL to deliver 2,00,000 metric tonnes of urea at $190 a metric tonne.

The standard procedure in such contracts is that the buyer pays the seller by letter of credit for each shipment after receiving the appropriate bill of lading. Astonishingly, though, Ramakrishnan and Pinto set aside this protocol. Instead, they accepted Karsan's proposal of opting for a first class insurance policy issued by the Llyods of London to cover risk of non-performance and non-delivery of the urea, with NFL making the full payment of $38 million ($1 = Rs 35) on signing the contract. Ramakrishnan accepted the terms on 1 November.

A week later, the contract was signed by Kanwar and Pinto for NFL and Tuncay Alankus for Karsan Ltd. One article stated that neither party would be responsible for breach of contract caused by such circumstances as 'inconvenient weather conditions' and local government decisions. NFL's final payment to Karsan followed on 14 November.

On 28 February 1996 came a bombshell. Karsan informed NFL that it was unable to supply urea because of severe weather conditions in former Soviet republics.

The swindle broke in June, when the newly elected government of the United Front, which had defeated Narasimha Rao's Congress heavily tarred with accusations of graft, was settling in. A preliminary investigation by the Indian embassy in Ankara revealed that Karsan Limited operated from a room in a third rate hotel in the capital. A simple translation of the company's title into English would have proved that the prospective buyer was being hoodwinked.[25] The contract would be cancelled in October 1996, with the Indian government failing to recover the money.

In Delhi, besides the CBI, the finance ministry's Enforcement Directorate (ED), charged with enforcing the provisions of the Foreign Exchange Management Act, tried to get to the bottom of the fraud. Based on the CBI's investigation, two NFL officials and Sambasiva Rao and Yadav and a few close associates of theirs were arrested in June-July 1996. They were released on bail when the CBI failed to produce charge sheets within the statutory ninety days.

At the end of two years of investigation, the CBI and ED established that Alankus of Karsan Limited had promised $4 million (Rs 140 million) to Sambasiva and $3 million to Pinto as their commission on the contract. After receiving the full pre-payment from NFL, he remitted nearly Rs 110 million ($3.1 million) to Sambasiva Rao and his associates through the Dubai-based Edible Foodstuff Trading with the assistance of Rajendra Bababni, a resident of that city.[26] The money was sent through the hawala channel.

By then, hawala had become an integral part of graft on an industrial scale and had expanded the black economy.

The Inexorable Rise of Hawala

A derivative of the Arabic consonants hwl (meaning exchange), hawala as a means of transferring money has been in use since the Abbasid dynasty (750-1258 AD). However, it started acquiring currency in the Indian subcontinent in the mid 1970s, when the quadrupling of oil prices in 1973-74 boosted the economies of the Gulf states, which tapped into the abundant labour market of India and Pakistan. The resulting expatriates found remitting money to their families at home through the Indian or Pakistani banking system cumbersome and slow. Therefore they opted for the informal hawala system. The transfer fee was lower than Western Union's, and no identification was needed. Over the years, India, Pakistan, and the Gulf states formed a thriving hawala triangle.

The sender handed over for a 2 per cent commission (for international transfer) cash to a hawala dealer, who gave him a code of one letter and four digits. The sender conveyed the code to the recipient. He called on the local agent of the foreign hawala dealer who had taken the cash from the sender, said the code, and received the money in local currency. Once this was done and the two dealers had informed each other, both parties destroyed all codes or references and customer identification documents, except perhaps those required for the final settlement.

If X in Delhi wanted to send cash to Y in Wembley, Greater London, he handed over rupees to hawala dealer (HD). HD then contacted his counterparty HW in Wembley to pay the equivalent sum in British pounds to Y minus 2 per cent. By so doing, HW made a loan to HD. This could be settled through a reverse hawala transaction through the same brokers. If not, then HD would contact a hawala dealer in another country, HAC, with whom he maintained an open account. If that did not work out, then more dealers would be deployed to pay off HW. Such a complex procedure required retail hawala dealers to work for wholesalers, the big players, who were part of an international network and knew one another.

What helped the hawala system strike roots in India quickly was that, before the mid-1970s, many affluent Indians had been exporting their ill-gotten cash to such tax havens as the British Virgin Islands, Bermuda, Bahamas, the Isle of Man (United Kingdom), Mauritius, Singapore, and Switzerland. Latterly, the practice of residential and commercial property in India changing hands with part payment in cash had led the seller to find ways to hide his cash. He could do so by sending it to a relative or an associate living in Britain, America, or in one of the Gulf states through the hawala channel.

The stratospheric rise of Dubai as a leading international financial center, a booming property market, and a flourishing hawala hub made a significant impact on India. The extent of the hawala system's penetration into the Indian economy and politics came to surface in fits and starts. The discovery of the diary maintained by industrialist Surendra Kumar Jain, codenamed MR-71/91, in May 1991 proved to be a watershed.

The Multi-fangled Tale of Document MR-71/91

A slight man with a skinny tapered face, the jug-eared Surendra Kumar Jain was the CEO of Bhilai Engineering Corporation Ltd in Bhilai, home to a large steel plant, with its executive office in Delhi. He was the key player in the hawala scam. His main transactions were noted and kept in a spiral notebook, codenamed MR-71/91, by company accountant Jaineendra Jain.

On 3 May 1991, while investigating the funding of Kashmiri militants, the CBI searched the premises of Surendra Kumar Jain, his brothers, and Jaineendra Jain. They confiscated Rs 6 million ($170,000), some foreign currencies, and two diaries and two notebooks. The entries in diary MR-71/91 showed that between 1987 and April 1991, Surendra Jain had received Rs 640 million ($49 million) from foreign sources through the hawala system and that he had disbursed this amount in 115 payments. The recipients were identified only by their initials. These turned out to be the initials of various top-notch politicians in and out of power and of high-ranking bureaucrats.

On 10 August, the Mumbai-based *Blitz* weekly splashed the scoop on its front page. But, strangely, there was no follow-up. By March 1992, the CBI had pressed charges against two Kashmiri militants and consigned the Jain diaries to its archives. However, the subject revived when *Jansatta* (People's Power), a Hindi daily, published most of the decoded names on 24 August 1993.

When an official action did not follow, journalist Vineet Narain filed a petition under the public interest litigation (PIL) rule, authorized by Article 32 of the Constitution, with the Supreme Court on 4 October 1993.

Prodded by the Supreme Court, the CBI registered a case against the Jains on 4 March 1995. It also filed charge sheets against a host of leading politicians, some of whom had to resign from the Narasimha Rao cabinet on the eve of the April 1996 general election.

Meanwhile, it emerged in January 1996 that half of the Rs 640 million ($18 million) paid out by Surendra Jain went to politicians in office and that the money came from foreign corporations in steel and power generation. According to CBI sources, the politicians included central power ministers Kalpnath Rai and Arif Muhammad Khan, and the total sum involved exceeded Rs 75 million ($2.1 million), with the French conglomerate Alstom SA being the final paymaster. Another major bribe channelled through the Jains was from the Soviet company, Tyaza Premo, eager to win the contract to modernize the old government-run Durgapur steel plant. Little wonder that the Kawas power project in Madhya Pradesh, which had been discussed endlessly, got a green light. And, between 1987 and 1991, the National Hydroelectric Power Corporation and the National Thermal Power Corporation cleared a record eleven projects.[27] Smaller amounts were paid to the leaders of the Congress and the BJP to fund their campaigns for the parliamentary polls in 1989 and 1991.

In its final judgment on 18 December 1997, the Supreme Court issued a set of directives, one of which recommended that the Central Vigilance Commission (CVC) be given statutory status to oversee the CBI.

What was remarkable was that the Jain diaries episode brought together three inter-related issues: the growing tendency of foreign companies to bribe Indian politicians to win contracts; the role of the Indian agents to act not only as middlemen for foreign interests but also to provide funds for internal hawala transactions; and the rapidly growing importance of the hawala trade, which would soon spill over into the informal domestic investment market. The annual interest on loaned cash in this under-the-counter sector, determined by the rate of inflation, was 9.5 per cent to 13 per cent. There was no collateral or security and the lender to a hawala dealer had just a promissory note on plain paper, and the maximum loaning period was three months. These deals were funded by the use of discounted bank drafts and fake invoices, the commission of the hawala dealer being 1 per cent of each transaction.

Among those who had a personal reason to savour these shady deals splashed in the media was Harshad Mehta. With so much sleaze floating around, his name lost much of the tarnish it had gathered some years earlier. He resurfaced as financial columnist for the *Times of India* and set up his own website in 1998. But this did not last long. In 1999, he made a false claim that his brokerage firm had lost or misplaced shares worth Rs 2.5 billion ($80 million). The CBI investigation established that the firm had laundered these shares by giving them to relatives and friends who had injected them into the stock exchanges. He was jailed in November 1999. His bail application was due to be heard on 4 January 2002. But he died of a heart attack on the last day of 2001.[28]

Nonetheless, he had the satisfaction of seeing one of his former trainees, Ketan Parekh, draw circles round the SEBI but, like him, get caught when his insatiable avarice coupled with hubris led to the collapse of two banks.

Ketan Parekh, a Sharper Clone of Mehta

Unlike Mehta, Ketan Parekh (b. 1963)—a tall, slim, attractive man, well-coiffured, sporting designer glasses—was born into a family which ran Narbheram Harakchand Securities (NH Securities), a leading brokerage firm catering to institutional investors. He qualified as a chartered accountant. Moulded professionally by the Big Bull Mehta, he learnt to look for a chink in the armour of the regulating authorities.

He noticed that laxity in the application of strict regulation and surveillance the Calcutta Stock Exchange (CSE) allowed a broker to exceed the SEBI limit of Rs 200 million in the badla trading. This was the term used when an investor bought stocks on borrowed money, with the stock exchange acting as the intermediary at an interest rate determined by the demand for a particular stock with the maximum maturity of seventy days. But, unlike the standard futures contract, the broker—not the buyer or seller—was responsible for the maintenance of the marked-to-market (MTM) margin. (Marked-to-market margin is imposed to cover loss that a member incurs when a transaction is closed out at a price different from the one at which the transaction has been entered.) Parekh then went on to set up a network of brokers in CSE, an innovation, to manipulate share prices.

But, like Mehta, Parekh and his cohorts deployed circular trading to inflate share prices to reap profits for themselves and the promoters of the targeted companies. When the inevitable deflation of the bubble followed, the banks which had lent them the funds found themselves holding virtually worthless shares.

The chief difference between the two scams was that in the early 1990s, India's financial market was just entering a liberalizing phase, and the switchover from pit bidding to computerized trading was in its infancy. At the end of that decade, the Indian stock markets were linked with bourses around the globe in real time, and online trading was flourishing.

Towards the end of the 1990s, the freshly arrived hi-tech stocks were making the headlines in the US. Given the globalization of the financial sector, the buoyancy of the American hi-tech companies, largely listed on NASDAQ, rubbed off on their Indian counterparts. Parekh's penetrating mind spied a golden opportunity in bubbling high-tech sector to make a killing.

He was helped by the bullish sentiment created domestically by the victory of the pro-business BJP in the general election of October 1999 after a period of unstable governments cobbled together by several small factions. He picked small hi-tech companies. One was Visual Soft. Its price shot up from Rs 625 to Rs 8,448 a share in a year. Another was Sonata Software, whose shares cascaded from Rs 90 to Rs 2,150. This gave Parekh an aura of the Mammon incarnate.

So far, unlike Mehta, the soft-spoken Parekh had maintained a comparatively low profile. This changed when he threw a glitzy millennium party on 31 December 1999-1 January 2000 at his luxurious bungalow in Mandwa off the coast of Mumbai. As a preamble, his guests, who included up-and-coming software magnates, fund managers, Hindi film superstar Amitabh Bachchan, and diamond merchant and financier Bharat Shah, assembled for a champagne reception at the Taj Mahal Hotel before boarding a high security catamaran to Mandwa.

From then on, there was a mad rush of investors to entrust with Parekh their money, which he in turn used to boost stock prices. Using these highly valued shares as collateral, he started raising loans from a small Ahmedabad-based bank, Madhavapura Mercantile Cooperative Bank (MMCB). Over the coming months, MMBC became a critical element in Parekh's nefarious scheme. He constructed a pack of ten favoured companies in ICE (information, communication and entertainment), eight of them hi-tech, called K-10. These were Global Telesystems, Zee Telefilms, HFCL (Himachal Futuristic Communications Limited), Silverline, Satyam Computers, Aftek Infosys, DSQ Software, Ranbaxy, Pentamedia Graphics and Visual Soft.[29] Their high-octane performance had a ripple effect on the BSE Sensex. It surged past 6,000 on 11 February 2000.

In New York, the hi-tech-heavy NASDAQ index crossed the record 5,000 on 20 March 2000, reaching 5,046. That proved to be the peak. The inevitable slump followed the crest. During the next two months, whereas NASDAQ declined by 35.9 per cent, K-10 stocks crashed by a nerve-shattering 67 per cent.[30] The plunging prices trapped Parekh in a double whammy: he had to keep on topping up margins on his loans and simultaneously cover the losses on his investment.

In December 2000, when NASDAQ reached a nadir of 2,550, the institutional investors rapidly dumped their hi-tech stocks globally, including India. Parekh and his brokerage firm faced an acute liquidity problem and lost piles of money. Parekh started milking MMBC. Desperate to shore up his share values, he took a Rs 1.4 billion ($33 million) pay order from MMBC. He then turned to Bank of India, where he had an account. It cashed the pay order with a discount and gave him Rs 1.37 billion ($30 million). This proved inadequate to fill the fast expanding black hole in the K-10 shares. When this pay order was sent to the clearing house, it bounced. Since MMBC had issued the pay order without collateral, it collapsed when there was a run on it by the depositors.[31]

By February 2001, the shares held by Parekh's brokers at the CSE, originally worth Rs 12 billion ($263 million), had lost half of their value. By mid-March, the worth of Parekh's stocks plunged by a further half to Rs 3 billion ($132). With Sensex going into a tailspin from January 2001 onwards, falling to 3,097 in March, SEBI inspected the accounts of several brokers, including Parekh's NH Securities. The CBI arrested him on 30 March on charges of defrauding the Bank of India of about $30 million. The knock-on effect of this scam was spectacular. It wiped off Rs 1,150 billion ($24.4 billion), a colossal amount in the Indian economy. Hundreds of individuals and businesses went bankrupt, and eight investors committed suicide.

After being released on bail following his first spell in police custody, Parekh was re-arrested twice. One of his subsequent detentions was linked to the alleged misappropriation of funds from European Investment Ltd, a Mauritius-based company. The other centred round his suspected key role in the Rs 1.2 billion ($26.6 million) fraud at the CSE in March 2001.

Yet it was not until 2008 that Parekh was convicted. He was granted bail pending an appeal to the Supreme Court against his conviction.[32] Meanwhile, in December 2003, SEBI declared Parekh a rogue trader and banned him from trading in financial instruments for fourteen years under the Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market Regulations, 2003.

However, the stockbrokers' contribution to corrupting the polity turned up elsewhere—in the swindle of fake stamp papers and revenue stamps which came to light in August 2000.

A Stockbroker Inspires the Counterfeit King

In terms of the geographical sweep, the size of the operatives engaged in performing a multitude of roles and the skill with which various parts of the complex counterfeiting enterprise had been assembled were unmatched. Official investigations revealed that the seed for this racket was laid when master conman Abdul Karim Telgi (b. 1961) shared a police cell in Mumbai with stockbroker Ram Ratan Soni in 1992. Among other things, Telgi learned that share transfers, being non-judicial, though done on government stamp papers, were exempt from registration with the stamp department: it concerned itself only with judicial documents.[33] Despite their diverse backgrounds, Telgi and Soni shared a burning desire to become ultra-rich.

The stamp duty was introduced by the British, who passed the Indian Stamp Act in 1899. The practice continued in independent India. It was left to state governments either to follow the 1899 Act or introduce an amended version. In both cases, they collected the duty. It turned into a substantial source of income for the state treasury.[34] For instance, in Maharashtra, more than 1.2 million documents required stamped paper for official registration during fiscal 2001-02. The 1899 Act also required the affixing of a revenue stamp on any receipt above Rs 5,000, a receipt being a note or memorandum.[35]

Telgi was in police custody as a result of complaints against him of promising jobs in the Gulf monarchies for large fees but failing to deliver. He had set up a manpower consultancy in Mumbai after working in Saudi Arabia during 1987-89, following a two-year stint at dead-end jobs in Mumbai. He had moved there armed with a commerce degree from a college near his hometown in Karnataka. Born into a lower middle class family, he had to struggle to pursue his education in the wake of his father's death when he was a child. That had created in him a vaulting ambition to mint money by fair means or foul. He was a conman. And like most tricksters, he had a certain charm which sat oddly with his hooked nose and a protruding lower lip in a bloated face carried by an overweight torso resting on thin legs.

Once the cases against him and Soni did not lead to conviction, the duo worked together to tap the loophole in the Bombay Stamp Act of 1958 about non-judicial transactions, which included share transfers and insurance policies. To get started, he managed to obtain a government stamp vendor's licence in Mumbai in March 1994. Initially, Ashih Chakraborthy and Mohammed Syed, co-opted by Soni, supplied him bogus stamp papers.[36]

In June 1995, the illegal activity of Telgi and Soni of selling forged stamp papers was noticed by a law firm in Mumbai after it had bought stamp papers worth Rs 1.66 million ($50,000) from them. Telgi lost his stamp vendor's licence. Acting on the law firm's complaint lodged at his police station, the commanding officer assigned the investigation to assistant inspector Agatrao Baburao Sonvalkar in September. He was present at the Bombay High Court on 1 December when the judge rejected the anticipatory bail application by Telgi, who was in the chamber. Yet Sonvalkar failed to arrest Telgi there and then. He thus allowed the suspect to escape the police dragnet for the next six years. In his final report submitted in August 1996, Sonvalkar described the case as 'undetected'. The puzzle was solved in February 2004, when Sonvalkar was booked under various sections of the Indian Penal Code (IPC) and the Bombay Stamp Act.[37] The subsequent CBI investigation published three months later concluded that 'by [his] acts of omission & commission, Sonvalkar aided and abetted accused Telgi knowingly and willfully.'[38]

Between December 1995 and November 2001, Telgi lived and ran his clandestine counterfeiting syndicate, assisted by his two brothers, with impunity for two reasons. He greased many palms. And the investigators had difficulty pinning him down legally as he operated sixty-eight bank accounts between 1997 and 2001. A diary seized from his accountant was found to contain details of payoffs to several minor politicians and high-ranking police and administrative officials. It was not until January 2006 that the 1995 case was finally settled by the special CBI court which sentenced Telgi and Soni respectively to ten and seven years rigorous imprisonment.[39]

Telgi's shady business really took off in the late 1990s, in line with the feverish activity on the Indian bourses, as globalization and the NEP gathered pace, leading to a sharp rise in the demand for revenue stamps and non-judicial stamp paper.[40] Like an accomplished criminal, he was methodical and meticulous. For his supplies of the non-judicial stamp papers, sheets, chemicals, ink, and stamp paper rolls (for revenue stamps), he approached the same company that supplied the government's Indian Security Press (ISP) in Nashik. Through his front man, Nashik-based Jai Kishan Singh, he bribed three key employees of the ISP. Among other things, they provided him with the negative plates of the stamps. By gaining access to the terms of other bidders, Singh bought about a dozen printing machines, supposedly obsolescent, for Telgi at the ISP auctions.[41]

Through his brothers and other family members, he created a network of salesmen who delivered the revenue stamp and non-judicial stamp papers to the clients at a discount. As Telgi's business boomed, so did his investments. He reportedly acquired thirty-five properties in Maharashtra and Karnataka under different names. He invested in mainstream Hindi movies through Sanna Film Financial Corporation, fronted by Sanna, his only (female) child.[42]

In a raid in Bengaluru in August 2000, the police confiscated fake revenue stamps and stamp papers worth Rs 120 million ($2.67 million) as well as embossing and franking equipment. The arrested men revealed that they worked for Karim Telgi. This triggered Operation Telgi nationwide. During the next six months, scores of people were arrested in all the major states.

Telgi's own arrest came in November 2001 when the Bengaluru police apprehended him in Ajmer, Rajasthan. By then, he had been found to be HIV-positive. The prison authorities in Bengaluru held him in an air-conditioned cell. Astonishingly, they also let him use a mobile phone. He deployed it to run his counterfeiting syndicated unhindered. 'I have just shifted my office from Mumbai,' he quipped in July 2002. But, unknown to him, though, his conversations were recorded on fifty-six tapes and gave valuable leads to investigators to catch the suspects.[43]

He was transferred to Mumbai, his home base, in October to assist the investigations ordered by the state government, which had set up a special committee chaired by the deputy inspector-general of the Maharashtra State Reserve Police, Subodh Jaiswal. During his raid on Telgi's luxury apartment in South Mumbai, Jaiswal was shocked to see Telgi sharing chicken biryani and soft drinks with his brothers, supplied by the investigating cops. During his three-month interlude in Mumbai, Telgi did not spend a day inside a police lock-up.

In their unrelenting raids, the police elsewhere had seized all the equipment purchased at the ISP auctions, including those for perforation, printing, and watermarks, by March 2003. Other confiscated material included thousands of non-judicial stamp paper sheets, stamp paper rolls with adhesive and negative plates. The home ministry in Delhi estimated that Telgi's counterfeit activities had resulted in a loss of Rs 200 billion ($5 billion) to many state treasuries over the past eight years.

Yet what gave an energetic push to the drive against Telgi on the judicial front was the PIL petition to the Supreme Court by anti-corruption crusader Anna Hazare in June. The Supreme Court ruled that the case be turned over to the CBI. That energized the wheels of justice.

The special CBI court started handing out guilty verdicts from January 2006 against Telgi and his associates. These continued well into 2013, with the CBI court judge sentencing Telgi to life imprisonment without remission in three separate cases in March 2012.[44]

A major reason why Telgi's racket continued for as long as it did was that the state government lacked experts and the requisite equipment to judge whether or not the stamps were genuine. It was only when the police in Pune called for help from Anil Kale and Vivek Khare working for private detective services possessing specialist RBI-approved equipment that they discovered the absence of key micro-printed features from the stamps produced by Telgi's outfit. That clinched the prosecution's case.[45]

To realize his dream of riches, Telgi created an elaborate infrastructure with the active help of his extended family while peddling a product with a history dating back to 1899. While the unprecedented upsurge in stock exchange trades, which benefited him enormously, stemmed from globalization and the NEP, he was untutored in the ways of corporate skullduggery. That required expert sleight of hand in cooking the account books in a way that had not been done in the pre-IT era. The distinction of blazing that trail went to the founder of Satyam Computer Services.

The Inverted Behavior of IT Giant Satyam, Meaning Truth

The Rs 78 billion ($1.5 billion) scam, which grabbed headlines with the resignation of Byrraju Ramalinga Raju, chairman of Satyam Computer Services based in Hyderabad, on 7 January 2009 was world-class in more ways than one. It was the mother of all scams in the private sector: insider trading, false book-keeping, duplicitous inflating of the number of employees, suborning statutory auditors, failure of Western credit rating agencies to investigate the company's financial state, massive loans by major Indian and foreign banks, money laundering, and the appointing of a board of directors beholden to the chairman. In monetary terms, it dwarfed earlier swindles. And it was truly global with its implications felt not just in India but in such diverse overseas institutions as the New York Stock Exchange, PricewaterhouseCoopers (PwC), one of the four leading accounting and auditing firms in the world[46], the World Bank, and 185 corporations listed on Fortune 500. It led inter alia to a delegation of the Securities and Exchange Commission of the US arriving in Delhi to confer with the CBI.

The main culprit was Ramalinga Raju, born in 1954 in a village in Andhra Pradesh. A brilliant student, he acquired an MBA from Ohio University at the age of twenty-three. On his return home, he started a textile mill and then switched to real estate. In 1987, along with his younger brother Rama Raju, he co-founded Satyam Computer Services. The firm went public in 1991. Later that year, Ramalinga Raju won his first offshore contract from an American tractor manufacturer. His outstanding business skills turned Satyam into a glittering success, with the Davos-based World Economic Forum describing it as one of India's rapidly growing entrepreneurial enterprises in 1997. The following year, it entered into a joint venture with an affiliate of GE Industrial Systems.

Ramalinga Raju was among the early IT experts to spot outsourcing opportunities of the turn-of-the-millennium Y2K computer problem and exploit it to the hilt. In 2000, *Dataquest*, the oldest IT magazine of India, named this fish-lipped, moustached, bespectacled male of medium build, with a rich thatch of charcoal black hair, the IT Man of the Year. Satyam's inclusion in Ketan Parekh's K-10 pack of white hot stocks fuelled the company's rise to the stratosphere. It was against this background that Satyam was listed on the New York Stock Exchange in May 2001, a striking achievement for an Indian company.

But then came 9/11 and the drop in business confidence and stock market indexes. That affected Satyam, which had contracts with scores of US corporations. Its sizzling business cooled; its revenue and profits dipped. Instead of accepting the rollercoaster pattern of the industry they were in and its globalized structure, Ramalinga Raju conspired with managing director Rama Raju and chief finance officer Vadlamani Srinivas to buck the trend by doctoring the accounts in 2001-02.

In the US, business and stock markets pitched up from the trough when the Federal Reserve Bank lowered interest rates to a record level. But, having fiddled the books, the trio found it hard to reverse direction and return to the straight and narrow path of honesty and ethical behaviour. They followed the crooked but familiar course for the next seven years, reaping colossal gains for themselves. In his letter of resignation on 7 January 2009, Ramalinga Raju described how an initial cover-up for a poor quarterly performance in 2001 escalated: 'It was like riding a tiger, not knowing how to get off without being eaten.'[47]

The conspirators inserted fictitious invoices and fake bank statements to back these documents without being detected. They managed to do so by not integrating the links between various internal systems of the company, thereby creating loopholes in its computerized accounting system, which used enterprise resource planning (ERP) modules. On that foundation, they booked fixed deposits and interests received from such prestigious banks as ICICI, HSBC, HDFC, PNB Paribas and Citibank. To complete the cycle of deceit, the plotters ensured that Satyam paid tax on non-existing assets. This fraudulent practice was not noticed by the internal audit committee.[48]

Deception of this order should have been detected by auditors of such repute as PwC. But it was not. The conspirators increased the fees for PwC three times in five years. By 2008, they were paying the auditing firm almost twice as much as Satyam's peers—Tata Consultancy Services, Infosys, and Wipro. Its senior partners, S. Gopalakrishna and Srinivas Talluri, set aside PwC's own independent auditing tools in favour of Satyam's and certified the manipulated figures. Worse, they did not check a single invoice or a fixed bank deposit. Nor did they ask how a company with such robust finances was borrowing money from the banks against the collateral of shares?[49]

The inexorable ballooning of Satyam's revenue and profit fuelled the dizzying ascent of its share prices. The three top officials lined their pockets by selling their holdings. The later CBI investigation found that Ramalinga Raju and Rama Raju together had bought 1,065 properties worth Rs 3,500 million ($750 million), including 6,000 acres of land, housing plots, and constructed property. And the finance ministry's Enforcement Directorate revealed money laundering by Ramalinga Raju and his family to the tune of Rs 10 billion ($200 million).[50]

Overall, the attempt of the conspirators to de-link their corporation, doing massive business in the US, from the developments in the American financial markets was doomed. They managed to swim against the tide after 9/11. But the financial tsunami that engulfed the Western world after the spectacular disintegration of Lehman Brothers on 15 September 2008 was far too overpowering to be contained by fiddling Satyam's computerized accounting system. On top of that occurred the sensational terrorist attacks in Mumbai on 26 November. Market sentiment turned intensely bearish.

To stem the tide, Ramalinga Raju came up with the plan to acquire Maytas[51] Infra Private Limited for $300 million and Maytas Properties Private Limited for $1.3 billion. His friendly board of directors endorsed the plan. On 17 December, Ramalinga Raju announced the decision. The institutional investors objected vociferously. Why was a leading IT corporation buying construction companies, they demanded to know. As it was, Maytas Infra, founded in 1988 by Ramalinga Raju to undertake infrastructure projects, was later handed over to his elder son Teja Raju to run. And Maytas Properties was established in 2005 by Raju senior's younger son Rama Raju. It was a blatant example of nepotism. Satyam's share price nose-dived by more than half. In his resignation letter, however, Ramalinga Raju would disingenuously describe his move as his last attempt to 'fill fictitious assets with real ones'.

The public fracas encouraged a former Satyam senior executive, Jose Abraham, who knew the fraud that the top three officials had been perpetrating for years, sent an email on 18 December to independent director Krishna G Palepu, a professor at Harvard Business School. Palepu forwarded it to the members of Satyam's auditing committee and then to the PwC senior partners and Ramalinga Raju himself.

On 23 December, the World Bank terminated its contract with Satyam. The corporation's independent directors resigned. The descent in the share price became unstoppable. So when fifteen days later Ramalinga Raju resigned as chairman, it was not due to any pangs of conscience but to his stark realization that he had reached the end of the road. He had tried to bail out a fast sinking boat with a bucket and had predictably failed. On 7 January 2009, Satyam's share price sank almost without a trace. Its market value at $500 million was a puny 7 per cent of the figure in July when the company claimed 53,000 employees compared to 40,000 it actually had.[52]

The state police arrested Ramalinga Raju and his brother B. Rama Raju on charges of criminal breach of trust, cheating, criminal conspiracy, and forgery. The arrest of Vadlamani Srinivas followed a few days later.

The latest sleaze episode, which broke new ground, set alarm bells ringing in Delhi. It put India's booming IT industry, the main engine of the country's growth, in jeopardy. Keenly aware of the general election in April-May, the Singh government moved with uncharacteristic speed to control the damage, even though the public sector was not involved in this imbroglio. The ministry of corporate affairs immediately appointed its own directors followed by the naming of the new CEO in February. And just a few weeks before the parliamentary poll, in a public auction, 46 per cent stake in Satyam was bought by Tech Mahindra, part of the Mahindra & Mahindra conglomerate.

Big Business Infiltrates Public Policy-making

On the eve of the general election in May 2009, complaints were filed with the CVC on the illegalities in allocating the 2G spectrum to Loop Telecom and granting of 2G spectrum to Swan Telecom at rock-bottom rates.

The nationwide poll returned the Congress as the largest group in the Lok Sabha. It needed a minimum of ten extra seats to secure a bare majority. As before, Manmohan Singh approached the leader of the eighteen-strong DMK faction to join his government. He agreed, provided the DMK was given three ministries, including communications. The private telecom operators who had gained licences from communications minister Andimuthu Raja in 2008 were desperate to see him re-appointed to the same post. According to the evidence that came to light later, they found public relations firm Vaishnavi Corporate Communications (VCC) Private Limited, with which they had accounts, a convenient go-between.

VCC was founded in 1998 in Delhi by Nira Radia (also spelled Niira Radia), a self-made businesswoman. Her parents migrated from Nairobi, Kenya, in 1967 to Britain when she was eight years old. After graduating from Warwick University, she married Janda Radia, who aspired to become an affluent businessman. They worked together, but her husband lacked business acumen. After bearing three children with him, she struck out on her own.

She managed to become an adviser to aircraft leasing companies such as ILFC, Singapore Airlines, and AAR. When the Narasimha Ro government opened the airline industry to private companies in 1992, several firms entered the market. With that, her attention turned to India, where her father Narain Manan had retired. In 1994, with the assistance of Manan, she found a job with Sahara Airlines. Since her marriage to Janda Radia had ended, she was freer to carve out a name for herself in business consultancy and public relations. She founded VCC. She was hired as an advisor to the Singapore Airlines-Tata Consortium formed in the wake of the disinvestment programme of the government-owned Air India.

It was in that capacity that she met Ratan Tata, chairman of the Tata Group. He was impressed by her professionalism. By 2003, she was handling public relations of fourteen leading Tata companies, including Tata Teleservices. Her association with India's most prestigious conglomerate opened many business doors for her firm. In 2007, Mukesh Ambani, the richest Indian at home, signed a contract with it to manage public relations of his giant conglomerate Reliance Industries Limited.

By the end of that year, VCC had 300 employees working in eleven cities and an annual turnover of Rs 3 billion ($60 million). The subsequent luxurious living of this high-flying matronly figure with shoulder-length curly hair and a British passport aroused envy, admiration, and suspicion in equal measure. After receiving tips about Radia's possible tax evasion and money laundering, the income tax department secured authorization from the home ministry to tap her phone lines for a period of sixty days, starting on 20 August and 19 October 2008 and 11 May 2009. The end result was a collection of 5,851 recordings of thirty to forty minutes each, running into 82,665 pages of documents. Several agencies, including Internet service providers, were involved in tapping.

In response to the complaints filed in May 2009 against the DoT, the CVC directed the CBI to investigate the irregularities in the allocation of 2G spectrum. Separately, the Delhi High Court ruled on 1 July that advancing the cut-off date for applications for 2G spectrum licences from 1 October to 25 September 2007 by the minister was illegal.

In October 2009, the CBI filed the first information report (FIR) against 'unknown officers of DoT and unknown private persons/companies' under various provisions of the Indian Penal Code and the Prevention of Corruption Act'. It then raided DoT offices. On 16 November, it sought details of Nira Radia's tapped conversations to find out the involvement of middlemen in the granting of 2G spectrum to telecom companies.[53]

After the income tax department had handed over the Radia tapes to the CBI in May 2010, parts of the conversations between Radia and minister Raja were leaked to the media. That aroused popular interest.

In August, the Centre for Public Interest Litigation (CfPIL) submitted a petition on the subject to the Supreme Court. The apex court took up the case within weeks. In mid-September, it asked the Indian government and Raja to reply within ten days to the petitions filed by CfPIL and others, alleging a loss of Rs 700 billion ($14 billion) to the public treasury in the granting of telecom licences in 2008. On 10 November, the CAG submitted its report on the subject to the government, stating a loss of Rs 1,760 billion ($35.2 billion).

On 14 November, Raja resigned as communications minister, two days before the CAG's report on him was due. The next day, Kapil Sibal, minister for human resources development, was given additional charge of the communications ministry. CAG chief Vinod Rai noted in his report that Raja 'flouted every canon of financial propriety, rules and procedures'. His investigation showed that eighty-five of the 122 licences went to the companies that 'suppressed facts, disclosed incomplete information, and submitted fictitious documents', and therefore did not comply with the requirements for licences. These licences were, therefore, illegal, he concluded.[54] On 18 November, the Supreme Court criticized Prime Minister Singh for failing to respond to more than a year of requests to investigate the allegations. Six days later, the CBI informed the Supreme Court that the role of the corporate lobbyist Radia would be examined by it.

The next day (19 November 2010) witnessed a bombshell. It was lobbed by the seven-month-old, Delhi-based *Open* magazine. On its website, it posted excerpts of the audio recordings and transcripts of conversations between Radia and her high-powered friends between 11 May (two days before the last polling date in the 2009 general election) and 10 July.[55] This was the critical moment for the formation of the new cabinet. And, working for her corporate tycoons, Radia pulled many strings to achieve what they wanted. That Radia was a friend of Raja helped enormously.

These conversations recorded two new, malevolent elements in the corruption saga: co-option of high-profile print and TV journalists to do the bidding of the big business; and the success that industrial magnates had achieved in influencing the composition of the central cabinet and the shaping of public policy. By publishing these excerpts, the nascent weekly demonstrated how democracy was being subverted to serve the interests of those who already possessed massive economic clout. A single leak dramatically unearthed the innards of crony capitalism—the intimate modus operandi of top elected officials, the boundless avarice of business czars, and the contemptuous role of media stars.

Prominent among the dramatis personae of Radia's media ensemble were Vir Singhvi, editorial director of the *Hindustan Times* and a columnist and TV host; Prabhu Chawla, editor of *India Today*, the country's largest circulation news magazine in English; and Barkha Dutt, group editor, English news, NDTV, who also hosted 'We The People', a popular TV talk programme in English. They were heard promising to do political fixing for Radia's leading corporate clients.

'What kind of story do you want [for Mukesh Ambani]?' Sanghvi asked Radia. He then offered two options: a 'fully scripted' TV interview and a 'rehearsed' interview.[56] The standard un-rehearsed, spontaneous interview was not on the menu.

Further leaks from the earlier recordings provided a fuller picture of the network that Radia had cultivated since 2001. These conversations involved such business leaders as Ratan Tata, Mukesh Ambani, Anil Ambani, Sunil Mittal, other telecom barons and the owners of private airlines, politicians of the Congress, BJP and DMK, and bureaucrats-turned-lobbyists.[57]

The overall thrust of Radia's strategy was to influence policies on natural gas, civil aviation, and highways[58], rig cabinet appointments, and plant stories on high-profile journalists in which they would camouflage the business agenda of the leading conglomerates as strategic national interest.

By the autumn of 2010, however, the media were awash with the astronomical sleaze in the bountiful contracts for the Commonwealth Games (CWG).

Common Wealth Funnelled into Favoured Pockets

It all started with glowing, multifarious promises. In its 2002 bid for the quadrennial sports competition among the fifty-four nations that were once part of the British empire, India declared that it would 'build state-of-the-art sporting and city infrastructure … create a suitable environment and opportunities for the involvement of the citizens in the Games; showcase the culture and heritage of India; project Delhi as a global destination and India as an economic power; and leave behind a lasting legacy'[59]. That was how it won the contract in 2003 for the 19th Commonwealth Games from 3 to 14 October 2010.

Then, unsurprisingly, the project got entangled in endless red tape.[60] For four years, files were moved between the organizing committee, the sports ministry, the urban development ministry, the chief minister of Delhi, and other organizations. As a result, a score official agencies and the Indian Olympic Association (IOA) became involved with overlapping authority and responsibility. It was not until January 2010 that the central cabinet decided to put Suresh Kalmadi (b. 1944), president of the IOA, as chairman of the organizing committee, investing him with full authority.

A balding man with a thick beard and a sharp nose, Kalmadi had a checkered background. After leaving the air force in 1972, he joined the youth wing of the Congress. He was elected to the Rajya Sabha between 1982 and 1996, when he bagged the presidency of the IOA.

In 1985, Kalmadi founded Sai Service Station Private Limited and went on to win dealerships in the sales and servicing of cars, auto-rickshaws, scooters, and motorcycles. His company became the authorized dealer for the popular Maruti Suzuki automobiles in Mumbai, Pune, Kolhapur, Goa, Kochi, and Hyderabad as well as for the scooters and motorcycles of Bajaj Auto Limited in the same thriving markets.

In 1996, Kalmadi was elected to the Lok Sabha from his hometown of Pune and re-elected in 2004 and 2009. He became the general secretary of the Congress Parliamentary Party. All along, he remained the main driving force behind Sai Service Station, with his sons attending to the day-to-day running of the company which employed over 3,200 people.

Finding himself in charge of the generous budget for the CWG, Kalmadi seemed to have spotted an opportunity to bolster his already impressive net worth. In his case, business and political power merged. This was a qualitative jump in the capital-government relationship, which had already deepened from the successful lobbying for tax breaks for companies to the manipulation of licensing protocol to a virtual hijacking of official policy-making and the draining of the public purse.

Reports of sub-standard workmanship on the CWG sites reached the CVC. In July 2010, it discovered forged safety certificates and noted that twelve of the fifteen samples of concrete failed to meet the specified strength. That report was suppressed. It was only when advance teams of the participants started arriving from abroad in the third week of September that the incompetence was exposed.[61] Meanwhile, responding to a stream of media stories of bungling and bribes published in mid-August[62], Prime Minster Singh promised that corrupt officials will be given 'severe and exemplary' punishment after the Games.

The Games opened against the background of missed deadlines, allegations of graft, illegal hiring of child labour, violation of the minimum wage rule of Delhi, dirty accommodation for the athletes, and the collapse of a footbridge due to shoddy construction. Many sponsors withdrew. That, and the adverse publicity in the international media, created such a stink that it finally jolted the complacent central cabinet into action. It gave the organizing committee an interest-free loan of Rs 18.5 billion ($370 million) to complete the construction project on time. The committee went on a war footing. It hired extra hands by the tens of thousands. In the end, the CWG cost the public exchequer Rs 106.5 billion ($2.13 billion) against the original figure of Rs 10.5 billion ($210 million).

The opening ceremony on 3 October went smoothly and so did the closing event on 14 October. India won the second highest number of medals after Australia.

As promised, the government's investigative wheels turned. On 20 May 2011, the CBI filed the first charge sheet against Kalmadi in a special CBI court. It alleged that he was the main accused in awarding the Timing Scoring-Result (TSR) system contract to Swiss Timing, based in Corgemont near Berne, Switzerland, for Rs 1.41 billion ($28 million) instead of the standard fee of Rs 460 million ($9.2 million).[63] Kalmadi was arrested and held behind bars until his release on bail in January 2012.

But at least the Indian authorities were in a position to arrest Kalmadi.

That was not the case with Lalit Modi. Before the finance ministry's Enforcement Directorate could get his passport revoked, he flew out to London soon after being removed as chairman of the Indian Premier League (cricket) in April 2010. Six months later, the Indian authorities issued a 'look out circular' for him at India's ports of entry.

Spurt in the Private Sector Sleaze

Lalit Modi (aka Lalit Kumar Modi, b. 1963) was born into an affluent business family, whose patriarch Gujarmal Modi had founded the industrial town of Modinagar in western Uttar Pradesh. His father, Krishan Kumar, head of Modi Enterprises, who had inherited Godfrey Phillips India (GPI) Limited, a joint venture with Philip Morris International, prospered as GPI became the country's second largest producer of cigarettes.

Soon after graduating from Duke University in Durham, North Carolina, Lalit Modi was convicted on charges of drugs and assault. As a result of his plea bargaining, he was placed under five-year probation in 1985. But, following the intervention of his father's rich American friends, he was allowed to return to India on health grounds in 1986.

He started working for GPI. While his parents looked for a suitable match for him, the twenty-eight-year-old dark-skinned, hirsute Lalit, endowed with a fleshy mouth and deep-set eyes, fell in love with a family friend, the thirty-seven-year-old Minal Sagrani (nee Aswani), a fair-skinned, svelte, high-browed divorcee with a child.[64] Both his parents objected. But he stuck to his guns. His father came around and gave his consent to the marriage, which took place in 1991. He promised his newly married son a maintenance allowance and appointed him a director of GPI. Then he dispatched him to Mumbai to oversee a small factory of Modi Enterprises.

When the Indian government opened up the broadcasting sector to private companies in 1992, Lalit Modi perceived an opportunity to exploit a fresh avenue. In 1994, he became the India distributor of the sports broadcaster ESPN on a five-year contract. He spurred ESPN to get into airing cricket matches. He went on to establish Modi Entertainment Network (MEN) as part of Modi Enterprises and entered into a joint venture (JV) with the Walt Disney (Images) Company. The ten-year agreement gave MEN the rights for marketing Disney programmes in India. To Modi's dismay, neither of these ventures took off.

Through a mutual friend, he got introduced to Vasundhara Raje, the leading light of the BJP in Rajasthan. When Raje became the chief minister after state elections in 2003, Modi's sagging fate showed signs of life. He moved his family to Jaipur and became an aide to Raje. Advised by him, Raje brought the Rajasthan Cricket Association (RCA) under the jurisdiction of her government.

Modi was elected president of the RCA in 2004. That entitled him to a seat on the Board of Control for Cricket in India (BCCI), where he was appointed vice president the following year. He got deeply involved in the commercial side of cricket. Guided by his latterly developed business skills, the BCCI signed several lucrative deals, including selling telecasting rights to Zee TV and the Mumbai-based Nimbus Communications Ltd in 2005-06.

In 2007, Modi floated the idea of the Indian Premier League (IPL) Twenty20 tournament, limiting each side to twenty overs, with eight top teams competing. The BCCI adopted the scheme and appointed Modi chairman and commissioner of the IPL.

Under his leadership, the IPL tournament took off like a rocket. Before its inaugural tournament in April 2008, the BCCI sold the eight franchises for Rs 32 billion ($723 million). Its contract with ESPN for IPL's global broadcasting rights was worth Rs 44 billion ($1 billion). And the IPL media rights deal with Sony-WSG was worth Rs 55.4 billion ($1.26 billion). For the second season in 2009, played in South Africa, the price tag rose to an astonishing Rs 110.7 billion ($2.46 billion).

Moving among Hindi film stars and mega-rich businessmen, Modi found a place in the sun. He resorted to an obscenely ostentatious lifestyle with gusto. He deployed his private Lear jet like a taxi, spent holidays on the Italian Riviera, celebrated the New Year in Mexico in the home of the deceased Anglo-French billionaire James Goldsmith, rented a mansion in upscale Bel Air in California, and befriended the founders of Blackstone asset management firm specializing in private equity and real estate. 'I believe in free market deciding everything,' he declared famously in an interview with the *Tehelka* magazine.[65]

The first sign of a gathering storm came in March 2010 when income tax officials raided his offices in Mumbai. By then, however, the plans for the third tournament were well advanced. Sports analysts estimated that the gala event was worth more than Rs 185.9 billion ($4.13) billion, an eye-popping record. But as soon as it ended on 25 April, BCCI directors removed Modi as chairman of the IPL.

The BCCI accused him of misappropriation of Rs 4.7 billion ($104 million).[66] And on 14 October, the Mumbai police registered a case against him on that count. By then, however, he was out of the reach of Indian authorities. He had fled to London soon after being elbowed out as IPL chairman, claiming that despite the hiring of a posse of bodyguards, he faced 'an elevated threat to his life in Mumbai'.

This scam sullied the reputation of India's most popular sport. 'The IPL is possibly the murkiest sporting league in the world,' a senior ED official told the *Asia Sentinel*. 'Slush money from tax havens, foreign ownership through dubious means, benami transactions [in which properties are held in the name of another entity], fraud, money laundering on a massive scale, illegal betting, and bribery in awarding TV rights have all been part of the IPL package with the connivance of top officials.'[67] Because several of his and Minal's relatives were fabulously rich non-resident Indians (NRIs) living in Britain and Nigeria, it was comparatively easy for the whole clan to move black money in and out of India. But that did not discourage ED officials to probe international money transfers.

Despite the periodic crackdowns on the hawala dealers, they had become a permanent feature of the financial sector in India. According to the ED, in late 2010, over 500 hawala dealers were active in Delhi, with a similar number in Mumbai, followed by smaller contingents in Kolkata, Chennai, and Hyderabad. Altogether, they transferred Rs 10 billion ($217 million) daily, equal to what the central government collected in direct taxes. Assisted by a couple of close relatives, a typical hawala dealer, operating clandestinely from a cramped office and using ever changing mobile phone numbers, earned Rs 50 to 100 million ($1 to 2 million) a year, tax free, a sum that made many CEOs of multinational corporations in India green with envy.[68]

All the corrupt practices that were associated with crooked politicians in power were now levelled at Modi, the face of the meteorically successful IPL tournament: nepotism, awarding contracts for backhanders, and opacity in decision making.

The official investigations pinpointed graft in the 2008 franchise auctions for the first tournament. It was then that Modi ensured that the most profitable franchises went to the relatives and friends of his and his wife Minal. And the same preference was at work when it came to awarding contracts for the online, digital, and mobile rights of the IPL.[69]

In ideological terms, those who had upheld the IPL as the gleaming example of the New India—its gigantic consumer clout, opulent conglomerates, superb marketing skills, and its headlong rush to monetize everything—were deeply disappointed.

On the other hand, as a consequence of the two decades of the Big Bang economic liberalization at home and globalization, a culture of consumerism and avarice had taken hold among many middle class Indians. The contagion of monetizing everything had spread widely. It had infected those areas of Indian life which had so far been untouched by sleaze.

In mid-2012, NDTV, a leading TV network, sued Nielsen, a global information and measurement company, in the New York Supreme Court, accusing its Indian joint venture with Kantar Media Research—called TAM Media Research Private Limited, based in Mumbai—of providing 'false, fabricated, and manipulated data' on TV ratings for nearly a decade. TAM's data was regarded as the definitive source of ratings and used by advertisers and networks to price broadcasting time. In its petition, NDTV argued that TAM collected data only from 8,150 homes fitted with electronic monitoring devices. By contrast, the sample size in China, with a slightly larger population than India's, was 55,000. When NDTV suggested to TAM to increase its sample size to 30,000, the idea was dismissed for being too expensive. Yet when NDTV executives met two field employees of TAM in a Mumbai hotel in April 2012, they were told that if NDTV agreed to pay them $250 to $500 for each home that they got to watch NDTV's channels, they would raise the network's ratings. NDTV also recorded another sting operation on video, which it showed to a Nielsen security executive during his visit to India. In its suit, NDTV claimed to have lost almost $1 billion (Rs 55 billion) during the past decade because of TAM's unrepresentative ratings data.[70]

In Mumbai, some tutors had set up coaching classes to teach students how to cheat at exams by copying. 'I was told it is a general lecture for important tips on how to write the exam and how to revise before the exam,' a student told Hemali Chhapia of the *Times of India*. 'But after some time, we were being told how to copy safely and escape if caught copying.' Citing her tutor, she added, 'You can either carry chits or, in desperate situations, even your text, in case your exam seat is a window seat.' The handwritten notes on pieces of paper could be easily tucked away inside socks or the rolled up shirt sleeves by male students, and inside bras worn by female examinees. If caught, the student should immediately swallow the paper, and practice swallowing at home before the final test. If a student was caught using a text book by the supervisor, he should instantly throw it forward or out of the window.[71]

Far more seriously, graft afflicted the media in the form of 'paid news'. Companies started bribing reporters and editors for favourable news coverage. So too did politicians followed by movie producers and distributors. Some of the biggest newspapers and TV channels practised paid coverage, and corruption in the media was 'pervasive, structured, and highly organized', according to a study by the Press Council of India, a statutory body, published in 2010.[72] To the deep regret of upright journalists and citizens, this odious practice had become established.

Meanwhile, the insatiable appetite for ever more revenues and profits drove Big Business to corner as much of the nation's natural resources as cheaply as it could. As a consequence, the battle for grabbing the resource-rich land intensified.

The latest of the mega scams to surface—dubbed Coalgate—was best viewed and analysed in that context.

Resource-rich Land up for Grabs

As in the earlier cases, Coalgate had its roots in the introduction of the 1991 NEP. It virtually reversed the 1956 Industrial Policy, which had led to the formation of the state-owned National Coal Development Corporation (NCDC), with the coalfields owned by the railways as its nucleus. This was viewed as the first step towards planned development of the coal industry.

Because of the continued failure of private colliery owners to invest sufficiently to meet the nation's burgeoning energy needs as well as improve the deplorable working conditions in the mines, the Indira Gandhi government passed the Coal Mines (Taking Over of Management) Act, 1973. It nationalized collieries on 1 May 1973 and formed the Coal Mines

Authority Limited, headquartered in Kolkata, which changed its name to Coal India Limited (CIL) two years later. It became a holding company with several subsidiaries. Making an exception of the private steel companies, the Coal Mines (Nationalization) Amendment Act, 1976, allowed them to hold on to their coal leases. These became known as captive coal mines of the steel industry.

Following the NEP, the Narasimha Rao government decided to open the power industry to the private sector. Recognizing the need for such firms to have captive coal mines, it formed a screening committee in 1993 by an administrative fiat, composed of serving and former officials from coal and railways ministries along with those chosen by the cabinet of a coal-bearing state.

What went unreported was the step-motherly treatment that the central government adopted toward CIL. This would be revealed almost two decades later by Hansraj Ahir, an MP belonging to the BJP, who represented the coal-rich district of Chandrapur in eastern Maharashtra. 'The state-owned Coal India Limited began shrinking due to government apathy, and hundreds lost their jobs in Chandrapur,' he told the *India Today* magazine in 2012. 'There are twenty-seven coal mines in Chandrapur, and coal blocks were being given away for free.'[73] Some of the new owners sold their licences promptly for large sums to steel or power companies.

During its fourth year in office, in 2003, the BJP-led government coined the phrase 'Power to all by 2012'. But the task of fulfilling this promise fell to the Congress, which defeated the BJP in 2004. Defying the national trend, Ahir entered the parliament as the MP for Chandrapur. He was elected to the parliamentary committee on coal and steel. In that capacity, he found out that CIL's role had been downgraded all over the country, and that a nexus had grown between private companies and elected and appointed government officials in the coal-rich regions.

When the Congress-led government of Singh concluded that CIL would be unable to supply coal to thermal power stations to produce extra 1,00,000 Mega Watts (MW) by 2012, it decided in 2005 to allot more mines to private and government-owned companies to help them generate power for their own use. During 2006-09, it issued further seventy-five coal blocks to private players and seventy to public sector firms through its screening committee procedure. The guidelines for giving these licences were altered in 2005 and

2006 and again in 2009. The later audit report by the CAG would describe these criteria as 'non-transparent'.

In 2006, the Singh cabinet considered the alternative of allotting coal blocks by auction but rejected it because that would have required a new law and the consent of the governments of the coal-bearing sates, a complicated affair. Later, it changed its mind. In October 2008, it introduced a bill titled the Mines and Minerals (Development and Regulation) Act, 1957, Amendment Bill, which provided for coal blocks to be sold through a system of auction by competitive bidding, to be enforced in September 2010.

As this procedure was acceptable to all the parties concerned, the subject should have been considered closed. But there was a certain unfinished, fishy affair, which Ahir, re-elected in May 2009, wanted to probe. He drew the CVC's attention to the irregularities in the allotment of twelve coal blocks to private firms in 2009. He followed this up in November 2010 with a complaint to the CAG that coal from the captive blocks allocated to certain private companies was being illegally diverted to the open market instead of being used by the licensees.[74] This specific charge prodded the CAG to act.

On 22 March 2012, the *Times of India* splashed exclusive extracts from the first draft of the CAG report, titled 'Performance Audit of Coal Block Allocations'. What particularly gripped the newspaper readers and the general public was the CAG's statistic for the astronomical 'windfall gains' made by the companies by obtaining the coal block licences cheaply. Windfall gain was the difference between the high market price of coal sold by CIL and the lower cost of coal extracted from captive blocks by the companies. The CAG came up with the jaw-dropping estimate of Rs 10,673 billion ($194 billion), which nearly equalled the total annual tax revenue of the central government! (Five months later, it would reduce this figure drastically.)

Coalfields did not have the glamour of IPL cricket tournaments with lycra-clad cheerleaders in tight mini-skirts, all-night post-match parties, colossal merchandising, and TV tie-ups. But, since coal-fuelled stations produced 57 per cent of electricity, the mined commodity was associated in the popular psyche with power generation—or rather with frequent outages, which were the bane of urban life because of the chronic shortfall in power supplies.

On 31 May, the CVC ordered the CBI to investigate the allegations made earlier by Ahir. The opposition BJP had a field day. Its raucous demand of the immediate resignation of the Singh government brought the parliamentary session to a standstill. Media reports asserted that MPs, ministers, and chief ministers of coal-bearing states had successfully lobbied for coal blocks to be allocated to certain private firms.

Among those who were named was Naveen Jindal, chairman and managing director of the half-a-century-old Jindal Steel & Power Ltd (JSPL). He was elected to parliament as a Congressman in 2004. He got a coal field in February 2009 with reserves of 1,500 million metric tonnes in Odisha on 27 February 2009—well after Delhi's cut-off date for the allotment of coal blocks. In stark contrast, the government-owned Navratna Coal India Ltd was turned down and told to seek coal blocks in Mozambique.[75]

When the CAG submitted its final report on 17 August, what drew most attention was its revised estimate of the windfall gains by the licensees. It had shrunk to 18 per cent of the earlier leaked figure—down to Rs 1,869 billion ($34 billion). At first, the CAG had made the blunder of equating the weight of coal fields in situ with that of the finished product, thus ignoring the steep losses in mining and washing.

Despite a thorough perusal of the minutes of the screening committees' meetings and other documents, the CAG failed to see any record of how each of the applicants had been evaluated and the final winner named. In the case of one coal block, only two of the 108 applicants gave detailed presentations to the screening committee. Yet the committee recommended six names. Some private companies secured licences for collieries which contained more coal than was needed for generating their own electricity. Many licensees sat on their blocks instead of exploiting them, thus defeating the overall purpose of raising power supplies.

Of the eighty-six coal blocks which were required to produce coal by 2010-11, 'only twenty-eight blocks (including fifteen allocated to the private sector) started production as of 31 March 2011,' noted the CAG's final document. Their aggregate output during the year was less than half of the official target.[76]

As before, a PIL was filed by one or more social activists with the Supreme Court, challenging the legality of the protocol followed in awarding coal blacks. The first to move the apex court was L.M. Sharma, an advocate. In mid-September, the Supreme Court bench dismissed the solicitor general's argument to reject the petition and ordered the coal ministry's secretary to file an affidavit stating the guidelines used for allotting coal blocks within eight weeks.

The bench also wondered aloud why the names of politicians and their relatives had cropped up among the alleged illegal licensees of coal blocks in which the procedure of competitive bidding was not followed.[77] An answer to their query came a few days later from a central India businessman who had been allotted coal fields but wanted to remain anonymous. 'Relationship with politicians served as a master key enabling industrialists to gain access to natural resources,' he told Vikas Bajaj and Jim Yardley of the *New York Times*. 'Whoever has a master key wants to eat up all of India. Whoever doesn't have a key is struggling to survive.'[78]

The master key here was expected to provide access to the riches of the soil concentrated in India's north-central region, which had emerged as the stronghold of Maoists, known locally as Naxalites, with the district of Dantewada as one of their hubs.

SEVEN

Maoists in the Minerals-rich Heartland

WITH A MAJORITY of its 25,000 residents being adivasi (Hindi for 'original inhabitants', the term encompassing ethnic and tribal groups), Dantewada lacks a comfortable hotel. Local adivasis can be distinguished easily from the mainstream Indians, whose history on the subcontinent stretches over only three-and-a-half millennia. Most adivasis carry names which stand apart from Hindus': Lado Sikaka, Karya Munda, Kusim Mattami, Sena Bhoi, Dayamani Barla, and Goud Mahato. Whereas there is a fair proportion of the overweight and fat among non-tribal Indian men, adivasi male adults are almost invariably deficient in fat. Lean and dark, they have elliptical faces which are often weather-beaten. They wear lungis—loose cloth covering the body below the waistline—and shirts, with the younger ones preferring long pants. Adult adivasi women cover themselves in saris, and girls and young women prefer skirts and blouses. But they are not uniformly slim, some adult women being plump.

For a satisfactory inn in the area, a visitor has to settle for Jagdalpur, a far bigger urban centre, 85 km (50 miles) to the east of Dantewada. The 300-km (190-mile) journey to Jagdalpur starts at the freshly built airport of Raipur, the capital of Chhattisgarh (Hindi for 'Thirty-six Forts'). A brief run along a tree-covered avenue leads to a city of mismatched structures. Babylon Hotels and Restaurants stand next to a garage marked Silverline Automobiles, with its mechanics in greasy uniforms lounging near the clinically clean Marble Art, written in Hindi, displaying marble statues of Mahatma Gandhi and Nehru.

The Road to Dantewada

Once you leave the crowded, chaotic capital behind, the asphalt road is smooth and uncluttered, except for an occasional motorcycle driven by a man wearing a Bedouin style headgear. In the surrounding plain, the dwellings range from huts of flimsy material to brick houses. These are built inside compounds delineated by walls of bamboo or plastered baked bricks. Often the walls are overlaid with gigantic adverts in red, blue, and yellow. The dominance of cement companies—ACC 'Build with confidence', Jaypee Cement, and Ambuja Cement—interspersed with GK (TMI) Mortgage Company underscores the boost given to the construction industry in the wake of the NEP. The approach to a village, hosting such signs as Kashyap Cycle Store and Kalpana Ready Made Clothes, is signalled by speed breakers of bent steel bars or stone-hardened asphalt.

After a three-hour drive, you enter an ascending terrain, with the distant hills thick with forest. The highway becomes a ribbon between clearings and fields which are neither large nor particularly fertile. The sighting of a tractor is rare. The clearings are dotted with electricity pylons and mobile phone transmission towers. The sudden appearance of a red billboard with white lettering that reads 'Aircel' between these skeletal grey frames is a dramatic reminder of the communication revolution. Colours of human-made structures—green, blue, yellow, and white—merge with those of nature. Along the road, you see an occasional Hindu temple with its round pyramidal architecture, painted saffron. The area is the domain of adivasis, most of whom live in villages in the interior. So there are very few people around the margins of the road. Occasionally, a lean adivasi woman carrying a bundle of long, thin tree branches, used as cooking fuel, is seen trudging along.

Then the road turns into a series of ascending serpentine twists which can be manoeuvred only in low gear. My adivasi driver, Arjun Das, prone to speeding, slowed down. He stopped near the village of Koska at the turn of a very sharp hairpin bend near a stone structure bearing the sign 'Maa Telina Sati (Mother Telina Sati)' in Hindi. He left the car and disappeared into the semi-dark shrine built between two gigantic boulders to receive the saint's blessings for safety on the road. For the slender, twenty-one-year-old Das, with the frame and looks of a boy in his mid-teens, this ritual was more reassuring than heeding such warnings in English as 'Speed thrills but kills', which were posted along the highway but he could not read.

We resumed our run. Kanker, a town of 30,000, lies in the shadow of the forested rocks of the Gadiya mountains, as if guarded by them. It is only the second place where you see signs of police presence, the first being Pherasgaon, home to a police station in a yellow brick building. The main street in Kanker has a large mosque with a tall minaret and a huge sign that says 'Ya Allah' in Arabic. Two miles from this landmark appears a signboard: 'Counter Terrorism College'.[1] The terrain around Kanker makes the visitor realize that almost half of Chhattisgarh is covered with forests, which are rich in dark green sal (Latin: shorea robusa) and teak trees used for construction.[2]

Only one-seventh of Jagdalpur's 1,50,000 residents are adivasis, most of them converts to Christianity. Yet so strong is their devotion to the adopted religion that they keep the fifty local churches well attended.

On the way to Dantewada, the sighting of a camp of the paramilitary Central Reserve Police Force (CRPF) in the village of Karlo indicated that we were nearing the epicentre of the Naxalite insurgency. Yet what greeted us was a simple cement concrete archway welcoming the visitor to Dantewada, the site of a temple to Maa Danteshwari,[3] much revered by adivasis and non-adivasi Hindus.

On the surface, Dantewada appears sleepy—a backwater town, with a single street of shops and offices serving as its market place. Besides clothing and shoe stores, tea stalls, modest eateries, groceries, a cycle shop, and a mobile phones outlet, there is a motorcycle sales facility. The sight of Levi Strauss Jeans for Rs 599 ($11) is a reminder of the globalization of a brand name. And two signs in Urdu point to the presence of a Muslim minority in the settlement. There is the inevitable debris in the street on both sides.

The town's activity is centred round the bus stand in a square connected by two small bye lanes to the main street. The mix of shops and offices here gives Dantewada a semblance of modernity: DISH TV; AISECT-IGNU-Track Computers, Hardware and Software; C-Planet Computer; a well-scrubbed cafeteria; and a shop offering photocopying, STD (Subscriber Trunk Dialling), and Public Call Office.

Knowing the devotion that Das had for goddesses and female saints, he shot off to seek the blessing of Maa Danteshwari after depositing me at the office of the *Bastar Impact*, a Hindi daily, in the main street. She is revered as an incarnation of shakti (Hindi for 'strength', specifically female power) of Hindu mythology, the patron goddess of the Hindu ruler of the princely state of Bastar (meaning 'magic')—the size of Holland—during British rule.[4] Her temple, located on the town's outskirts, is an impressive whitewashed structure behind a large arch announcing its name.

Even though seated on a raised platform and decked profusely from neck to toe in multi-layered satin of various hues, with a heap of garlands covering her torso up to her groin, the jet black idol of Maa Danteshwari projects intense ferocity. To look closely at her black face with elliptically round whites representing her eyes, a tight mouth, and a pierced nostril holding a rounded fish ornament is to invite shivers down one's spine.

Symbolically, though, this image of power summed up the mortal struggle then in train in Dantewada district between Naxalites and the security forces. Here was a hub of the Naxalite insurgency in the region, with not a single cop or a paramilitary trooper in sight. It was a puzzle I was resolved to crack. Vinod Singh came to my rescue.

A fair-skinned, robustly built man of medium height in his early forties, he greeted me in the cramped office of the *Bastar Impact*. 'Nowadays, even on incident-free days, policemen do not leave their stations wearing uniform,' he told me in Hindi. 'When they leave in vehicles, they change their registration numbers, and they do not use lights at night. Sometimes the CRPF patrol our streets at night in their vehicles; but that is all.' I sipped black tea while he refreshed himself with a cup of a sweet, milky brew.

'Naxalites have been active along the Andhra Pradesh border since 1980,' Singh continued. 'They infiltrated small villages and began questioning the role of the patwaris (Hindi for 'document keepers', land recording officials). They defied the patwaris and insisted on land deeds for tribals, a popular move. In 1994, they blew up a police vehicle in this area. The tribals were impressed by the challenge they threw at the government and got away with. That built up support for them.'

Singh reeled off the names of villages in Dantewada district under Naxalite control: Takilode, Sathva, Dharma, Belnar, Poosal, Neerum, Pidiakot, Pollevaya, Palla, Kodanka, Parkelli, Markapal, Oorsapara, and Oothia. These settlements were part of the nearly 60 per cent of the district administered by Naxalites. He drew a sketch with Dantewada as the nucleus. 'Ten km to the east, there is a CRPF company on the edge of the Naxalite area, at Kuakond,' he said. 'Next, 15 km to the north is another Naxalite stronghold, and beyond that is a CRPF company at Katekiyan. And 15 km to the west is a liberated area and to its southward edge is a CRPF Company at Barsur. Lastly, 10 km to the south is a guerrilla territory, and at its southern edge there are three CRPF camps at Mirtur, Kuper, and Komaloor.' By cutting off access roads and digging deep ditches in their territories, Naxalites had barred vehicle-borne security forces from entering these settlements. 'So any forays by the security forces into these areas have to be on foot, and this makes them vulnerable to ambushes by armed Naxalites.'[5]

It had taken Naxalites three decades to reach this stage.

Naxalbari, the Spark

Naxalites believed in overthrowing the established order through armed struggle. Their initial targets were large landlords, usurious money lenders, venal forest officers, and oppressive police commanders. The only place where they could establish a secure base was among the adivasis living in the inaccessible forested hills in the contiguous parts of West Bengal, southern Bihar (which later became Jharkhand), and Odisha.

Their movement started when, led by the militant members of the Communist Party of India (Marxist), landless peasants occupied plots they tilled but did not possess in the Naxalbari area of West Bengal adjoining Nepal and East Pakistan during March-May 1967. They confiscated rice stocks. Their leader was forty-nine-year-old Charu Mazmudar, a bespectacled man with a thin, horsy face, a big nose, and a thatch of black hair on a large head. He advocated seizing political power through protracted armed struggle based on guerrilla warfare. This strategy required gaining a foothold in rural and remote areas and upgrading them to guerrilla zones and then to guerrilla bases, embryonic liberation zones, before encircling cities.

In West Bengal, their first violent act was to attack a police station in Naxalbari on 23 May 1967. The state government in Kolkata dispatched a large contingent of its police force to the trouble spot. The militants scattered to the areas inhabited largely by adivasis in the tri-state area of West Bengal-Bihar-Odisha. The next territory to raise the banner of armed struggle was the tribal-inhabited Srikalulum in northeastern Andhra Pradesh along the coast. Mazmudar visited it in March 1969.

The next month, the Communist Party of India (Marxist-Leninist) was formed clandestinely. It focused on organizing landless and wretchedly poor peasants. But its initial stress on the peasantry's economic demands soon gave way to violent attacks on exploitative landlords and moneylenders. When the anticipated revolutionary fire did not ignite in villages, Mazmudar instructed party activists in 1970 to resort to exploding bombs in Greater Kolkata without having set up strong rural bases around the city. The party's 700 'action squads' ended up carrying out individual 'annihilations'.[6] Once the party shifted its focus to the state capital, it became easier for intelligence agents to infiltrate it.

Indira Gandhi's central administration, much strengthened after the Congress' impressive electoral victory in March 1971, intervened. In coordination with the state government, it deployed three army divisions against the Naxalites under Operation Steeplechase. The soldiers sealed off an area in Greater Kolkata while the state police carried out house-to-house searches. By the end of the year, nearly 1,800 Naxalite activists were killed, and thousands of CPI (ML) members and sympathizers were jailed. Of the party's twenty-two original Central Committee members, nineteen were arrested or killed or died.[7]

Because of the CPI (ML)'s association with China and the Chinese Communist Party, which opposed the transformation of East Pakistan into an independent nation of Bangladesh—a scenario enjoying almost universal backing of the people in West Bengal—it lost the last remnants of support after the establishment of Bangladesh in December 1971. On 16 July 1972, Mazmudar was arrested from his hideout in Kolkata. Twelve days later, he had a fatal heart attack, according to prison officers.[8] With his demise, those colleagues of his who had left the CPI (ML) because of their disagreement with his strategy went on to form different 'Naxalite' factions.

One group, which believed in armed revolution but had not joined the CPI (ML), was called Dakshin Desh (Hindi for 'Southern Land'[9]). It was headed by Kanai Chatterjee, who stressed that mass mobilization was an essential requisite for engaging in armed struggle. It was active in the Burdwan district of West Bengal, where Dalits and adivasis formed substantial sections of the population and the territory was covered with deep forests. In 1975, it changed its name to Maoist Communist Centre of India, generally known as MCC. It formed political militia squads, which toured villages to mobilize landless and indigent peasants. They seized grain stocks and firearms and assassinated those they considered police informers. The MCC extended its activities to eastern Bihar. Its politburo would go on to form the People's Liberation Guerrilla Army (PLGA).

In the south, the Telangana region of Andhra Pradesh, with a long history of militant peasantry, proved to be an incubator for the newly named CPI (ML) People's War, commonly called the People's War Group (PWG), in 1977. Its leadership urged student followers to go to villages. The landlocked Telangana shares borders with Maharashtra, southern Madhya Pradesh (later Chhattisgarh), and Odisha.

PWG activists' analysis of the countryside showed that land distribution was grossly skewed and that, in Telangana, containing nearly half of the state's forests, the impoverished adivasi inhabitants were also exploited by the forest department's officials and contractors. Initially, the local tribals were wary of the Telugu-speaking urban students. The newcomers learned Gondi, the predominant language of adivasis.[10] But that was not enough. What helped them gain acceptance was their advice to adivasis to boil water. That reduced infant mortality by half. It made the beneficiaries listen to what PWG activists had to say on more weighty subjects—such as the miserly amount of 3 paise (Rs 0.03) forest contractors paid them for a bundle of seventy tendu (Diospyros Melonoxylon) leaves they collected.[11] These leaves are used for wrapping tobacco to make bidis. Forest officials also curbed the adivasis' legal right to other forest produce, from tamarind to bamboo.

In 1980, two PWG squads of twelve each entered the Dandakaranya (Sanskrit for 'Forest of Punishment') region, which, besides northern Andhra Pradesh, includes parts of eastern Maharashtra, southern Madhya Pradesh (later, Chhattisgarh), and southern Odisha. Shaped like a quadrilateral pressed down in the middle, and delineated by the Eastern Ghats in the east and the Abujhmad (Gondi for 'Unknown Highlands') Hills in the west, it is spread over 92,200 sq km (35,600 sq miles). It measures 320 km (200 miles) from north to south and about the same distance east to west. Within a generation, it would become a bastion of Naxalites, the Indian Maoists.

In 1984, PWG's politburo formed a Forest Liaison Committee in Dandakaranya to coordinate the movement. That, in turn, led to the establishment of the Dandakaranya Adivasi Kisan Mazdoor Sanghatana (Hindi for 'Peasant and Workers Union'; DAKMS).[12] It launched its 'Land to the Tiller' campaign. Adivasi peasants were exploited not only by forest department officials and contractors but also their own tribal chiefs. Forestry bureaucrats subjected them to illegal and extra-legal exactions. And the traditional chiefs, owning large tracts of land, demanded free labour from them. As a result of tending their plots first, a typical adivasi could attend to his own patch only during the last weeks of the petering monsoon. That meant only one crop a year.

When, led by PWG cadres, poor adivasis refused to tend the tribal chiefs' lands, the latter called on the Madhya Pradesh government to intervene. It did. Colluding with the tribal chiefs, its police force killed dozens of PWG activists. It was at this point that the PWG's politburo decided to offer—in its words—'defensive violence' to counter the violence unleashed by the government to reverse the gains the underprivileged had managed to make. To equip themselves with arms, the party's cadres at first resorted to snatching weapons from law enforcement agents, and then graduated to encircling police stations in the forested interiors and disarming their occupants. This was to be the building block for creating guerrilla zones.

On the political-administrative front, the DAKMS had started to replace the traditional chieftains and the official panchayat system, with villagers referring their problems to it. This heralded a gradual transfer of power. Fearing for their physical safety, patwaris stopped visiting villages in the expanding guerrilla zone to collect land revenue.

In 1995, the PWG's All India Special Conference endorsed the leadership's decision to build 'Gram Rajya Committees (Hindi for 'Village Rule Committees')—bodies that would be elected by all villagers above the age of eighteen, with the main aim of developing agriculture.

With that goal in mind, PWG cadres started a programme of constructing irrigation tanks in villages. They encouraged a cooperative movement. Three or four families would agree to plough the land. For constructing houses or other buildings, teams of eleven members were formed. The cooperative system helped develop a communal feeling.

The PWG also engaged in cultural and social lives of the community. Its cultural wing, Chetna Natya Manch (Hindi for 'Awakening and Dramatic Arts Front'; CNM), visited villages and conducted dance, drama, poetry, and musical workshops. The CNM's cultural activities inspired young people to join the PWG. The songs such as 'Land to the Tiller', 'Oh, Brave Lady', and 'Our Flag is Red' pressed the right emotional buttons in the audience. The lyrics were often inspirational or rhetorical—as in Subbaro Panigrahi's (original in Telugu):

> 'Our flag is red
> With the blood of toilers.
> Our march is driven
> By the dreams of the martyrs.';

or in Cherabandaraju's (original in Telugu):

> 'Gearing the fallows,
> Ploughing the fields,
> With our sweat as streams,
> We harvested the crop.
> Whose was the grain?
> Whose was the gruel?'[13]

The CNM started publishing a bimonthly, multi-lingual magazine called *Jhankar* (Hindi for 'Creative') in August 1994. The languages—Gondi, Hindi, Marathi, Bengali, and Telugu—of its articles showed the areas where the PWG was active.

In the late 1980s, the MCC, now chiefly active in Bihar, claimed 500 cadres and 10,000 members. It had set up mass organizations among peasants and students. And its armed wing was called the Red Defence Force. Given its strength among low caste Hindus and Dalits, its armed wing clashed with the militias defending upper-caste interests. In its enclaves, it conducted a parallel judicial system of people's courts.

In Andhra Pradesh, with the rise of the regional Telugu Desam Party (TDP) as an alternative to the Congress in the 1980s, the PWG played one against the other at the time of panchayat polls. While committed to boycotting elections because of the absence of any party genuinely interested in fighting for the impoverished masses, the PWG used its influence in rural areas to secure the release of its imprisoned members and an easing of the police pressure.

The implementation of the neo-liberal agenda by the central government of P.V. Narasimha Rao in 1991 encouraged the leaders of the three major Naxalite factions—the PWG, the MCC, and the CPI (ML) Party Unity, active in Bihar—to coordinate their struggles. In September 1993, they formed the All India People's Resistance Forum (AIPRF) consisting of their senior cadres.

The Slow Burn

From then on, correlation developed between the liberalizing of the official mineral policy and the rise in the influence of the Naxalite factions, which resisted the NEP and globalization. The main base of Naxalites was in adivasi territories. According to a report by an expert group appointed by the central ministry of rural development, these areas were 'the storehouse of mineral wealth'—uranium 100 per cent, coal 92 per cent, bauxite [aluminum ore] 92 per cent, copper 85 per cent, iron ore 78 per cent, and dolomite 65 per cent.[14]

The Indian constitution allocates mineral rights to states, which receive all the royalties resulting from mining them. But the regulation of the mining and minerals sector is undertaken by the central government. In 1994, the Narasimha Rao administration amended the 1957 Act to allow private domestic and foreign investors to explore and extract mines and minerals—except coal, it being a hydrocarbon energy mineral—on a case-by-case basis. The Naxalite AIPRF responded by holding a protest rally of 1,00,000 in Hyderabad. That made no difference in Delhi. In 1997, the United Front government introduced an automatic approval route for foreign direct investment (FDI) of up to 50 per cent equity in mining.

By amending the 1957 law in December 1999, the BJP-led government authorized state authorities to acquire land for mining (a right until then vested with the central government according to the amended 1984 law) and to make rules about mines and minerals in their territories. It also permitted 100 per cent FDI for the processing of mines and minerals, except coal, with effect from February 2000.[15]

In November 2000, part of southern Madhya Pradesh was hived off and turned into Chhattisgarh (with a population of 21 million), and southern Bihar was reconstituted as Jharkhand (population of 27 million, with a quarter being adivasis, and forests covering about a third of the area). In Chhattisgarh, 37 per cent of the inhabitants were scheduled tribes and another 23 per cent were scheduled castes.[16] It had all of the nation's tin, much of its coal and one-fifth of its iron ore—about 2,336 million tonnes averaging 68 per cent purity—concentrated in the five districts of the old princely state of Bastar. It also had bauxite and limestone (to produce cement). Roughly, a third of Jharkhand's population was adivasi. Nationwide, adivasis were at the bottom of the socio-economic pyramid. At 33 per cent, their literacy rate was half the national average.

The next year (2001), the PWG's conference resolved to set up guerilla bases within guerrilla zones as a prelude to forming the people's army backed by popular support inside a suitable terrain. The PWG started founding Revolutionary People's Committees (RPCs) to cover 500 to 3,000 village households. It formed a dozen such bodies in each district as a nucleus for a guerilla base, thereby transforming the 4,000-sq-km (1,545-sq-mile) Abujhmad area north of the Indravati river as the Central Guerilla Base.[17] It extended its activities to the 1,200-sq-km (460-sq-mile) Saranda (literally meaning '700 hills') forest with 700 mountain peaks. This mineral-rich area in Jharkhand adjoining Odisha (population of 37 million, with one-fifth being adivasis, and two-fifths of its territory covered by forests) would become the second most important Naxalite stronghold after the Dandakaranya forest. The PWG's politburo would later integrate the previously autonomous units in parts of Andhra Pradesh, Bihar, Chhattisgarh, Jharkhand, Odisha, and West Bengal into the People's Guerilla Army (PGA).

The introduction of foreign multi-national corporations (MNCs) into the mining industry raised the level of conflict between the state and the Naxalite factions.

After 2002, foreign corporations such as BHP Billiton of Australia, Arcelor-Mittal of Luxembourg, Posco of South Korea, Rio Tinto of Britain and Australia, Texas Power Generation Company, and Vedanta Resources of Britain as well as indigenous companies like Essar Steel, Jindal Steel and Power, and Tata Steel focused on India's east-central zone to secure mineral rights.

The governments in these states acquired minerals-rich land through compulsory purchase orders authorized by the colonial era Land Acquisition Act, 1894, which remained on the statute books until its replacement by the Land Acquisition, Rehabilitation and Resettlement Act, 2013, to be enforced the following year.[18] This proved controversial. The acquisition law was to be invoked only when the land needed to be acquired for such public purposes as building roads, railway tracks, hospitals, schools, or administrative hospitals. But now, state governments started acquiring land by evicting landowners after paying them derisory compensation and selling it to private companies.

With the BJP coming to power in Chhattisgarh in May 2004, private mining companies enjoyed a bonanza. The state government started signing scores of memorandums of understanding (MOUs) with domestic and foreign MNCs.[19] While according favourable terms to MNCs, it paid meagre compensation to the tribal landowners. And, violating their promise to the state authorities to provide jobs to the displaced adivasis, the MNCs either ignored them altogether or engaged them as 'contract labourers' on daily wages without job security, and not as full-fledged employees entitled to certain rights. Such was the case in other resources-rich states as well. Discontent among adivasis grew. Yet they failed to find any mainstream political party to speak up for them.

Among those who monitored the situation in Chhattisgarh was the Jagdalpur-based Pavan Dubey, a 45-year-old tall, muscular, moustached journalist. 'Neither the Congress nor the BJP pays attention to the tribals. If there is a health clinic in an adivasi village, there is no doctor or nurse. If there is a school, there is no teacher. After getting elected to the state assembly, these party leaders do not visit their rural constituencies. They make promises which they do not keep. So, in desperation, the adivasis turn to Naxalites.'[20]

Such negligence by major political parties enabled the PWG to enhance its popularity. It encouraged PWG leaders to break new ground. Around 9 p.m. on 6 February 2004, some 150 PWG armed guerrillas in two cargo trucks, two jeeps, and on five motorcycles arrived at the bus station of Koraput, capital of the tribal-majority Koraput district which is under the legal jurisdiction of Odisha but forms an integral part of the Dandakaranya forest. They ordered the shopkeepers to draw down their shutters and go home. They split in three groups, with one driving off to the district armoury, another to two police stations, and the remaining to the local prison.

During the next six hours, they ransacked the armoury and the police stations, raided the camp of the Orissa State Armed Police battalion, and exploded a land mine at the CRPF camp. They left fifteen security personnel dead. And, according the official account, their weapons' haul included more than 1,000 machine guns, sub-machine guns, and rifles, as well as hundreds of bombs and grenades. The military style precision with which the guerrillas executed their operation shook the local and state authorities. 'The police have been placed on high alert,' announced B.B. Mishra, deputy inspector-general of police. 'The situation is grim.'[21]

This incident opened a new chapter in the chronicle of the Naxalite movement. It signalled the start of low-intensity warfare between it and the state. It also paved the way for the two main Naxalite factions—the PWG and the MCC—to merge.

The Flame: Communist Party of India (Maoist)

Meeting clandestinely, the politburos of the two factions agreed on 21 September 2004 to form the Communist Party of India (Maoist), with fifty-four-year-old Muppala Lakshmana Rao, alias Ganapathi, as its general secretary. Below the newly formed politburo came the Central Committee of thirty-two members. But the unification decision was made public only on 14 October 2004.[22]

A lean, bespectacled man of medium height, the clean-shaven Ganapathi sported greying hair. He was born into a landholding family in Beerpur village near Karimnagar in northern Andhra Pradesh. After obtaining undergraduate degrees in science and education, he worked as a teacher in Karimnagar. He quit the job after a few years to pursue post-graduate studies at the newly opened Kakatiya University in Warangal. There, he came under the influence of CPI (ML) leader Kondapalli Seetharamaiah. Following the party's call to go to villages, he left his family to work with rural adivasis in the Telangana region of the Dandakaranya forest. He rose through the ranks of the PWG.

The programme of the new political entity, however, was in essence a rehash of the document adopted by the CPI (ML) in 1969. It described India as 'a semi-colonial, semi-feudal country with uneven development'. It stated that the major contradiction between 'feudalism and the broad masses' could be resolved only through 'an armed agrarian revolution'—that is, 'protracted people's war', just as in China. The strategy to follow was 'to liberate rural areas first and then, having expanded the base areas—the centre of democratic power in rural areas—advance towards countrywide victory through encircling and capturing cities'. A major addition was the party's declaration that it opposed privatization, economic liberalization, and globalization.

Making a specific mention of 'adivasis or tribes', the new document stated that 'they have been neglected socially, culturally, and politically'. The emergence of a unified party gave momentum to adivasis' resolve to resist the corporate takeover of their forest lands. That, in turn, provided them with a strong link between their ethnic identity and their economic exploitation.

Given a much larger area of activity, the party's politburo divided its Central Committee, charged with deciding the general strategy, into regional bureaus, each of which was divided further into zonal committees, charged with deciding tactics, with the latter divided further into divisions, which supervised the front organizations for peasants and workers, women, and youth as well as the Revolutionary Peasants' Committees and Women's Liberation Front—popularly known as sanghams or sanghatana (collectives or unions). After merging the armed militias of the two Naxalite factions, it named the unified force the People's Liberation Guerrilla Army (PLGA). It functioned under the party's Central Military Commission (CMC), which was headed by Jagdish. According to the central home ministry, by the end of 2004, the attacks by Naxalite-Maoists on the police, paramilitaries, and malevolent forest officers totalled 1,533.

Determined to shore up the mining industry, the Indian authorities made the united party their primary target. They banned it under the Unlawful Activities (Prevention) Amendment Act, 2004. Anti-Maoist operations in Andhra Pradesh escalated in October 2004 and continued throughout 2005. The party suffered the loss of 1,800 cadres.[23]

Later, the hawks in Delhi would hold up the Andhra Pradesh model for eradicating the Maoist movement, stressing the role played by the specially trained police, called Greyhounds. This argument overlooked the fact that massive expansion of the police force coincided with a wide extension of the intelligence network—which the state government was able to do during the ceasefire which preceded its peace talks with the PWG/CPI (Maoist), and which it conducted in bad faith. At the same time, it undertook extensive development projects in tribal areas where the government had been absent until then.

On its part, in August 2005, the Chhattisgarh government inaugurated the Counter Terrorism and Jungle Warfare College in Kanker, located in a terrain similar to where Maoists were embedded. Directed by (retired) Brigadier Basant K. Ponwar, it had a teaching and other staff of nearly 300. Ponwar had run the Indian Army's jungle warfare school in the insurgent-infested Mizoram, a small northeastern state populated by the Christian ethnic Mizos. Besides the standard shooting and firing ranges, the college had facilities for rock climbing, slithering, rappelling, and unarmed combat as well as a natural obstacle course and an endurance track. Guided by its motto 'Fight a guerrilla like a guerrilla', its six-month course put students through a rigorous regime to train them to undertake sustained offensives in counter-insurgency and counter-terrorism operations in forests and urban areas.[24]

Colluding with Tata Steel and Essar Steel, which reportedly provided much of the funding, the state government boosted the rise of the anti-Naxalite tribal armed militia called Salwa Judum (Gondi for 'Purification Hunt'). It was founded by the Congress' adivasi leader in the state legislature, Mahendra Karma, a dark, square-faced, fifty-five-year-old stocky man with a receding hairline. During the second half of 2005, the 5,000-strong Salwa Judum, working alongside the CRPF and the police, terrorized adivasis, setting alight villages suspected of being Maoist. Over the next three years, they torched 644 settlements and displaced 3,50,000 people.[25] Nearly 3,00,000 dispersed deep into the forest or fled to Andhra Pradesh.

However, Maoists were not just passive observers to this onslaught. 'At one meeting of the Salwa Judum in Dantewada district, the Naxalites created a melee and killed about ten Salwa militias,' said Vinod Singh. 'That made people wary of supporting Salwa Judum or attending their meetings in that area.'[26]

Maoist cadres helped to rehabilitate the displaced while stressing that their expulsion was a prelude to depopulate the forest and pass on the adivasi land to the mining corporations. They referred to the economic gains adivasis had made under their leadership, with the payment for the collectors of tendu leaves rising thirty-five-fold from 3 paise per bundle. As labourers, they often earned more than the statutory minimum wages. Party workers urged adivasis to join the people's militia to fight Salwa Judum. They got a favourable response. The strength of the people's militia and the PLGA rose.

Outside this region, the Operation Jailbreak that its CMC carried out with meticulous planning and execution in Jehanabad, Bihar, on 13 November 2005 was remarkable on several counts. Jehanabad, a small town only 60 km (35 miles) from state capital Patna, was in the plains, with no hills or forest in the area. The CMC inducted experienced guerrillas from Jharkhand and Odisha for the operation. And the contingent that executed the offensive included a medical unit trained to rescue the injured and dead PLGA soldiers. Finally, besides confronting the security force, the armed Maoists assassinated two leaders of the landlords' militia, Ranveer Sena (Hindi for 'Army of the Desert Bravehearts'), for terrorizing Dalits and low-caste Hindus since the late 1980s with murder and arson. Unlike in the tribal region, the conflict in the caste-ridden Bihar was between lower castes and Dalits on one side and the land-owning upper castes on the other.

Around 8.30 p.m. on 13 November 2005, about 200 PLGA guerrillas[27] converged on Jehanabad on motorcycles. They cut off the power lines and called on the residents to stay indoors. Using a public address system, they stressed that their raid was directed against 'the oppressive police and government'.

Simultaneous assaults on the police lines, the district administrator's office, and the jail ensued. There was only a skeleton police force in the town, as most of their colleagues had been deployed in another part of Bihar to oversee the third phase of the state election. After an hour-long gun battle, the police officers surrendered. Once the jail fell to the insurgents, they released all 340 prisoners, including 140 Maoists, headed by their leader Ajay Kanu, a Central Committee member. They left with a haul of 200 rifles.[28]

This daring offensive by armed Maoists in the Hindi-speaking heartland of India shocked the state and central governments. In an unprecedented move, Delhi rushed two companies of the elite National Security Guards (NSG) commandos to Bihar and equipped them with helicopters. In the absence of actionable intelligence, however, the authorities made scant progress in apprehending the raiders.

In general, though, the Maoist leadership continued to be selective in its targets. To equip its guerrillas and members of the people's militia with adequate supplies of explosives to produce many hundreds of booby traps[29], small pressure bombs, and improvised explosive devices (IEDs)—also called land mines—it targeted the warehouse for the explosives used by the National Mineral Development Corporation (NMDC) at Kirandul, 41 km (25 miles) from Dantewada. The storage depot was part of the vast Bailadila (Gondi for 'Bull's hump') mining complex. Soon after midnight on 9 February 2006, a large contingent of Maoist guerrillas cut the power supply to the complex and engaged the sixteen-strong team of the Central Industrial Security Force (CISF). In a brief firefight, they killed half of them and gagged the rest. A large force of the people's militia poured into the compound and emptied the depot of 14 tonnes of explosives along with detonators and fuses used to blast the mountainside and loosen iron ore.[30]

In public, the deeply embarrassed central government, which owned the NMDC, downplayed this path-breaking event. But its home minister, Shivraj Patil, was sufficiently rattled to table a status paper on Naxalites before the parliament five weeks later.

More Mining, More Maoism

Overall, after 2005, state governments' pace of allocating large swathes of land to mining corporations accelerated. According to Rajendra Sail, a social activist and ecumenical leader[31], of the 105 MOUs the state government signed between 2005 and 2009, all but one were about mining and its preliminary steps of reconnaissance, forest clearance and prospecting, and mineral-based industries.[32] It was left to the signatories whether or not to make these documents public. By and large, they did not, arguing that these contained 'commercial secrets', ignoring the larger public interest in the deals. Because of the lack of transparency, these documents became a fervid subject of speculation about unseemly concessions given to mining corporations.

In Jharkhand, between 2002 and 2007, the government inked forty-four mining MOUs with Tata Steel, Arcelor-Mittal, Essar Steel, and Jindal Steel and Power for mega-industrial ventures worth Rs 1,983.6 billion ($39.6 billion), giving them ownership of 45,000 hectares (115,000 acres) and involving the eviction of 1 million people, according to Xavier Dias, coordinator of Bindrai Institute of Research Study and Action, a tribal rights group.[33]

These events swelled the ranks of the CPI (Maoist). This alarmed Prime Minister Singh. Addressing the states' chief ministers in December 2007, he said, 'Left-wing extremism is possibly the single biggest security challenge to the Indian state.' His home minister, Patil, however, continued to maintain that Naxalites were 'our children gone astray'. He referred to his ministry's 2006-07 report which mentioned Naxalite violence in areas covered by 395 police stations out of the nationwide total of 12,476, or a mere 3 per cent.[34]

Singh and Patil were viewing the Naxalite violence from differing perspectives. Patil had a very narrow interpretation, focused on law and order. By contrast, Singh seemed to take a sweeping view of the Maoists' rebellion. It took into account their ideology and strategy and their impact on exploiting vital mineral resources to underwrite India's robust economic growth for decades to come. He realized that unlike the Kashmiri and Northeastern insurgencies, which were on the fringes of the mainland and were rooted in minority religion or ethnic identity with limited appeal, the Maoist movement had the potential of gaining the support of vast numbers of the underprivileged in rural India. Secondly, they challenged the very foundation on which India's social system rested. The most subversive aim they were pursuing was to abolish the awe and fear in which ordinary people held security personnel, the most effective coercive arm of the state, by creating a parallel armed force backed by a popular militia. Singh noted with grave concern that, as a result of the Maoists' targeting of lawmen in Odisha, 40 per cent of police jobs there remained unfilled.[35] The corruption-free governance system, based on triennial elections and manned by cadres leading Spartan lives, that Maoists had established in their areas provided a practical alternative to India's corrupt and inept administrative-political system. Finally, by resisting the growing presence of Indian mining corporations and the introduction of foreign MNCs in their areas of influence, Maoists were slowing down the neo-liberal economic development of the country to which Singh was ardently committed.

Meanwhile, mining companies continued to multiply their profits. The state governments collected a royalty of 60 cents per metric tonne of iron ore from the mining corporations even when the mineral's price had rocketed to $200 per metric tonne in the international market, the going royalty rate in Australia being more than $3. They also gave generous tax holidays to these firms. In return, the beneficiaries made lavish donations to the major national and regional political parties to bolster their coffers to fund their hugely expensive electoral campaigns. A part of these contributions ended up in the pockets of ministers. The best known case was that of Madhu Koda (b. 1971), chief minister of Jharkhand from September 2006 to August 2008. He was arrested in November 2009 and charged with receiving bribes to allocate mining rights, money laundering, and illegal investments. He allegedly amassed a fortune equivalent to a quarter of the state's tax revenue.[36]

These events fuelled adivasis' discontent. The escalating tensions were noted inter alia by the authors of the approach paper for the Eleventh (Economic) Five Year Plan (2007-12). 'Our practices regarding the rehabilitation of those displaced from their land because of development projects are seriously deficient and are responsible for a growing perception of exclusion and marginalization,' they stated in their report. 'The costs of displacement borne by our tribal populations have been unduly high, and compensation has been tardy and inadequate, leading to serious unrest in many tribal regions. This discontent is likely to grow exponentially if the benefits from enforced land acquisition are seen accruing to private interests, or even to the state, at the cost of those displaced. To prevent even greater conflict … it is necessary to frame a transparent set of policy rules that address compensation and make the affected persons beneficiaries of the projects, and to give these rules a legal format.'[37] But such recommendations fell on deaf ears in the portals of power.

That gave traction to the Maoist movement, whose leaders upgraded some of their guerrilla zones into liberated areas. 'Maoists cut off access roads to villages where they were based and set up their people's government called [in Hindi] Janatam Sarkar,' said Vinod Singh. 'They tell the tribals, "You have no health service, no schools, no development; your Gondi language is not recognized. Now the government has come to take your land away. It is taking out your minerals with no benefit accruing to you." Slowly, the tribals understood that Maoists were there to protect their rights.' In response, the government did some development work short of providing electricity to the villages in the district. 'It introduced the public distribution system (PDS)[38] to distribute subsidized food. It thought that would finish off the militants. But it did not. So the state authorities in Chhattisgarh formed the Salwa Judum. The central government dispatched two battalions of the Naga tribes from the Northeast. Like the police and the CRPF before them, they found that killing Maoists was a high-risk job. The guerrillas blew up their vehicles with home-made land mines. So the Nagas were withdrawn. And when the home ministry in Delhi sent the CRPF, Maoists resorted to killing its personnel. Now, every so often, the police and the CRPF make a foray into a liberated zone but do not stay. In return, Maoists attack police and CRPF camps.'[39]

This compelled the Manmohan Singh government to take ameliorative action. The result was the passing of the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) in 2006—known popularly as the Forest Rights Act (FRA). It conferred forest rights on tribal and non-tribal forest dwellers. But its effectiveness was marred by excessive red tape. It went into effect only in 2008. The Forest Rights Committee had to be formed to accept and process claims. Illiterate adivasis found they had to fill in forms they did not understand and rely on the corrupt forest department to survey their land.

Fixing fair value for land proved contentious, with the advocates of the adivasi cause arguing that it should take into account the fact that the land in question had not only sustained the owners so far but was also the sole guarantee for the survival of the coming generations. The price could vary from Rs 3,75,000 ($7,500) to Rs 25,00,000 ($50,000) a hectare. The Forest Rights Committee dismissed the basis for generous compensation while the agents of the mining corporations warned the tribals that, if they rejected the offer being made, their money would be given to others.

Government's Mantra of 'Holistic Approach'

The Forest Rights Act was presented as part of the 'holistic approach' the central government claimed to have adopted along with the tabling of the status paper on the subject by Patil in March 2006. It stated that the Naxalite movement, operating in an administrative and political vacuum engendered by it, was spreading geographically and that its violence was intensifying. Espousing the demands of the marginalized sections of society, it offered them an alternative system of governance, which would free them from the clutches of the 'exploiter' classes through the barrel of a gun. The number of Naxalite attacks had increased from 1,533 in 2004 to 1,594 in eleven states in 2005, with the fatalities rising from 556 to 669, including 153 police personnel, up from 100 in the previous year.

The document described the official policy as geared to addressing 'this menace simultaneously on political security, development, and public perception management fronts in a holistic manner'. It drew a strict red line: 'There will be no peace dialogue by the affected states with the Naxalite groups unless the latter agree to give up violence and arms'. It recommended Andhra Pradesh's surrender and rehabilitation policy for Naxalites.[40]

It offered funds to the affected states to modernize their police forces with improved weaponry, telecommunications system, and mobility, and to fortify the police stations in the Naxalite-infested areas. It referred to the exemption that the Delhi government had given them from paying the cost of the deployment of the Central Armed Police Forces (CAPFs)[41] for three years, starting in 2004. It urged them to pay greater attention to developmental projects and job creation in the affected territories, with special focus on roads, communication, and power as well as schools and health clinics.[42]

But the home ministry itself had failed the test of applying the 'holistic' approach in practice. Its status paper had been almost wholly devoted to the law and order aspect of the Naxalite insurgency. A similar pattern was on display when the ministry announced the formation of the special Naxal Management Division in October 2006. Dominated by senior police officers and security experts, the new division described its principal role as assisting state governments to create 'operational infrastructure and logistics required to combat LWE (Left Wing Extremism), with Maoists as the lead players'. Crucially, it mentioned 'media and public perception management'. Nonetheless, the latest document gave flesh and blood to the abstractions in the status paper. The central government volunteered to contribute four-fifths of the Rs 2 million ($400,000) each for building or reinforcing the 400 fortified police stations in the LWE-affected districts, with the state government covering the rest.

Delhi spelled out a whole raft of fresh commitments. These included accelerating the modernization of state police forces; reimbursing states for security-related expenditure; providing helicopters for anti-Naxalite operations; assisting in the training of state police through the defence ministry, the Central Police Organizations, and the Bureau of Police Research and Development; sharing of intelligence; facilitating inter-state coordination; and founding Counter Insurgency and Anti Terrorism (CIAT) schools for the state police.

In order to manipulate the media and popular perception of Naxalites, the Naxal Management Division asserted that the Maoist insurgency doctrine glorified 'violence as the primary means to overwhelm the existing socio-economic and political structures'. In its initial phase, the PLGA had resorted to guerrilla warfare with the goal of 'creating a vacuum at the grassroots level of the existing governance structures' by killing petty civil servants, policemen, and members of panchayats. These acts were accompanied by strident propaganda against 'the purported and real inadequacies of the existing state structure'.

Maoists had also set up many front organizations to facilitate mass mobilization in semi-urban and urban areas through 'ostensibly democratic means', stated the Naxal Management Division. These were often led by well-meaning intellectuals, who took up such issues as human rights violations by security forces and made 'fantastic claims' that got coverage in the mainstream media.

Significantly, in the critical section titled 'Review and Monitoring Mechanisms', only one of the five listed items referred exclusively to 'An Empowered Group of Officers, headed by the Member-Secretary Planning Commission, with officers from the development Ministries and the Planning Commission, to oversee effective implementation of development schemes in the LWE-affected States'.[43]

In its ongoing drive to shape public opinion, the home ministry placed advertisements in all national and regional newspapers, titled 'Naxals are nothing but cold-blooded murderers', and illustrated them with pictures of corpses of the people allegedly killed by them.[44] From then on, this ministry as well as assorted security experts maintained that Maoists no longer had a political ideology and that they were no more than a party of murderous extortionists aiming to destabilize India and impede its economic development.

Counterpoint

On the opposite side, periodic, well-planned 'swarming attacks' by the PLGA, backed by the people's militia, on police armouries continued. Between the first such assault in February 2004 and early 2008, there were fifty such raids. The fear of Maoist attacks discouraged potential recruits to the police force.[45] As a result, the LWE-affected states came to rely increasingly on the CARF contingents dispatched by Delhi. For instance, Chhattisgarh hosted nineteen CRPF battalions by 2007. The central government also sent senior police officers to the United States and Israel for training in counter-insurgency.

On 15 February 2008, PLGA guerrillas carried out an offensive in the tribal-majority Nayagarh in the Rayagada district of Odisha on an unprecedented scale. What made this episode stand out was that both the government and CPI (Maoist) leader Ganapathi provided their own narratives.

The official account was: arriving by buses, cargo trucks, jeeps, and motorcycles from two directions, about 360 armed Maoist cadres, including women, launched simultaneous raids on the district armoury, the police training school armoury, and the police stations of Nayagarh town (population of around 60,000) as well as three police outposts in the district. They did so after cutting off power supply and communication lines and blocking all entries into the town. In their gun battles, they killed fifteen policemen and decamped with 1,200 arms, including 900 rifles, three light machine guns, twenty AK-47s, and seventy self-loading rifles as well as 1,00,000 bullets from the armouries and police stations in five hijacked trucks and a bus.[46]

During their two-week clandestine trip to a Maoist liberated zone in the Dandakaranya forest in January 2010, Gautam Navlakha, an Indian human rights activist with the People's Union for Democratic Rights (PUDR), and Jan Myrdal, a Swedish author and columnist, mentioned the Nayagarh episode in their interview with Ganapathi. The Maoist leader explained that 'military action was only one part of the operation. It was preceded by eight- to nine-month-long political work in the area. That is why it was codenamed Operation Ropeway, enabling the party to leap from Rayagada to other areas, close to the state capital of Bhubaneswar. For months, party members infiltrated Nayagarh and worked among the people, recruiting some of them and setting up a base. The political mobilization was more important than the military aspect of looting the police armoury.' The bottom line was that the politburo viewed every military operation as helping to expand the party's political reach. 'Militarily, the action was considered less successful,' continued Ganapathi. 'Our reconnaissance overestimated the number of weapons in the armoury. Instead of 1,200 weapons and 1,00,000 rounds of ammunition, there were no more than 400 to 500 weapons and 50,000 rounds of ammunition. Also, the raid was to have been carried out in the middle of the night, with the guerillas escaping unseen. Instead, since the operation was completed in the early hours of the morning, the residents of Nayagarh, who had gathered outside the armoury, saw the direction the fleeing guerrillas took. Due to the inadequate number of guerrillas, they could carry only 300-plus weapons and 50,000 rounds of ammunition.'[47]

There were significant differences in the two narratives. The official version inflated the size of the raiders as well as the targets they assaulted, thus implicitly rationalizing the security forces' failure to repel the attack. It also exaggerated the number of arms and ammunition seized by the Maoists. The tone of Ganapathi's version was far from triumphal. Indeed, it contained self-criticism. It incidentally provided evidence that, after each raid, the planners analysed the actual performance to learn from the experience and make their future projects more efficient. As for the numbers, the figures about the size of the guerrilla force ('inadequate number') and the arms haul given by Ganapathi were more reliable than those announced by the government. Finally, the Maoist leader articulated a fundamental tenet of armed operations being subservient to the overarching political aims.

'We cannot afford to strike at will and be reckless,' a party spokesman told Navlakha and Myrdal. 'We generally avoid engaging the enemy unless we are prepared. Also, we believe in focusing on such attacks that can get us weapons.' He added that the party always owned up actions carried out by it even if they went 'bad' for it. 'We are in a period of strategic defence.'[48] This dovetailed with the statement of the top bureaucrat at the home ministry, Gopal K. Pillai, in March 2010. 'Maoists are not fully prepared to face the onslaught of the state machinery,' he said. 'So they would rather go very slowly.'[49]

Globalizing Indian Corporations' Mineral Rush

As explained in chapter 2[50], the main commercial advantage that Tata Steel had over the far bigger Corus Plc, operating steel plants in Britain, France, and Holland, was its access to reliable, domestic source of iron ore at low prices. Once it acquired Corus in 2007, it launched a concerted drive to enlarge its ownership of the iron ore-rich land in Chhattisgarh, Jharkhand, and Odisha in order to ship the mineral to its plants in Europe. Tata Steel acquired vast tracts in Lohandiguda in Jagdalpur district, and Jindal Steel and Power in Bhansi in Dantewada district. A similar push was made by Essar Steel after its purchase of Canada's second largest steelmaker Algoma Steel for $1.6 billion.

These domestic steel giants along with foreign MNCs—Arcelor-Mittal, De Beers of South Africa, Rio Tinto and others—pressured the Indian government to liberalize its mining policy further by introducing seamless transfer from reconnaissance to prospecting to mining and amending the strict provisions of the Environmental Protection Act of 1986.

The result was the revised National Mineral Policy (NMP) published in April 2008. It emphasized the need for 'scientific prospecting and state-of the-art technology'. It recommended relaxing the regulatory mechanism to 'make it more conducive to investment and technology flows'. At the same time, it proposed 'a framework for sustainable development' and protection of the interests of the 'host and indigenous (tribal) population … through comprehensive relief and rehabilitation'. But this had to be done in the wider context of the 'efficiency' of the sector (meaning higher profits for the mining companies) and enhanced sources of revenue for the states. By making environmental regulations voluntary under the rubric of a 'Sustainable Development Framework', the NMP privatized environmental and social regulations in mining through the back door.[51] In short, the NMP aimed to promote privately owned, large scale, mechanized mines, and if they were controlled by the MNCs, domestic or foreign, so much the better. Among other things, it encouraged Lakshmi Mittal to press ahead with his plans to invest Rs 1,000 billion ($24 billion) to extract iron ore in Jharkhand and Odisha for two steel mills to produce 24 million metric tonnes of the end product.

In mid-May, adivasis gave their verdict on the NMP. More than 5,000 of them from twenty-five settlements gathered in the Faraspal village of Dantewada district to object to the mining of iron ore from the Bailadila mountain range. Claiming that the government had granted mining leases to ninety-six industrial houses besides Tata Steel and Essar Steel in the Bailadila area, adivasi leaders demanded that the mountain—40 km (25 miles) long and 10 km (6 miles) wide—containing over 2,300 million metric tonnes of iron ore, should not be leased to private companies for mining since they were insensitive to the environment and tribal culture.[52] Though the rally and the march were organized by the Adivasi Mahasabha (Hindi for 'Adivasi Great Assembly'), a front organization of the legal Communist Party of India, its demand was ignored by the state and central governments.

So too was the report of the authors of the paper titled 'Development Challenges in Extremist Affected Areas' submitted to the Planning Commission in April 2008. 'An official database of persons displaced/affected by [development] projects is not available,' it stated. 'However, some unofficial studies, particularly by Dr Walter Fernandes, peg this figure at around 60 million for the period from 1947 to 2004, involving 25 million hectares which includes 7 million hectares of forest and 6 million hectares of other Common Property Resources (CPR). Whereas the tribals constitute 8.08 per cent of the country's population, they are 40 per cent of total persons displaced/affected by the projects ... Only a third of the displaced persons of planned development have been resettled.'[53]

On the nature of the Naxalite movement, the authors of this report disagreed with the official policy. 'Though its professed long-term ideology is capturing state power by force, in its day-to-day manifestation, it is to be looked upon as basically a fight for social justice, equality, protection, and local development,' they observed. 'The two have to be seen together without overplaying the former.' They took issue with the 2006 status paper of the Indian government. 'Clause 4 (v) of the status paper states that "there will be no peace dialogue by the affected states with the Naxal groups unless the latter agree to give up violence and arms". This is incomprehensible and is inconsistent with the government's stand vis-à-vis other militant groups in the country.'[54]

While mouthing its mantra of 'holistic approach' to curb the Naxalite rebellion, the state and central governments failed to overcome their egregious failings on the development and ameliorative fronts while accelerating their plans to parcel out resources-rich land to Indian and foreign MNCs. Therefore, as before, Chhattisgarh and Jharkhand, containing vast amounts of natural resources, accounted for two-thirds of the Maoist violence in the country in 2008. The party's activities in the neighbouring districts of Odisha, containing untapped minerals, picked up too.

Following the sixty-hour-long attacks in Mumbai by terrorists from Pakistan on 26 November 2008, Patil resigned as home minister. Prime Minister Singh replaced him with sixty-three-year-old Palaniappan Chidambaram, known to be competent. Born into a rich family in Tamil Nadu, he had capped his undergraduate degrees in science and law with an MBA from Harvard Business School. Later, as a lawyer, he represented the London-based Vedanta Resources, engaged in India's aluminium industry, and the Houston-based Enron International, which went bankrupt in 2001, in courts. As home minister, he prioritized 'wiping out the Naxalite menace'. He discovered that, in the past, there had been a lack of coordination between the central and state authorities to decimate Naxalites. He consulted the affected states on forging a common strategy in February 2009.

Then the parliamentary poll due in May intervened. In the new cabinet, he was re-appointed home minister (and served until a cabinet reshuffle in July 2012, when he was returned to the finance ministry[55]). Coordination between the national and state capitals to eliminate the Maoist threat increased. But the anticipated success eluded the authorities. Indeed, Maoists attacks on the police, paramilitary troopers and venal forest officers rose to a record 2,240 in 2009, with Chhattisgarh and Jharkhand being the most affected.

In September 2009, addressing the states' police chiefs in Delhi, Singh deplored the lack of progress in curbing the Maoist rebellion. He conceded that Maoists had growing appeal among a large section of Indian society, including tribal communities, the rural poor as well as sections of the intelligentsia and the youth. 'Dealing with left-wing extremism requires a nuanced strategy—a holistic approach,' he added. 'It cannot be treated simply as a law and order problem.'[56]

The Police on the Ground

The state police and the Centre's armed paramilitaries had little time or inclination for nuances. Overall, the police force in India functioned as an oppressive instrument of the state—a legacy of the British imperialist rule in the subcontinent—and not as a benevolent agency to serve the community. Charged with wiping out the Naxalite contagion in rural areas, they as well as CRPF troopers routinely tortured suspects and frequently resorted to extra-judicial killings, attributing them to fake 'encounters' with the militants.

In their anti-Maoist combat, what the state police and CRPF feared most was the IED. It would be hidden under a road surface and made to explode with a remote control to immobilize the security forces. After inserting nails, ball bearings, nuts, and bolts into several kilogrammes of explosives packed into a bucket, the guerrillas would cover the device with polythene to keep it dry before burying it in the road, with its wires leading to a battery in a hideout, and used a camera flash-gun to connect the wires. To ensure that the IED exploded at the right moment, they hung a piece of cloth from a tree branch to signal the approach of an enemy vehicle. When the cloth shook because of the sound of a running vehicle, they connected the wires. The IED exploded to lethal effect.

By breaking access roads, or blocking them with felled trees, to the tribal settlements they controlled, Maoists kept the security forces at bay. If a convoy of vehicles carrying police and paramilitaries managed to circumvent these obstacles, then it faced the prospect of encountering the deadly IEDs. After having survived these challenges, the vehicle-borne security forces had to disembark to engage the enemy in an unfamiliar terrain. When faced with a superior force, the armed rebels practised

Chairman Mao's guideline on conducting mobile guerrilla warfare: Keep moving in a familiar terrain. Small wonder, the security forces' forays into the guerrilla zones had to be brief. In the Saranda forest region, for instance, they normally engaged the armed insurgents for about half an hour or so and then withdrew.

Their successive failures to hold the ground and set up camps inside the Maoist-ruled enclaves went down badly with their political masters. Added pressure on them resulted in bringing to surface the simmering grievances that police commanders had been nursing for some years.

'Our policemen have to cope with jungles, hills, lakes, and waterfalls when they go on Naxalite operations,' said an unnamed police commander in Jharkhand in 2010. 'They are on duty for twenty-four hours. There are no living arrangements, so many policemen get malaria and other diseases due to insects and lack of clean drinking water. There are also food problems; they don't get food on time. Many are left in the jungle or in the hills for six months at a time. Some bulletproof cars came—but they could be pierced by the bullets of a LeeEnfield rifle—and some wireless equipment was bought, but it was useless. It had to be thrown away. It could not be repaired.'[57]

The fate of those posted at fortified outposts in Maoist-infested areas was unenviable. 'It is an open jail for us,' lamented Ajay Bhushari, the commanding officer in the village of Laheri in Gadchiroli district adjoining Abujhmad. 'Either we are sitting here or we are on patrol. There is nothing else.'[58]

A police officer of a higher rank in Jharkhand faulted the strategy of pressing the security forces into a fight when the media was better informed than the Intelligence Bureau in Delhi.[59] On the other hand, the central government had provided extra funds to the affected states to improve the size of their police forces and their equipment.

The basic problem was the failure of the security forces' officers to comprehend the issues that fuelled the Maoist insurgency: grossly skewed ownership of land, large scale evictions of adivasis, lack of access to forest products to them in violation of the national law, and capping them all was the nexus between the police, local contractors, and politicians, committed to implementing 'development' on the back of broken promises, deprivation, and disempowerment of the tribals. A blatant example of the unholy alliance between corrupt officials and loggers was the impunity with which the latter continued to violate the 1995 Supreme Court ruling outlawing deforestation.

This fundamental lack of understanding pervaded the highest ranks of the state police and the CRPF. Having conceded that about one-fifth of Jharkhand had 'a good presence' of Maoists, Raj Kumar Mallik, the police inspector general in charge of anti-Maoist operations, claimed that a mere 1 to 2 per cent of adivasis liked Maoists, and that the source of their support was 'fear of the gun'. He estimated the strength of the Maoist armed squads and the PLGA at 2,000. Yet three anti-Moist operations launched by him along with CRPF troopers during the second half of 2010 had failed to flush out the militants.[60]

Operation Green Hunt

Having advocated 'a nuanced approach' in September 2009, Prime Minister Singh gave a go-ahead to the home ministry's iron fist campaign against Maoists codenamed Operation Green Hunt[61] a month later. The objective of the planned 'massive and coordinated operations' by the central and state governments was to expel the Naxalites from more populous areas into forests and hills and ring-fence them as a prelude to wiping them off.

But home minister Chidambaram claimed that no such operation or codename existed. His statement was echoed by top officials in state capitals. This was a deliberate ploy used to control information that might leak to Maoist leaders. More seriously, this guise was adopted because the anti-Maoist offensive was to be a long-term, open-ended confrontation—not a sharp, short operation—without saying so publicly. In a way, the government unveiled its own 'long march' to counter the rebels' much-vaunted long march. Meanwhile, officials were content to describe the upcoming upsurge in the security forces' activities as 'police action' to restore civil administration in districts where it had ceased to exist.

The anti-Maoist offensive, which started in the Gadchiroli district of eastern Maharashtra abutting Andhra Pradesh and Chhattisgarh on two sides, was modelled on what the authorities had so far conducted in the small states along foreign borders in the Northeast and in Kashmir. The security forces were equipped with weaponry ranging from self-loading rifles with night-vision capability to helicopter gunships. The strategy was to seal a certain area of the forest and carry out combing operations with the cooperation of young armed adivasis, appointed earlier as special police officers (SPOs), and engage in 'encounters' with Maoist guerrillas. As a preamble, the Chhattisgarh government started harassing human rights organizations and even demolished a non-violent Gandhian ashram. Burning down adivasi settlements that were considered Maoist strongholds became an integral part of the strategy.

The mobilized state police forces totalled 1,00,000 (100 battalions) and were backed by heavily armed 75,000 CAPFs—two-thirds of them from the CRPF. They were assisted by the military, which deployed its helicopters to ferry security forces in and out of the combat zone and for aerial surveillance. In the five districts of the Bastar region in Chhatissgarh, the size of the security forces ballooned from 45,000 before Operation Green Hunt to 60,000 in 2010 and then to 80,000 the following year.[62]

To justify the deployment of a force of this order, the governments exaggerated the size of the territory under Maoist control or influence. Even a single assault registered by a police station in one of India's 625 districts as 'Naxalite/Maoist' was considered enough to describe the territory as 'affected' by Naxalites. This gave a grossly inflated figure of 223 districts occupying two-fifths of the country. It was left to state governments to name a Naxalite-affected district—graded as 'strongly affected', 'moderately affected', and 'marginally affected'. But whatever the degree of Maoist influence, an affected district entitled a state administration to claim a grant from Delhi to counter the threat. Therefore state capitals had a vested interest in pushing up the total. In reality, though, less than one-tenth of India's districts were affected by Maoists to varying degrees: ten 'very strongly', another twenty-four 'moderately', and a further twenty-five 'marginally'—to the point that Maoists were able to hold big rallies sponsored by their front organizations.[63] That meant the authorities mounted Operation Green Hunt in thirty-four districts, focusing first on the ten most affected.

The security forces started regulating inward and outward movement of residents in these districts. Every inhabitant was required to carry an identity card signed by the police superintendent. Weekly markets were moved to local security camps. Those picking up their rations had to register and provide the list of family members needing rations for one week at a time to ensure they did not purchase extra provisions for Maoists. Despite this and their vastly increased numbers and firepower, the security forces faced an arduous task of uprooting Maoists from their bases.

The principal reason was the way Maoists administered their liberated enclaves.

Life in a Maoist Zone

Of the 40,000 sq km (15,450 sq miles) controlled by Maoists, covering about 4,000 villages, the contiguous area of 30,000 sq km with a population of 2 to 2.5 million in the Dandakaranya forest region was administered by the people's government, Janatam Sarkar.[64] The second largest contiguous area was in the Saranda forest in Odisha.

In rural areas, the elected Revolutionary People's Committee (RPC) ruled three to five villages, containing 1,500 to 3,000 households. Each elected RPC had a standing committee of the president, the vice president, the financial head, and the defence head.[65] Fifteen such committees constituted one Area RPC (ARPCs), with three to five ARPCs forming one division. By 2010, the Janatam Sarkar had redistributed 3,00,000 acres of land, giving each family six acres and another three acres for homestead. Hence the typical statement by an adivasi in a liberated zone: 'Before the Naxalites, I had nothing. Now I have six acres.'[66] In an agrarian society, land ownership means more than the principal means of livelihood, since it also confers a social status above that of the landless. Investing the previously landless with land ownership was the ultimate source of Maoist strength in rural India.

An armed squad, called dalam, of eight to twelve party cadres visited a village and stayed for two days in plastic tents outside the settlement but never at the same spot as before. In their outposts, they displayed the pictures of Chairman Mao Zedong, Charu Mazmudar, and Kanai Chatterjee, leader of the MCC. They followed strictly Mao's dictum that guerrillas must never take anything from villagers. So they travelled with their own supplies. When they bought them at the weekly market, they shared the carrying of provisions. Among other things, they supervised the front organizations. (Sometimes PLGA personnel rotated as armed party cadres.)

They rose at 5 a.m. After morning tea, they did physical exercise for half an hour and then vertical and horizontal gun strokes. After a breakfast of tea and khichdi (rice and linseeds mixed with peanuts), they went to the village and performed different tasks—from helping peasants with ploughing, digging irrigation ditches and tanks, and giving simple medicines to the sick. They discouraged drinking but did not interfere with the brewing of traditional alcoholic drinks from mahua (madhuca longifolia) flowers. They did not smoke and actively discouraged smoking.

The party ran mobile schools lasting two to four weeks. The teacher-student ratio was 1:10. And the curriculum included basic math, history, government, and primary instruction in healthcare with focus on malaria, the most common disease. The educational system tried to undermine the unscientific tribal beliefs about the universe and evolution by focusing on daily events and offering scientific evidence. In addition, the party ran a Basic Communist Training School, where a selected batch of twenty-five to thirty pupils in their early teens was put through a six-month crash course in the basic tenets of Marxism Leninism and Maoism, Hindi, English, math, social science, and was trained to handle different weapons and computers. The education department had transcribed Gondi, a spoken language, in the Devnagri script used for Hindi. Where possible, it conducted adult literacy classes. If there were government schools in the liberated enclaves, the party kept them intact. It let the teachers go to the district capital to collect their salaries.

To improve the lot of adivasi women, the party founded the Krantikari Adivasi Mahila Sanghatana (Hindi for 'Adivasi Women's Revolutionary Union'; KAMS), which was committed to bringing about gender equality. By tradition, tribal women were excluded from sharing landed property and married women were barred from moving from one village to another. But the agriculture department of the Janatam Sarkar issued title deeds for land in the name of the family instead of the male householder.

Women constituted two-fifths of the party's membership. They were to be seen not only in the administrative arm of the Janatam Sarkar, which ruled according to a written constitution, but also in the people's militia and the PLGA. Many PLGA platoons were commanded by women. And men and women shared equally such tasks as cooking and collecting firewood and water.

Historically, the PLGA expanded in parallel with the rise of the civil administration, with a single division backed by one PLGA company (100 to 125). The first such arrangement was devised in March 2007. The next step was to form zonal governments to be backed up by battalions (of 600 to 1,000). That happened in August 2009, two months before the launching of Operation Green Hunt by the government.[67]

The total strength of the PLGA nationwide was estimated at 10,000 to 12,000. They were armed with 20,000 rifles, a few hundred AK-47s, a few scores of two-inch mortars, an unknown numbers of grenade launchers, and caches of explosives. They were backed by an 80,000-strong people's militia, the eyes and ears of the movement and the PLGA. Two out of five militia members were women.[68]

The unsalaried but uniformed guerrillas received food, clothing, and other basic items for personal use. Each guerrilla was given three pairs of uniform, toilet soap, toothpaste, washing soap, gunpowder, and a bow and arrows. They either moved in squads (five- to seven-strong) or in platoon-size groups (twenty to twenty-five). If he or she was injured or killed, the Janatam Sarkar looked after the family. They travelled with a backpack stuffed with weapons, ammunition, rations, books, notebooks, and other kit, weighing 20-25 kg (45-55 lbs). Their literary collection invariably included Mao Zedong's *Red Book* in Hindi. The political education of PLGA volunteers consisted of basic Marxism, means and modes of production, and the role of labour in production. They also avidly read the magazines published by the Janatam Sarkar. Each of the Janatam Sarkar's eight divisions published its own magazine in Gondi or Koyam. Their titles ranged from *Rebellion*, *Earthquake* and *Thunder* to *Sun* and *Fireplace*.[69] They also read out-of-date newspapers and magazines in Hindi. Their two main meals consisted of rice with lentils and vegetables, with chicken or fish served once a week.

People's militia members used gunpowder pellets for the guns that the tribals deploy for hunting boars. Also, they were trained to produce small pressure bombs and booby traps. The militia, consisting of a wide network, was part of the Maoists' intelligence apparatus. Within it there were party cells of two or three members.

There was one radio for three PLGA personnel. Every company (of 100) was equipped with solar panels, which powered lights, computers, and TV sets. TV programmes and debates were downloaded from YouTube and copied and circulated among companies. Lights helped guerrillas to read books, downloaded from the Internet where they had access to it. For news broadcasts, they turned to the BBC News in Hindi. They monitored local radio news for negative reporting. For entertainment, they tuned into a radio programme which aired popular Hindi film songs requested by Indian soldiers. If and when they watched TV, they stuck strictly to news.

When a senior party member visited a camp, he brought along a laptop which was used to show movies. The DVD collection included Bimal Roy's *Do Bigha Zamin* (Hindi for 'Two Bighas of Land', 1953, a heart-rending tale of a Bengali peasant's struggle to hang on to his patch of agricultural land), Gillo Pontecorvo's *The Battle of Algiers* (1965, a thrilling yet realistic reconstruction of the successful armed struggle of nationalist Algerians against imperialist France), *The Long March: The Red Army Story* (a two-and-a-half-hour documentary in Chinese with English subtitles), and Harry Dunham's *China Strikes Back* (1937, a twenty-three-minute documentary of the Chinese response to Japan's aggression, with the Red Army advancing through a village outside the liberated zone of Yenan and scenes from the liberated areas). Somebody, sitting next to the laptop, gave a summary in Hindi of what was being spoken in the film. Among contemporary Hindi movies, Ketan Mehta's *Mangal Pandey* (2005) and Rakeysh Omprakash Mehra's *Rang de Basanti* (Hindi for 'Colours of Spring', 2006) were favourites.[70]

As part of its propaganda, the party periodically distributed leaflets and pamphlets either appealing to the unemployed youth to join the PLGA or to the security forces to refrain from killing, looting, raping, and making illegal arrests of ordinary peasants and workers in order to turn over the region's mineral wealth to Indian and foreign MNCs. Their authors argued that it was in that context that Maoist guerrillas used land mines and attacked the police and paramilitaries.

The judicial department of the Janatam Sarkar settled disputes on the basis of 'class line and mass line'. In land disputes between family members, it followed the principle of equality between brothers and sisters, thus deviating from the adivasi tradition of giving a bigger share to the eldest brother and depriving women of property rights. In the event of a dispute or minor crime, the justice department called a meeting of the whole village. Each side presented its case. Then there was a vote and the majority decided the verdict. Those accused of serious crimes were tried by judges, with the verdict issued according to the majority vote. The guilty were then sent to labour camps, where they were reformed through political education.

Capital punishment was applied only in cases of 'counter-revolutionary crimes', the principal one being assisting security forces to stage an ambush which resulted in deaths. It was imposed only on hardened informers who had failed to heed repeated warnings. Capital punishment had to be endorsed by the zonal Janatam Sarkar.

To run the Janatam Sarkar required funding. One source was the contribution that sympathizers made in the form of voluntary labour when they donated one's day's earning to the party every year. Another source was the tax that the party levied on the mining companies. This was mostly collected from those contractors who supplied goods and services to these firms.[71] Another source was the levy that Maoists specified for all those engaged in the construction and maintenance of infrastructure: 5 to 10 per cent of the cost for road building and 5 per cent for railway work. Each coal truck paid Rs 1,000 for safe passage.[72] In 2010, between 50 and 60 per cent of the coal-rich area in Jharkhand was in the Naxalite belt.[73] Jharkhand had the distinction of being a state where almost half of the raw materials were extracted illegally.[74]

Those mining corporations which refused to pay suffered costly sabotage. This was the fate of the processing plant of Essar Steel in Chhattisgarh when, in May 2009, Maoists blew up its 267-km (170-mile) underground pipeline used to transport slurry saturated with iron ore from the Bailadila complex to Visakhapatnam port, passing through the Naxalite stronghold of Malkangiri district in Odisha. The underground pipeline, built in 2005, was marked by five-foot poles with yellow circular orbits painted with an emergency phone number and Essar's logo. It reduced the cost of transporting one metric tonne of ore from Rs 550 ($11) to Rs 80 ($1.60). Between 2005 and 2009, Maoists blasted the pipeline fifteen times. In May 2009, they damaged Essar's plant at Chitrakonda, where the corporation pumped water from Sileru river to flush the pipeline. Gudsa Usendi, spokesperson for the Maoist Dandakaranya Special Zonal Committee, explained that they blasted the pipeline because it was draining natural resources. By the time Essar had repaired it in December 2010, it claimed to have lost Rs 18 billion ($360 million).[75] It was estimated that 70 per cent of India's iron ore was in the Maoist-infiltrated areas then.[76] 'Once or twice a year, Naxalites blow up the long conveyors transporting the area's iron ore,' said Vinod Singh in Dantewada. 'This is done to show that they are around. It helps them to raise funds.'[77]

Along with its Operation Green Hunt, the Indian government launched a propaganda campaign. It published inflated statistics about the threat that Maoists posed to the security forces and the vast amount of cash they extorted. The figure varied between Rs 1.4 billion ($280 million) and Rs 2 billion ($400 billion) a year collected through 'drugs and extortion'. These figures were then treated as hard fact in the mainstream media by journalists and security experts.[78] According to Indian intelligence sources, Naxalites charged duty from inter-state transporting and bus companies and collected levies from construction contractors and tendu leaf traders as well as mining and metallurgical corporations.[79]

A party spokesman considered even Rs 1.4 billion ($280 million) an inflated figure. If we had so much, we would be able to do much more, he told Navlakha and Myrdal in January 2010. Most of the cash was collected in the form of 'royalty' on the tendu leaves, bamboo, tamarind, and other forest produce, he explained. The party taxed some of the companies or contractors operating in the guerilla zones. The estimates by non-partisan experts on the Maoist movement centred round two-fifths to a half of the statistic publicized by the government.

The information about the budget of a Maoist enclave administered by an ARPC with 3,000-plus households, collected by Navlakha, belied the claims made by the officials. For 2009, the income, including a grant of Rs 5,00,000 ($10,000) by the Janatam Sarkar to maintain the PLGA, was Rs 10,01,000 ($20,000); and the expenditure was Rs 8,22,185 ($16,400). The tax on contractors brought in Rs 3,60,000 ($7,200), and donations through work days and one day's wage amounted to Rs 2,50,000 ($5,000). On the expenditure side, agriculture consumed Rs 1,40,250 ($2,800); health care, Rs 1,00,000 ($2,000); education, Rs 10,000 ($200); trade, Rs 60,000 ($1,200); and public relations, Rs 5,000 ($100).[80]

As part of his drive to mould public opinion in the government's favour, Chidambaram mounted a peace initiative. He offered that if Naxalite leaders decided to 'abjure violence', he would be ready to talk to them within seventy-two hours. He stressed that he was softening the earlier demand of the government—to 'abjure violence and arms'. His gesture was unrealistic. Given the inaccessible areas in which guerrillas operated, and the complicated way the politburo deployed to communicate with the rank and file, the time frame of three days was grossly unrealistic.

In the final analysis, however, the core of conflict between the two sides was the future of the vital mining industry and the neo-liberal economic development model that the successive governments in Delhi had followed since 1991.

The Crux of the Conflict

The CPI (Maoist) was vehemently opposed to the granting of mining leases to MNCs, whether indigenous or foreign—all the more so when they were exporting minerals instead of shoring up domestic industries. It also advocated strict regulation and restrictions and greater emphasis on preserving the ecosystem. It was not against industrialization per se but was uncompromisingly opposed to big industries and business houses. It was for giving priority to processing forest produce—as tamarind, bamboo, and wood—into high value products, thus eliminating the parasitical non-tribal contractors and middlemen who currently gained most out of forest produce.

'The tribals are convinced that [government] development is introduced to quash resistance and to take away land for mining,' explained Jagesh, chief of the northern regional command of the CPI-Maoist in Chhattisgarh to a BBC correspondent during his clandestine visit to a guerrilla zone. 'We have managed to impart this education.'[81]

In an interview to the Delhi-based *Tehelka* magazine on the first anniversary of the Mumbai attacks, Chidambaram presented the official viewpoint. 'Mineral wealth is wealth that must be harvested and used for the people,' he said. 'Do you want the tribals to remain hunters and gatherers? Are we trying to preserve them in some sort of anthropological museum? Yes, we can allow the minerals to remain in the ground for another 10,000 years, but will that bring development to these people? We can respect the fact that they worship the Niyamgirhi hill, but will that put shoes on their feet or their children in school? Will that solve the fact they are severely mal-nutritioned. And have no access to health care?'[82]

Shoma Chaudhury, the interviewer, pointed out: 'History had very few examples to show the local communities benefited from mining'. Chidambaram referred to Neyvelli in Tamil Nadu and Jamshedpur in Jharkhand, with the latter's history going back to 1907. Actually, in India, 60 per cent of the top fifty mineral-producing districts were among the 150 most backward in terms of human and social indicators. The resources-rich West Singhbhum district in Jharkhand, where two out of three inhabitants were adivasi, was a case in point. It was the state's most mined district over the past few decades and accounted for almost its entire iron ore output. Yet nearly half of its population lived below the official poverty line.[83]

An insight into Chhattisgarh's abundantly endowed region was provided by Pavan Dubey, a veteran journalist. 'MOUs between the state government and large companies are signed in the name of industrialization, but their contents are kept secret,' he said. 'There is no transparency in the present system. The NMDC, set up in 1958 in Hyderabad, began exploring the Bailadila mountain range in the 1960s and started mining iron ore at Bacheli in 1968. At this site, 70 per cent of the employees are adivasis but mostly unskilled labour. This mining facility and the one at Kirandul have not helped the surrounding tribal area to develop economically or socially. Those who benefit from iron mining and refining are the outsiders, the non-tribals. Only in the past two or three years the idea of corporate social responsibility [CSR] has come up.'[84] The CSR idea was first aired by Lakshmi Mittal after his company had acquired Arcelor in late 2006. He established the Arcelor-Mittal Foundation to invest in social improvement programmes focusing on the communities where it operated.

The iron mines are at the highest peak of Bailadila around the village of Akash Nagar (Hindi for 'Sky Town') at the end of a 22-km (15-mile) ascending road of stomach-churning hairpins from the Bacheli Township, built behind high compound walls, 30 km (20 miles) from Dantewada. It is at Akash Nagar that the mountainside is loosened and iron ore shipped out by conveyor belts largely to Visakhapatnam port for export to Japan.

Half way to the Bacheli Township from Dantewada, I noticed a small feeder road broken up by a deep ditch, an unmistakable sign that beyond the trench was the guerrilla zone of Maoists. The signboard outside the township read, 'Opened in 1977'. When my driver Das and I got past the lightly guarded entrance gate, we saw a small shopping centre, which included a computer shop and an open air vegetable stall run by an adivasi woman. Quite near was the fenced playground for children and young students. This township of 15,000 had two schools and a hospital. 'We don't have a good hospital within a radius of 400 km (250 miles),' said Ravi Sekhar Rao, chief administrator of the NMDC-Apollo Hospital. 'So in case of an emergency, patients have either to go to Raipur or Hyderabad. That's why we keep ourselves prepared with all necessary facilities.'[85] But these facilities were for the residents of the township where adivasis, being mostly manual labourers, were an insignificant minority.

The current situation in the mining sector was described to Chidambaram by *Tehelka's* Chaudhury thus: 'Our mining is not need-based. It is market-based. Tribals are being evacuated from ancestral land without being made stakeholders in these projects. No CSR clauses are being worked into mining leases.' She then asked the minister, 'What do *you* think is the blueprint for more equitable and sustainable mining?'

Chidambaram replied: 'Every single concern you have mentioned is already accommodated under the present law. No one can mine unless a mining plan has been approved by a competent authority. How much you can mine, how you'll restore the land, how much you'll be taxed, all these things are stipulated and worked out. There's nothing wrong with the mining plan itself. *The point is we don't enforce what we lay down*. People get away with impunity by cheating or bribing or violating the plan because the executive is weak.'[86]

It was not that the executive in general was weak. On the ground, the executive, either knowingly or otherwise, worked against the law or bent it to favour mining interests. The following example was typical. In 2005, the Chhattisgarh government signed an MoU with Tata Steel for a steel plant in the Lohandiguda area of Jagdalpur district to produce 5.5 million metric tonnes of steel a year. It required the acquisition of 2,000 hectares of land by Tata Steel, 30 per cent of which was owned by 1,700 adivasis, the rest by the state government.

As required by the law, Tata Steel and the district collector and magistrate organized a public hearing on the environmental impact assessment (EIA) in October 2009. The company official pledged to invest 10 per cent of the total budget of Rs 195 billion ($3.9 billion) on environmental protection and conservation without offering any outline of the restoration plan. In October 2010, the district collector called a public hearing at his headquarters in Jagdalpur to sound out the 3,200 householders in the ten villages to be affected by the project. He later announced that it received overwhelming approval.

But the villagers, interviewed by a correspondent of the Chennai-based *Frontline* magazine, claimed that both meetings were stage-managed. Those attending were contractors, real estate agents and their employees, and others from Jagdalpur while the adivasi villagers were pressured to stay away. In retaliation, in November 2010, they held a rival meeting in the settlement of Badanje. They rejected the project unanimously. They mailed the minutes of the meeting to the minister for environment and forests in Delhi. They got no response. Instead, what they experienced was police harassment in the form of false accusations being levelled at about 100 protesting adivasis, with some of them ending up in jail.

In March 2012, the central government gave the final go-ahead to Tata Steel by approving the clearing of the forest land. But district collector and magistrate Anbalagan Ponnusamy failed to inform the adivasi landholders who stood to lose their fertile agricultural land. It was left to Purnima Tripathi of *Frontline* to convey to them the depressing news in April.[87]

These activities went on against the background of Operation Green Hunt, which was not progressing as Chidambaram had anticipated.

Hawks and Doves in Delhi

While Chhattisgarh, Andhra Pradesh, and Maharashtra cooperated with Delhi in its onslaught against Maoists, the governments of Jharkhand and West Bengal dragged their feet. Chidambaram lost patience. He resorted to briefing the media to compel these states to fall in line. 'Even though we are putting pressure on Chhattisgarh, Jharkhand has now become a loose end, and hence Naxalites easily enter the state when they are under attack,' a home ministry source told the Press Trust of India (PTI) in February 2010. 'The same goes for West Bengal.'[88] This tactic worked.

On 10 March, the Jharkhand government joined Operation Green Hunt. Following the general pattern, the security forces set up camps in schools. They supervised local weekly markets to ensure nobody bought more than their weekly needs to deprive the Maoist cadres of their provisions. Because of their strategy of encircling rural settlements to carry out combing operations, many local adivasis were not able to collect forest produce on which their livelihood depended.[89]

Three weeks later, 7,000 adivasis, led by the Kanda Reddy Unnayan Sangha (Hindi for 'Kanda Reddy Uplifting Union') staged a protest march and rally against Operation Green Hunt outside the district headquarters in Malkangiri. Their petition stated that tribals were the worst affected by the anti-Maoist campaign as they were prevented from entering the forest to gather its produce. They demanded clean drinking water and health care for the villagers. The collector, R. Vinil Krishna, promised to consider the petition.[90] This was a routine response, which meant nothing in practice.

What mattered were the words of Chidambaram. 'We are determined to uproot Naxals,' he declared on 5 April 2010. 'Only because we were tolerant over the past ten to twelve years we've got this big task now. The Centre is firm, Prime Minister Dr Manmohan Singh and [Congress president] Sonia Gandhi are firm. There is no place for Naxalism and terrorism in India.' He added, 'Till we have the last drop of blood in our body, we will aggressively fight against terrorism and Naxalism and assure you that we would bring them totally under control in two to three years.'[91]

Chidambaram's first statement failed to acknowledge the vast change in the political economy of India wrought by the NEP and globalization in which, as the finance minister during 2004-08, he had played a prominent role. An MBA of Harvard Business School, he was unashamedly pro-business. It was the commitment of the successive governments in Delhi to the neo-liberal orthodoxy which had led to local and foreign MNCs rushing to extract minerals in the largely adivasi-inhabited areas, thus fanning the Maoist movement, which was fiercely antagonistic towards this development model.

His second statement contradicted what the most senior bureaucrat in his ministry, Gopal K. Pillai, had told a symposium in Delhi a month earlier. Even though the joint anti-Naxal operations were ongoing, he conceded that 'the Naxals have not suffered any significant reverses so far, and the government would need seven to eight years to have full control over the areas which were lost to the Maoists'[92].

In response to Chidambaram's iron fist policy, the Maoist Central Committee devised its Tactical Counter Offensive Campaigns (TCOC). These reached the apex on 6 April 2010. On that day, a CRPF company on patrol in a grassy area near Chintalnar village in Dantewada district faced gunfire from Maoist insurgents. As its members fell to the ground to respond to the shooting, they triggered booby traps hidden in the grass. As a result of this Maoist ploy and the subsequent firefight that ensued, seventy-six troopers lay dead and another fifty were injured. It was Maoists' bloodiest assault on the security forces so far. Chidambaram described the event as a dramatic illustration of Maoists' 'brutality and savagery'. The government honoured the dead paramilitaries like regular army soldiers dying in a conventional war.[93] (This Maoist tactic was reminiscent of the Viet Minh guerrillas in South Vietnam during the Vietnam War [1965-73]. They, too, planted grassy plots with spikes, called Puni Sticks, and then ambushed the patrolling American soldiers, forcing them to take cover by throwing themselves on the grassy ground only to get injured or killed.) Gopal, a top Maoist leader, called the attack 'a direct consequence' of the government's Operation Green Hunt offensive which, in his estimation, had resulted in the death of 129 adivasis between June 2009 and 5 April 2010.

On 17 May, a landmine planted by the rebels blew up a bus on a highway, killing forty-four, including twenty-five SPOs. Towards the end of June, the insurgents killed twenty-six CRPF troopers in Narayanpur district of Chhattisgarh.

While Maoist politburo leader Kishenji (aka Mallojula Koteswara Rao) called on the authorities to stop Operation Green Hunt, the Indian government warned in May 2010 that intellectuals and academics disseminating 'Maoist propaganda' could face ten years in jail. This was denounced by human rights groups arguing that it stifled debate.

These events intensified the internal debate between hawks and doves at the highest level of the Delhi government. To satisfy the dovish camp, Chidambaram made a public overture of talks with Maoist leaders if they renounced violence. Both sides used Swami Agnivesh (aka, Shyam Vepa Rao), a 71-year-old social activist from Chhattisgarh, as a trusted intermediary. But Azad (aka, Cherukuri Raj Kumar), the party's politburo member charged with fixing the date for a ceasefire, became a victim of extra-judicial killings by security and intelligence operatives around 1 July while on his way by train to Nagpur to meet other party leaders to finalize the ceasefire date.[94]

Azad's assassination convinced the doves in the ruling Congress that

Chidambaram was too much of a hawk. Party general secretary Digvijaya Singh publicly criticized him for being 'rigid' and 'intellectually arrogant', and for pursuing a police-centric policy while failing to address the 'root causes' of the Maoist insurgency. When challenged, he asserted that his views were shared by many in the party. This contradicted Chidambaram's earlier claim that his strategy had the backing of Congress president Sonia Gandhi. He hit back, saying that Singh had his job to do and that he was fulfilling his responsibilities as home minister 'in the best possible manner'.[95]

However, hiding behind a defiant stance in public, Chidambaram reviewed what had been achieved by Operation Green Hunt at what cost so far. He decided to modify his stance without announcing it. As a consequence, the home ministry changed its strategy of 'clear, hold, and develop' to emphasizing development works under the integrated action plan by opting for 'intelligence-based operations with minimal collateral damage', according to Ajai Sahni of the South Asia Terrorism Portal (SATP). This led to the curtailing of anti-Maoist offensives.[96]

There were perhaps differences among Maoist central committee members as to how to cope with the onslaught unleashed under Operation Green Hunt. But the public was not privy to it. During his interview with Navlakha and Myrdal in Janaury 2010, however, Ganapathi summed up the party's general strategy thus: If we are able to protect our core, no matter how many reverses we may encounter, we will be in a position to sprout elsewhere.[97] Indeed, that is what the People's War Group had done in the past.

When Chidambaram ratcheted up the anti-Maoist campaign, the party leaders decided to lie low and ordered its cadres to scatter, with most of them entering the adjoining West Bengal territory.

A Fork in the Road

Later, both camps opted for lesser confrontation than before. In Chhattisgarh, in 2011, the number of fatalities among the security personnel dropped to sixty-seven from 153 in 2010, and Maoists' deaths slipped from 102 to seventy. This led Anil Navaney, the director general of police, to claim that the Maoist activity in the state had been 'contained'.[98]

Such a conclusion was at odds with what Suvojit Bagchi of the BBC discovered during his tour of southern Chhattisgarh towards the end of 2011. Citing police sources, he reported that Maoists had gained new recruits to the PLGA from the local population. 'In Bastar district in south Chhattisgarh, the Maoists recently launched a new division of the party called Mahasamund, named after a district on the Bastar region's eastern fringe and thus connecting Bastar with the Maoist-affected districts in neighbouring Odisha.'

He quoted one police officer saying that Maoists controlled 40 per cent of southern Chhattisgarh, while police held sway in another 40 per cent. 'The fighting is going on for control of the remaining 20 per cent.' The reason why Maoist military activity such as ambushes had declined was due to each side cutting down its operations in the territories not under its control. During his extended tour, which involved visiting the Maoists' 'liberated zone' beyond Indravati river, he did not see any police camp or personnel. 'We don't enter their areas; they don't come to ours,' said one paramilitary trooper in Dantewada district.

Security forces were hampered by lack of intelligence. The commander of several police stations complained that they received 'very little information' about Maoist movement from the village-level police constable, called kotwal. 'The kotwals' families live in the villages and are exposed to the Maoists,' he explained. 'So they refuse to divulge information.' On the other side, hundreds of youths from among adivasis, dreading eviction and police atrocities in the guise of development, joined Maoist ranks and were absorbed into the people's militia or deployed as plainclothes informers. Along with collecting intelligence, they assisted the PLGA in combat by slowing down the security forces on their way to confront the insurgents. The authorities had failed to infiltrate or disrupt the ranks of these plainclothes adivasi youths.[99]

Earlier, in September, Maoists attacked and set ablaze a CRPF camp 18 km (11 miles) from the district headquarters of Bijapur. And in July, they dug ditches at 100-metre (103 yards) intervals of the 23-km (15-mile) landmine-resistant road from Bijapur to Gangalur in Dantewada.[100]

When the government started equipping its security forces with Mine Proof Vehicles (MPVs), Maoist guerrillas increased the amount of explosives in their IEDs. This led CRPF director general Vijay Kumar to concede in October 2011 that MPVs had become 'coffins on wheels' in Naxal-infested tracts. He ordered that all CRPF should patrol on foot. This led to fewer and slower patrols.[101]

On 25 May 2013 afternoon, Maoists ambushed a convoy of twenty-five vehicles carrying 200 Congress leaders and workers, engaged in pre-election campaigning, and government security personnel in the Darbha Valley of Chhattisgarh's Sukma district. The rebels blocked the convoy with felled trees and blasted it with an IED. A 90-minute firefight ensued between them and the armed police, who ran out of ammunition. The commander of the 150-strong guerrillas, who included women, ordered the Congress leaders to surrender. A team of armed guerrillas then sought out Mahendra Karma and state Congress chief Nand Kumar Patel and killed them. The episode left twenty-four people dead, including twelve Congress functionaries and eight security personnel.[102] It created a crisis in the state ruled by the BJP, with Congress lawmakers demanding its dismissal by the President in Delhi.

This episode occurred at a time when, according to (retired) Brigadier Ponwar, the CPI (Maoist) then had 20,000 armed cadres and another 50,000 personnel in its people's militia. The membership of its various front organizations was almost 1,00,000.[103]

Outside Chhattisgarh, though, the security forces achieved better results, partly because their ranks had been bolstered by the deployment of the battalions of the CAPF in Odisha at Chidambaram's behest, and partly because of the improved intelligence. But he was not satisfied with the Odisha government's performance. In late 2011, he criticized it for failing to 'contain the Maoist menace'. He was most likely disappointed by a low score of the suspected Maoists killed—23—with only three in the last ten months of the year. Most security specialists took a diametrically opposite view. They concluded that the latest statistics indicated that the Maoist leadership in Odisha was paralyzed. They noted that improved intelligence had led to the arrest of four prominent Maoist leaders, with one of them carrying a reward of Rs 10,00,000 ($20,000) and another Rs 4,00,000 ($8,000) on his capture.[104]

Coordinating its plans with Delhi, the Jharkhand government, along with its counterpart in Odisha, launched its five-week-long Operation Anaconda on 31 July 2011 in the dense Saranda forest area of West Singhbhum district to flush out the Maoists, whose eastern zonal bureau was based there. Shortly after, the Jharkhand Human Rights Movement

(JHRM) called on the official National Human Rights Commission to investigate the charges of wanton violence, including torture and murder, arson, and theft levelled against the security forces. Though prevented from visiting certain villages by the state police, the NHRC team confirmed the allegations.[105] As a result of their scorched earth tactics, the security forces burned down the existing land records, thus defeating the purpose of the Forest Rights Act.[106]

Nationwide, the offensives such as Anaconda raised the overall deaths attributed to the Maoist rebellion. Almost 200 Maoists lost their lives in 2011 as did 128 security personnel. This, in turn, led to a policy review by CPI (Maoist) leaders. An indication came in July 2012 when the Dandakaranya Special Zonal Committee stated that 'a change must occur in our work methods in accordance with the material conditions, level of the movement, and our tasks ... (We must) guard against losing manpower by amending flaws that have crept into the organization.'[107] The leadership decided to regroup its forces and sharpen its campaign for recruitment to the PLGA, devise an alternative communication system to stem the leakage of information, accentuate propaganda through front organizations, and escalate public activities and protest.

On its part, the central government resolved to link security with development by making the Saranda forest an attractive model. In April 2012, its ministry of rural development announced a Rs 2.63-billion ($520 million) development plan—funded by it and the mining corporations under their CSR programme, without divulging the breakdown—for the 36,000 adivasis living in fifty-six forest villages. It looked impressive. The seventeen corporations which had secured mining leases in the forest with almost 2,000 million metric tonnes of iron ore included Arcelor-Mittal, Tata Steel, and Jindal Steel and Power. In the past, those companies which had participated in the CSR programme had done so with token contributions. For instance, in 2009-10, the NMDC scooped up profits of Rs 34.48 billion ($ 690 million) but spent only 2.5 per cent on the CSR projects.[108]

An analysis of the development project in the Saranda forest region, however, showed that 62 per cent of the amount will be spent on building offices and sturdy cement concrete roads to be used by the heavy trucks of the mining and metallurgical companies in violation of the state's rule allowing only unpaved paths inside the forest. And, true to its previous pattern of bending the law, government and business colluded to achieve a pre-determined result. For instance, the public hearing for Arcelor-Mittal's proposed mining project was held 22 km (15 miles) away from the mining site. So were the hearings for Rungta Mines and Electro Steel, a Chinese company. Jaunga Banda, a part-time miner, was among the few from his settlement to attend a meeting. 'I could not comprehend what was going on,' he complained. 'I just hope that they leave some forests for our graves.'[109]

'In the context of Saranda, this [accusation of collusion between the state and business] applies to both Anaconda and Anaconda 2 anti-Maoist security operations,' noted Sudeep Chakravarti, author of *Red Sun: Travels in Naxalite Country*. 'Moreover, it goes against norms of business ethics and corporate social responsibility, besides norms of constitutional governance.'[110]

The over-ambitious Saranda Action Plan was based on the assumption that the forest had been cleared of the Maoist rebels. This was not the case. The admission came from the government, indirectly, when it launched a two-month-long Operation Anaconda 2 in the forest in December 2012. In retaliation, Maoist guerrillas conducted an eight-hour firefight with 200 CRPF troopers in another jungle in the state, killing seven and critically injuring twelve in January 2013.[111]

Notably, the number of major incidents—each involving three or more fatalities—attributed to the Maoist violence plunged to twenty-two in 2012, as against forty-seven in the previous year. 'Available data suggests that the Maoists have been able to limit the loss of cadres in 2012 to the 2008-09 level—the stage prior to the escalation provoked by the Centre's disastrous "clear, hold, and develop" campaigns in the Maoist heartland,' observed Fakir Mohan Pradhan, an Indian security expert, in March 2013. Their hold over other states in the 'Red Corridor' areas—Jharkhand, Chhattisgarh, Bihar, Odisha, and Maharashtra—remains firm.'[112]

The main reason for the strength of the CPI (Maoist) influence lies in the tenacity with which its cadres, leading simple lives, have fought for the rights of the indigent and underprivileged and the manner in which they have assisted the inhabitants of their liberated zones in improving their lives through land ownership, education, better agricultural practices, and simplified judicial system in a corruption-free administrative set-up.

While studiously staying out of the electoral system which, in their opinion, lacks any party battling for the poor, Maoists have made use of their influence in rural areas to pit one political party against another and thus exploit the contradictions which—according to their thesis—exist between bourgeois parties. This is what the PWG did in the early 1980s in Andhra Pradesh. More recently, Maoists played this card in Jharkhand. In the local council polls in Odisha in 2012, the CPI (Maoist) displayed posters in the areas of its influence, urging voters to consult its members before voting. In Koraput district, it backed the candidates of its front organization, Chasi Mulia Adivasi Sangh (CMAS). Most of them won.[113]

On the national scale, the leaders of the CPI (Maoist) continue to comment on important political and economic developments. For instance, they noted the formation of the new political entity called the Aam Aadmi Party (Hindi for 'Common Man's Party') by Arvind Kejriwal, a social activist, with the tacit endorsement by Anna Hazare, a veteran anti-corruption campaigner, in late 2012. Describing them as 'apologists of the exploiting system in the country', the Maoists' press release declared that believing them would be 'deceitful'.[114]

EIGHT

Innovations and Distortions of Indian Democracy

'APRIL IS THE cruellest month'—the opening line of T.S. Eliot's classic poem 'The Waste Land'—applies more to Delhi than London, where the America-born poet spent most of his adult life. In the Indian capital, summer starts in April, with the average temperature rising from 32°C to 39°C as the month progresses. But in April 2011, the air in Delhi became infused with extra heat of the political kind. It was generated by a dramatic gesture by a social activist from a village in Maharashtra, born Kisan Baburao Hazare but known as Anna (Marathi for 'elder brother') Hazare.

A man of medium build, with fat, crumpling cheeks, jug ears, and deep-set eyes behind spectacles, he was always dressed in a long shirt and loose pajama of white, hand-spun cloth, with his greying patch of hair covered by a folded, flat, cloth headgear called the Gandhi cap.

Amidst much advance publicity, Hazare started the day on 5 April by walking along a stone pavement leading to a walled enclosure housing the memorial to Mahatma Mohandas K. Gandhi built at the spot where he was cremated near the banks of Yamuna river following his assassination on 30 January 1948. It is a bare black marble square platform with a metal enclosure which covers an eternal flame. His homage to Mahatma Gandhi was appropriate for two salient reasons. Like the iconic leader, Hazare had repeatedly resorted to indefinite fasts to apply 'moral pressure' on those who had failed to concede his demands imbued with a social or political aim. And, subscribing to the Gandhian idea of creating self-contained villages, he had done pioneering work to improve the appalling condition of his native village of Ralegan Siddhi in Maharashtra—an enterprise which had won him India's third-highest civilian award, the Padma Bhushan (Hindi for 'Lotus Ornament'), in 1992.

After his visit to Mahatma Gandhi's memorial, Hazare boarded an open-air jeep to the India Gate, the capital's landmark along the road leading to the circular, red stone parliament building. He got off the vehicle and, cheered by onlookers, walked to the open ground next to the early eighteenth century open-air 5-acre (2-hectare) observatory called Jantar Mantar (derivative of the Sanskrit phrase 'Yantra Mantra': instrument and formula), at the end of Parliament Street. Sheltered under a huge white marquee on a well-cushioned platform, he started his fast unto death demanding greater public role in the anti-corruption Lokpal Bill (Hindi for 'People's Protector')—the ombudsman bill. Such legislation was first drafted in 1968 when Indira Gandhi ruled as leader of a minority Congress government in parliament, supported by Communist MPs who were foremost in demanding it.[1] The Bill was tabled before the Lok Sabha but lapsed with its dissolution in March 1971. Seven subsequent attempts also lapsed, and one was withdrawn. It was only when the stench from a string of high-profile cases of epic scale sleaze became unbearable that the Manmohan Singh government produced its draft in 2010.

But the anti-corruption campaigners, including the India Against Corruption (IAC) NGO, slammed the draft bill as 'a complete eyewash'. It argued that it envisaged demolishing whatever existed under the guise of the current anti-corruption systems and sought to insulate corrupt politicians from any action against them. A five-member committee of the IAC, consisting of a former Supreme Court judge and two Supreme Court lawyers, prepared an alternative Jan Lokpal Bill (Hindi for 'People's Ombudsman Bill'). It proposed that the lokpal office should subsume the present Central Vigilance Commission (CVC) so that political leaders, including the prime minister, and bureaucrats as well as the judiciary came under its jurisdiction. Also, the lokpal should be given police powers.

Anxiously aware that Hazare had tapped into cascading popular anger against sleaze, leaders of the ruling Congress appealed to him to call off the protest since a cabinet minister was examining the IAC's draft. He ignored the plea. It had taken him three-and-a-half decades to achieve such influence.

The Fasting Lobbyist versus Machiavellian Politicos

Born in 1940 into a poor village household in Maharashtra, Hazare was adopted by his childless aunt who lived in Mumbai. There he went to school, only to drop out midway through his secondary education. He sold flowers in the street to pay for his upkeep. He graduated to owning a small flower shop in central Mumbai. When, in the wake of the Sino-Indian War in October-November 1962, the army lowered its recruitment standards, he got a chance to enroll in the military and sign a twelve-year contract in 1963. He served as a driver. He saw combat on India's border with West Pakistan during the war between the two neighbours in 1965 and survived a lethal attack by the enemy. He took to reading books by Mahatma Gandhi and Swami Vivekananda, a Hindu social reformer.

After his honourable discharge from the army, he returned to his ancestral village of Ralegan Siddhi located 87 km (55 miles) from Pune in the shadow of a mountainous terrain. Its population of less than 2,000 was steeped in abject poverty and survived by distilling illicit liquor. His long years in the army had turned him into a disciplined citizen, and his military service earned him adulation of fellow villagers. In the community, he combined his advocacy of prohibition, family planning, and voluntary labour for communal good with a ban on felling trees. He persuaded villagers to construct an embankment and associated works to store water and allow it to percolate and improve groundwater level for better irrigation. Later, the settlement used solar power for street lighting, and biogas and a windmill for other energy needs. The transformation of Ralegan Siddhi from an indigent village to a self-sufficient entity was something Mahatma Gandhi had visualized in the pre-independent era for rural India. It won Hazare the kudos of the Indian government and a much-coveted award.

He then turned his attention to the problems that afflicted Maharashtra. He found that the Right to Information Act that the state assembly passed in 2000 did not enable the citizen to demand transparency in governance. He led a movement to strengthen it. As a result, the subsequent legislation, which came into effect in August 2003, made information sharing an obligation of the state government.

Corruption in public life was a running story in the media. When his demand for investigating the bribery charges against four ministers in the state government were ignored, he went on a fast unto death on 9 August 2003 to pressure then Chief Minister Sushil Kumar Shinde. His self-imposed ordeal ended nine days later when Shinde capitulated and appointed an inquiry commission headed by a retired Supreme Court judge. This won Hazare an integrity award from Transparency International. (Later, the inquiry commission would find three of the four ministers guilty of taking bribes.)

His next target was red tape. His campaign led to Maharashtra's passing of the Prevention of Delay in Discharge of Official Duties Act 2006. It stipulated disciplinary action against bureaucrats who moved files slowly and monitoring of those involved in corrupt practices. In reality, however, this remained a law on paper.

Once the Right to Information (RTI) Act was passed by the central government in 2005, Hazare deployed it to prise open bribe-taking by politicians and bureaucrats. At the first national RTI Convention held in Delhi in October 2006, he met other leading RTI activists. They decided informally to pool their individual anti-corruption efforts. The formation of the IAC as a 'people's movement' in 2010 gained traction when, following the Commonwealth Games scandal in October, a lawyer-founder of the IAC, Shanti Bhushan, filed a writ petition on behalf of the IAC against the scam. Next, the IAC focused on the Lokpal Bill under consideration by the parliament, with its leading legal lights producing the alternative Jan Lokpal Bill.

Given the massive media publicity accorded to Hazare's indefinite hunger strike in early April 2011 and the tens of thousands of people across 200 cities and towns who fasted in sympathy, Singh's cabinet watched the development with trepidation. On his part, Hazare kept his crusade strictly apolitical by banning political dignitaries from his dais. As a result, success came to him sooner than even his ardent fans had hoped.

On 8 April, the government agreed to form a joint drafting panel of ten, divided equally between it and the nominees of 'civil society'. The five cabinet ministers, led by Finance Minister Pranab Mukherjee, were balanced by Anna Hazare, N. Santosh Hedge, a former Supreme Court judge, Shanti Bhushan, Arvind Kejriwal, a social activist, and Prashant Bhushan, a Supreme Court lawyer.

On 9 April, Saturday, Hazare broke his fast by accepting a glass of juice from a girl. A mass celebration followed. His admirers, waving the national flag and singing and dancing to the rhythmic beating of drums, transformed the ground near Jantar Mantar into a carnival site. Appearing on the dais along with his eminent non-political aides, including Baba Ramdev and Swami Agnivesh, he addressed the nationwide audience. He announced 15 August, India's Independence Day, as the deadline for the passage of a stiff anti-corruption law. 'We have a lot of struggle ahead of us in drafting the new legislation,' he said. 'We have shown the world in just five days that we are united for the cause of the nation.'[2] It was significant to note Swami Agnivesh, who had acted as the intermediary between the central government and Maoists in the past, appealing to the rebels: 'Shun violence and adopt Gandhian methods to fight injustice.'[3]

Agnivesh's statement was based on the assumption that Hazare's demand had been met. This was not to be the case as the subsequent events would show. The Hazare camp's celebration was to prove premature.

Tricks of the Parliamentary Trade

At the joint drafting committee meeting on 30 May, the two sides clashed on the question of the Lokpal's jurisdiction over the prime minister, the Supreme Court and high court judges, and members of parliament (MPs). The central ministers were opposed, whereas the civil society nominees were in favour, arguing that this provision was included in the 2005 United Nations Convention against Corruption, to which India was a signatory.[4] As chairman of the joint drafting committee, Mukherjee widened the debate by seeking the views of state chief ministers as well as leaders of all political parties on this and other contentious issues such as whether or not the Central Bureau of Investigation (CBI) should be an independent body like the Election Commission.

This became a pivotal issue. The investigation and prosecution of corruption cases were carried out by the CVC, the CBI and the anticorruption bureaus of states.[5] They did so under the Prevention of Corruption Act 1988 and the Indian Penal Code 1860. The CVC was a statutory body which dealt with corruption cases in government departments. The CBI functioned under it, but its director general reported directly to the prime minister. The CVC referred cases either to the Central Vigilance Officer (CVO) in a government department or the CBI. The CVC or the CVO recommended the action to be taken against a public servant, but the decision to take any disciplinary action against that official rested with the departmental chief. Crucially, the investigating agency in Delhi or a state capital could initiate prosecution only after it had obtained the prior sanction of the central or state government. The cases under the Prevention of Corruption Act 1988 were tried by special judges appointed by the central or state government.

Tension between the two groups on the joint panel mounted when the Delhi police forcibly evicted Baba Ramdev and his acolytes from the Ramlila Maidan on 5 June, Sunday, to end their hunger strike against black money and corruption. In response, Hazare and his IAC colleagues boycotted the joint drafting panel meeting the next day. Later, they decided to end their boycott only if future meetings were telecast. This demand was rejected by Mukherjee. Having promised to forward the draft bills of the government and the IAC to the full cabinet, he submitted only the amended official document to cabinet ministers.

In early August, the government tabled a weak Lokpal Bill before the Lok Sabha for debate. It exempted the prime minister, MPs, high-level judges, and lower-level civil servants. It covered only the central government.

When the Lokpal Act failed to appear on the statute books by 15 August, Hazare announced his decision to commence his fast unto death the next day. The Delhi police arrested him, saying that he had violated his agreement with it to fast for only three days. When he refused bail, the magistrate sent him to jail for a week. This led to protest marches across the country. The opposition leaders condemned his detention and both houses of parliament adjourned. When informed that he was free, Hazare refused to leave the prison and continued his hunger strike behind bars.

The government temporized and permitted him to fast for fifteen days. On his release, he continued his hunger strike at Ramlila Maidan, demanding that the government pass the Lokpal Bill in the current parliamentary session ending on 8 September.

His critics condemned Hazare's pressure tactics. Among others, the National Campaign for People's Right to Information (NCPRI) took issue with his setting of the deadline for the passage of the bill, arguing that it undercut the very basis of democracy which, according to it, operated by 'holding wide-ranging consultations and discussions, allowing for dissent and evolving a consensus ... He [Hazare] has the right to protest and dissent. But nobody can claim it as an absolute right and deny the right of dissent to others.'[6]

But public disgust at the ever-expanding sleaze had reached such a pitch that criticism of Hazare got short shrift in the media and popular thinking. Unnerved, Congress leaders engaged an intermediary to talk to Hazare and find 'points of consensus'. At the government's behest, the parliament referred Hazare's demands for a citizen's charter, inclusion of lower-level civil servants, and creation of state-level lokpals—called lokayuktas—in the proposed legislation to the parliament's standing committee. The next day, Hazare ended his fast.[7] Hazare's close aides—now identifying themselves as Team Anna—were relieved and joyous.

Besides Hazare's proposals, the standing committee considered some 13,000 suggestions that poured into its office from ordinary citizens and countless NGOs. After spending almost four months sifting through this pile, it submitted its recommendations to the government. The end result was the renamed Lokpal and Lokayuktas Bill. It was considered weak by Communists and other leftist factions in the Lok Sabha. It retained the executive's control of the CBI and vested the power to appoint the lokpal with a selection board, in which the government had majority. The opponents walked out in protest on 27 December, enabling the Congress to claim that the legislation had received unanimous backing.

The subsequent debate in the Rajya Sabha was cut short due to lack of time. It was only in May 2012 that the debate resumed on an amended bill, which empowered state governments to appoint their own ombudsmen. Suddenly, the leader of a minor faction proposed that the draft should be referred to a select committee for reconsideration. The subsequent select committee included members of all political parties.

Thoroughly chuffed, Team Anna addressed a letter to the select committee chairman, Satyavrat Chaturvedi, stating that his committee was the third set up in the past year. 'The Bill has been sent to committees eleven times [since 1968],' added the team's missive. 'How is this select committee different from the earlier standing committees?' it asked. 'As this select committee has members from all parties, we feel that they have to answer these questions first.' Its spokesman, Arvind Kejriwal, remarked, 'Nobody knows who is in the ruling dispensation and who is in opposition as both speak in similar voices.'[8]

Such strictures left the political establishment unmoved. Its pussyfooting continued so that even by the summer of 2013, the Lokpal and Lokayuktas Bill had not been adopted by the bicameral parliament.

The narrative of this long-running saga provided a telling illustration of the innovations and distortions of democracy in action in India.

Team Anna's statements echoed what Maoists had been saying for a long while: that there was no difference between political parties and that politicians of all hues were united in safeguarding the privileges that the political class enjoyed—including the power to authorize investigation into charges of bribe-taking by politicians resting with the executive. The insistence on exempting the prime minister and all MPs from the purview of the proposed lokpal provided cast iron evidence to support this argument.

While sharing the overarching assessment of the political establishment in general, Team Anna and its followers believed fervently that the system could be changed for the better through peaceful tactics. They believed that the democratic process was flexible enough to respond to extra-parliamentary but non-violent pressures. That made the system in India stand apart from the way it was practised in Western nations, where a fast unto death by even a widely revered apolitical figure had no chance of resonating with the public.

At the same time, the proponents of reform through peaceful grassroots pressure could hold up the trophy of the passing of the Right to Information Act, first at the state level and then nationally.

Right to Information Act and Its Unexpected Martyrs

In retrospect, the adoption and enforcement of the RTI Act could be seen as giving the Lokpal Bill a much-needed push in the legislative system. The roots of the RTI law lay in the Mazdoor Kisan Shakti Sangathan (MKSS; Hindi for 'Workers' and Peasants' Strength Union'). It was formed in 1990 by Aruna and Bunker Roy, the founders of the Social Work and Research Centre (SWRC) in the central Rajasthani village of Tilonia, to improve the lot of the area's rural communities. The trigger to establish the MKSS was the local feudal landlord's usurpation of the communal land in Tilonia and the filching of the funds by the contractors, charged with building roads and irrigation channels. They did so by creating ghost workers and underpaying their illiterate employees. The demand by the MKSS, a non-political body, to access the financial accounts of the contractors and the government department went unheeded at first. But, led by the highly educated and articulate Roys, the MKSS succeeded in getting the authorities to hold a public hearing on the awarding of the contracts and payments made to the workers in December 1994.

This unprecedented exercise underlined the significance of information to ordinary citizens while enlightening them as to why officials and contractors were so adamant about keeping the records under wraps. The MKSS thus fired the first successful shot in the battle for the public's right to information. The event made headline news in the national media.

That, in turn, led to the establishment of the National Campaign for Right to Information (NCPRI) in 1996 to campaign for an effective law at the state and central levels. Within four years, three states, including Rajasthan, enacted RTI laws. This created pressure on the BJP-led central government to do likewise.

The resulting Freedom of Information Bill (FoI) 2000, which eventually became a law in 2002, contained too many exemptions, including requests that would involve 'disproportionate diversion of the resources of a public authority'. Also, there were no penalties for failing to respond to an application for information. As such, the FoI Act made minimal impact.

During its campaign for the general election in 2004, the Congress described the FoI Act as anaemic and promised that, if returned to power, it would pass a robust law. When the party failed to win an outright majority in the Lok Sabha, the Communist-led Left Front offered to support its minority government if, among other things, it would fulfil its promise to enact a strong RTI law.

Congress leaders agreed. The subsequent Act went into effect in October 2005. It gave citizens and NGOs the right to demand 'written answers' from the Kafkaesque and often venal Indian bureaucracy and other state institutions. In a civil service post, there was no known reward or punishment; it was a job for life, no matter how the employee performed.

Since then, individuals and NGOs have wielded this tool with varying degrees of success. Over time, the number of applications under the

RTI Act stabilized around 270 a day. Given the country's thirty-six administrative units—twenty-nine states, seven union territories, and the central government—the score was eight per day for an administrative unit. This meant that RTI awareness had barely touched the rural population. Villagers' chances of resorting to this right virtually disappeared when, for instance, the Uttar Pradesh government hiked the fee for each query to Rs 500 ($10) from the original Rs 10 ($0.20) stipulated in the central RTI Act, with Chhattisgarh following suit in 2012.

Its users fell into one of the three categories: officials of an NGO, specializing in a particular subject; individuals who intermittently focused on specific cases such as the number of days their elected lawmakers attended the legislature; and those citizens who became professional inquirers and called themselves RTI activists.

The reluctance of the opaque bureaucracy to share information was well illustrated by the experience of Amitabh Thakur, a graduate of IIT Kanpur, who, after serving as a commissioned police officer, pursued a doctorate in management at IIM Lucknow. When he sought details of the annual confidential report on him for 2004-05 from the home department of Uttar Pradesh, he got no response. Finally, he had to appeal to higher authorities. 'That's when we realized that if we, as government officials, find it so difficult to extract information, it must be twice as difficult for the masses,' observed his wife Nutan Thakur, who holds a Ph.D. in Hindi literature. In March 2010, long before the 2G spectrum scam broke, the couple filed an RTI application seeking clarification on the appointment of Andimuthu Raja as communications minister. Ten months on, they had received no reply from the CVC.[9] 'Every day, RTI applications are rejected for a variety of reasons because parts of the Act are still open to interpretation,' Nutan Thakur said. Undeterred, they founded the National RTI Forum, a registered trust with over 150 activists on board. It built up considerable following on social networking sites.[10]

As for citizens of lesser standing, the relentless efforts of RTI activists to promote transparency and accountability in the working of myriad public institutions exposed them to harassment, physical attacks, and even murder. Those trying to garner information about panchayats (village councils) were often ostracized. As individuals inhabiting the same areas as the powerful wrongdoers keen to conceal their misdeeds, they were vulnerable because they lived in villages or small towns. Numbers of those who got beaten up regularly by hired goons ran into dozens. And each year, half a dozen of them got killed.

Among them was thirty-five-year-old Shashidhar Mishra, a sweet vendor with secondary school education, in the town of Baroni in Bihar. He was murdered by hit men with muffled guns on 14 February 2010. A conscientious citizen, he targeted the municipality-owned dairy where animals were mistreated. Then he focused on the unlicensed stalls set up on public land outside the railway station. His exposure of the illegal use of communal property led to their demolition. Next he sought information about the land deals by local councillors. His further probes revealed that the town's market, largely constructed by a local businessman, was on government land. By the end of 2009, he showed that the contracts for resurfacing the roads were deliberately nontransparent. He then inquired about the fate of the vehicles the police had impounded. On 9 February, he applied for the list of contractors charged with constructing a road in the market, and the municipality's 2009 accounts. By the time this information arrived—showing that the municipality had paid Rs 52 lakh ($120,000) for fictitious work—in May, Mishra was long dead. The outage that plunged the street where he lived for a few minutes for the professional killers to do the dastardly deed indicated collusion with high-ranking officials.[11]

Lalit Mehta—a thirty-six-year-old, broad-shouldered father of two, with a pleasant, moustached visage—had the distinction of being the first RTI martyr. He was attacked while riding a motorcycle on a highway in the Palamau district of Jharkhand and beaten to death on 14 May 2008. His corpse was found in a field. A leading member of the Right to Food campaign, he used the RTI route to investigate corruption in the implementation of the central government's National Rural Employment Guarantee (NREG) scheme to provide jobs to villagers willing to build public works. The NREG Act had a provision for social auditing of accounts by select members of a community. Its pre-eminent advocate was Jean Dreze, a Delhi-based development economist and social activist and a former member of the National Advisory Council (NAC) chaired by Sonia Gandhi.[12] The police chief in Palamau failed to note that Mehta was killed a day after Dreze, leading a team of NREG volunteers from Delhi, had arrived in the district.

Instead, he emphasized that, since the motorcycle and the cash that Mehta was carrying were missing, it was a case of armed robbery. But the subsequent public protest in the capital city of Ranchi and pressure on the central rural development minister in Delhi compelled then Jharkhand Chief Minister Madhu Koda to act. After conceding the failure of the state's criminal investigation department (CID) and Palamau's district administration to name the murderer(s), he recommended an inquiry by the CBI on 16 June.

Six days later, local Maoists intervened. 'We know the killers of Lalit Mehta, and they will be brought to justice,' read the Maoist leaflet. 'We will make the perpetrators of heinous crimes such as murder pay with their lives. We have started the process for this, and it will soon culminate in strong and decisive action.' The flyer named the local contractors allegedly involved in pilfering NREG funds who, it alleged, had conspired to kill Mehta.[13] The Maoists' pledge to avenge the killing of a non-violent social activist shook the political and administrative establishments in Ranchi and Delhi. It should have jolted the CBI to fast-track its investigation. But it did not.

Instead, it let the Maoists deliver on their promise. On 5 January 2009, the police recovered the corpse of Raju Singh, the prime accused in Mehta's murder, with an accompanying handwritten pamphlet. It stated that Maoist cadres had shot him dead as the murderer of Lalit Mehta and as an armed robber. 'Now there is nothing to inquire into the Lalit Mehta case,' said district police chief Udayan Singh. This was not strictly true. Because the same news item stated, 'Now, the police are investigating the link between Mehta, Dreze, and Maoists.'[14]

The Mehta-Dreze-Maoists chain should have been extended to include Sonia Gandhi, chairperson of the ruling United Progressive Alliance (UPA). For, following Mehta's murder, she had stated that it 'was engineered by vested interests that were apprehensive of Lalit's exposing their corrupt practices'.[15]

Ground-breaking NREG Scheme and Its Pitfalls

Enacted in August 2005, the National Rural Employment Guarantee Act (called the Mahatma Gandhi National Rural Employment Guarantee Act after 2 October 2009; MGNREGA) went into effect in February 2006 in 200 districts before its extension to most of the remaining districts of India. This sop to the needy in villages needed to be seen as a balancing act to the reduction in the corporation tax. In 2001, under the BJP-led government, the rate was 39.55 per cent; five years later, under the Congress-led administration, it stood at 33.66 per cent.[16] Predictably, dispatches by the US embassy in Delhi, published later by WikiLeaks, were scathing about the NREG scheme. 'At worst, the jobs plan is political patronage run amok and horrid economic policy,' one cable opined.[17]

The NREG scheme guaranteed employment for 100 days in a year to adult members of any rural household ready to work on small scale village infrastructure projects as unskilled labourers at Rs 100 ($2) a day. The funds were supplied by Delhi, but the programme was implemented by state governments through panchayats, with the elected sarpanch (mayor) and the appointed secretary, called gram sevak, handling the cash. The sarpanch was also authorized to decide what to build after consulting his constituents. To abort, or at least curtail, the chances of fraud, the Act provided for social audits, which empowered villagers to act as watchdogs and conduct audits.

But, as had happened in the implementation of the mining law requiring public hearings, in most states, social audits were either perfunctory or manipulated by the sarpanch and the secretary in league with the contractors. With Delhi earmarking Rs 400 billion ($8 billion) a year for the NREG programme, rich pickings awaited the dishonest contractors, politicians, and bureaucrats. The execution of the NREG programme turned into a running battle between the central government, keen to keep it clean, and the nexus of sarpanchs, contractors, and bureaucrats.

When rural labourers complained that sarpanchs were docking payment and demanding cash in return for job cards, the Delhi administration decided in 2008 to remit money directly to workers' bank accounts. This led to inordinate delay in payments because of the red tape in the public sector banks. On the other hand, the number of villagers with bank accounts soared to almost 100 million by the end of the decade.

A survey in 2008 by the Institute of Development Studies in Rajasthan showed that influential villagers got enrolled as labourers and received payment without doing any work. Others deployed mechanized diggers, banned by the scheme, to finish a job quickly and claim wages for more hours than they had put in. In 2009, a crackdown in Karauli, 140 km (88 miles) from the state capital of Jaipur, revealed that a quarter of the 2,00,000 job cards were bogus. A random visit by *Wall Street Journal* reporters in April 2011 to a dam building site in the Kaladevi sub-district showed that a third of the sixty workers on the muster roll were absent. In violation of the law, the site lacked a medical kit, resting area, and child care facilities. This was the case in Rajasthan, which, forming 6 per cent of the national population, received 20 per cent of the Rs 450 billion ($9 billion) that the central government allocated to the NREG for the fiscal year ending 31 March 2011.[18]

On the other side was Andhra Pradesh (population of 76 million), where, facing the Maoist challenge in the mid-2000s, the government was compelled to clean up its governance. Here, villagers examined records for fraud and then held public hearings, naming the corrupt official(s). The results were posted online. As a result, in the first five years of the NREG programme, social audits had detected fraud of Rs 900 million ($20 million), with 4,600 officials facing criminal or administrative charges.[19]

Unsurprisingly, those milking the NREG scheme resisted social audits. Often sarpanchs refused to part with their documents. And if that failed, higher ranking corrupt politicians intervened openly. For instance, at a public audit in Nagarkurnool, 120 km (75 miles) from Hyderabad, a senior Congress member pushed his way onto the platform next to the official supervising the audit. He attempted to hijack the procedure and frequently intervened to defend local contractors and sarpanchs. When B. Sardharkar Reddy, a contractor in a nearby village, was accused of falsifying measurements on a project, he contested the auditors' technical prowess to take such measurements. 'These people are not qualified,' he declared. 'If it is a 10 per cent deviation, what is the big deal?' Ruckus followed. Finally, the case was referred to a technical expert.[20]

A *New York Times* report from rural Andhra Pradesh in late 2010 provided further details. Those auditing the accounts were mainly young men who had been trained. Among them was Zamiruddin, a twenty-four-year-old auditor from another village in the same Ranga Reddy district as Nagarkurnool. Flipping through a muster roll dating back eight months, he spotted a list of ghost workers. 'These names are in a different handwriting compared to the ones above,' he explained. 'That is the first problem.' Also, all the labourers had signed their names rather than some of them pressing their thumbprints, which should have been the case because of the substantial illiteracy among rural workers. Lastly, the documents reported 100 per cent attendance, with Rs 6,400 ($130) paid for five days of mulching. Both these figures were fraudulent. He then visited the village of Manthati and interviewed those whose names were high on the list. None of them recalled seeing the workers whose names were listed below theirs in a different handwriting. Altogether, Zamiruddin established that Rs 1,39,000 ($3,000) had been paid to ghost labourers. At the public hearing, the field assistant who maintained the roster was suspended, and the fraudulent wages were ordered to be recovered from him.[21]

Overall, in 2010, the NREG programme provided much needed safety net for about 50 million households, thus helping the labourers and their 200 million dependents. Significantly, one-third of those enrolled in the scheme, at least on paper, were women. With the daily wage tied to the cost of living (and running at Rs 125 in 2011), the payment had proved higher than what other unskilled rural jobs offered. The scheme had furnished landless workers with a bargaining tool to demand better payment for their labour in other activities. It had also encouraged them to continue living in their native settlements, thus slowing down, marginally, rural migration to urban centres.

In February 2012, on the sixth anniversary of the launching of this scheme, Sonia Gandhi said, 'We have achieved successes in MGNREGA in last six years, but there are still many challenges before us.'[22] Since she played an important role in transforming the nebulous idea of creating jobs for rural Indians into a national law, she had a vested interest in its evolution. To achieve this end, she had deployed her influence as chairperson of the National Advisory Council.

National Advisory Council, an Innovation

After the victory of the Sonia Gandhi-led Congress in May 2004, she advised Prime Minister Manmohan Singh to appoint a National Advisory Council to supervise the enforcement of the National Common Minimum Programme (NCMP) that her party signed with smaller factions, including the Communist-led Left Front, to gain a majority in the Lok Sabha. He did so, with Gandhi as the salaried chairperson of a fifteen-member NAC consisting of non-political specialists and social activists. It was meant to be 'the conscience' of the Congress-led administration. As a pressure group, it successfully pushed for the RTI Act and the NREGA, which were part of the NCMP. It also promoted the Forest Rights Act to give land titles to traditional forest dwellers.

The opposition in parliament argued that there was no constitutional provision for the NAC to function as part of the government. It also pointed out that a sitting MP was barred from holding 'an office of profit', a term that applied to the NAC chairperson. As a result, Gandhi resigned as NAC head and as an MP in March 2006. She contested the subsequent by-election and regained her parliamentary seat. The parliament passed the Office of Profit Bill, which exempted the post of NAC chairperson and fifty-five other positions from the 'office of profit' category. However, the term of the NAC ended in March 2008.

Following the return of the Congress as the largest group in the Lok Sabha in May 2009, the idea of reviving the NAC cropped up. Prime Minister Singh did so in March 2010 and appointed Sonia Gandhi as its chairperson. Earlier, she had been re-elected chairperson of the ruling Congress-led UPA coalition. The government now officially presented the NAC as its interface with civil society. The NAC's proponents hailed it as an innovation of Indian democracy, since no such body existed anywhere else in the democratic world.

Its fifteen members included scientists, economists, former civil servants, educationists, NGO leaders, businesspersons, and social activists with experience of delivering services to a community. It narrowed its focus on such socio-economic issues as poverty elimination, land reform and rights, sustainable management of natural resources, security net for disadvantaged groups, and improving the lot of Dalits and tribals. It appointed specialist sub-committees to prepare draft legislation for such pressing needs as food security. Some of the NAC's recommendations were publicly described by Singh as impractical or beyond the financial means of his government.

Since NGOs and social activists had easier access to NAC members than to government ministers or even MPs, the NAC could claim that its existence helped embed democracy firmly by acting as a conduit for conveying multiple ideas and proposals to policy makers.

At critical moments, Sonia Gandhi intervened on behalf of the aggrieved in contrast to Singh's stance. For instance, in September 2009, she stressed that while land was required to build industry, 'the land acquisition must be done in a manner that does not result in the loss of large tracts of fertile and productive agricultural land so indispensable to grow food grains and feed people'. Also, environmental concerns could not be rejected off hand. She added, 'If farmers are deprived of their land-based livelihood, they must be provided with adequate compensation and alternative occupations.' Her words contradicted those of the prime minister uttered three days earlier. 'The only way we can raise our heads above poverty is for more people to be taken out of agriculture,' he said. 'There has to be a balance. You cannot protect environment by perpetuating poverty.' Such divergence of views at the heart of an administration would in normal circumstances paralyze it.[23] But not so in India. Here, the government muddled through, trying to balance its tilt towards industrialists with a periodic sop to the needy.

It could be argued that, functioning outside the cabinet, Sonia Gandhi was not burdened with the onerous task of squaring the circle of serving the interests of both the predatory capitalists and the exploited peasants. Such was the case with the food security legislation.[24]

Food Security: A Twelve-Year Battle

The protracted debate on the subject had its origins in the writ petition in the Supreme Court that the Rajasthan unit of the People's Union for Civil Liberties (PUCL) filed in April 2001. The petition was based on Article 47 which states: 'The state shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties.' It demanded that India's food stocks be used to alleviate hunger and malnutrition. It argued that the constitutional ground of the 'right to food' stemmed from Article 21, which guaranteed the fundamental right to life. The Supreme Court upheld its case.

This proved to be the seed out of which sprouted the Right to Food campaign, in which a growing number of trade unions, NGOs, social activists, and grassroots organizations participated. They received periodic impetus as the Supreme Court issued a series of interim orders. In May 2002, it appointed Dr Naresh C. Saxena its commissioner to monitor the implementation of its orders relating to the right to food. He was authorized to investigate any violations of the court's orders and demand redressing and also to submit periodic reports to the court on the subject. Another important interim order required the central government to ensure across-the-board application of such welfare programmes as mid-day meals for schoolchildren.

After the enforcement of the NREGA, the attention of the NGOs and civil society organizations committed to improving the lot of the underprivileged turned to food security. They argued that, whereas India had notched up 9 per cent average economic expansion for successive years after 2006, its hunger and malnutrition levels were worse than those of sub-Sahara Africa.

This, in turn, led the Congress to promise a food security law in its 2009 election manifesto. Soon after the general election in April-May, Sonia Gandhi forwarded to Singh a model bill, which approached the issue in an integrated way. It stressed nutrition, not just food grains, to fill empty stomachs, and providing access to food through community kitchens. Initially, Singh argued that selling food to hundreds of millions of Indians at giveaway prices would discourage farmers from growing food and raise wages and inflation. But he later temporized. He referred the matter to a group of ministers for consideration. The draft bill that this panel produced in March 2010 narrowed the definition of food security to a legal right to buy a certain amount of food grains at subsidized prices.

It was not until September 2011 that the full cabinet debated and finalized the National Food Security Bill (NFSB) and released the draft for public comment. It did so against the backdrop of a spectacular fall in its popular standing due to the string of mega scandals and an inflation rate of nearly 10 per cent. Three months later, the government tabled the bill before parliament.

With the pro-business P. Chidambaram returning to the finance ministry in August 2012, the industrialists' lobby took heart. It disapproved of the NFSB without being overly critical. It took advantage of the fall in the rate of economic expansion during the year—caused primarily by the failure of the infrastructure to keep pace with the rise in the GDP—to press the case of domestic and foreign MNCs to raise the ceiling for foreign direct investment (FDI) in certain sectors. It succeeded.

In mid-September, Delhi eased FDI norms in multi-brand retail, civil aviation, and broadcasting after Singh and Chidambaram secured the go-ahead from Sonia Gandhi. It permitted multi-brand foreign retailers such as Wal-Mart Stores Inc. and Tesco Plc to open stores in India and acquire 51 per cent ownership, and allowed foreign airlines and broadcasters to raise their stakes in their respective sectors in India to 49 per cent. Chandrajit Banerjee, director general of the Confederation of Indian Industry (CII), described the official decision 'a tremendous boost not only to the sectors in question but also a huge mood lifter. Global and domestic perceptions would also change'. On the other side, Doraiswamy Raja, an MP and the national secretary of the Communist Party of India (CPI), pointed out, 'In retail, 40 million people [9 per cent of the labour force] are involved. If you include family members also, it will affect 160 million people. It will also adversely affect the small and marginal farmer.'[25] Industrialist Banerjee's prediction would prove to be more hope than achievement.

As for the government, having taken a brazenly pro-business policy decision, it came under renewed pressure by grassroots organizations, as well as Sonia Gandhi, to make a balancing move to help fill the empty stomachs of the poor.

By the time the NFSB went through the committee stage and was ready for the final reading and vote on 6 May 2013, the economy had slowed to 4.5 per cent. This provided the corporate sector opposed to this law an economic argument. It estimated that the new scheme would require the central government to procure 61 million tonnes of food at the cost of Rs 1,247 billion ($21 billion), which would increase the budget deficit further. It warned that, if the country failed to achieve the promised 5.2 per cent growth in 2014, credit rating agencies could downgrade its investment standing to junk status, and that would make it harder and costlier for companies to raise loans for investment.

But with the next parliamentary poll only a year away, Congress leaders could not politically afford to let a bill with a massive vote-winning potential to lapse. After all, the final draft covered 810 million people, vastly expanding the existing food subsidy scheme covering some 180 million who received subsidized food grain through licensed fair price shops. The figures in the proposed NFSB included three quarters of the rural population (630 million) and half of urbanites (180 million). These households were to be entitled to buy 5 kg of food grain per person each month for Rs 3/2/1 a kg for rice/wheat/coarse grains respectively. 'The government has passed it [the NFSB] with great reluctance and obviously corporate India is not very happy,' said Biraj Patnaik, adviser to the commissioners of the Supreme Court in the Right to Food case.[26]

In parliament, the opposition groups claimed that the government had introduced this bill with the upcoming general election in mind. It disrupted the proceedings to the extent that the speaker had to adjourn the house sine die on 8 May. The cabinet hit back by unanimously approving the issuance of the food security ordinance on 3 July. Once the state governments had prepared the beneficiary list, the programme would be implemented. However, the ordinance had to be passed by both houses of parliament by January 2014.[27] With a nationwide election due in a few months, it would be foolhardy for any political party to oppose transforming this pro-poor ordinance into an act of parliament.

It is a common and accepted practice in parliamentary democracies for the ruling party to offer economic and other concessions to voters on the eve of a general election. What is not accepted legally or in popular opinion in such countries is the prevalence of corrupt practices in electioneering, including bribing leaders of vote banks and spending sums that are several times the legal limit on the campaign. While backing the legislation aimed at eradicating graft in the bureaucracy and its political masters, none of the party leaders, including Sonia Gandhi, had targeted blatant electoral corruption. She had instead focused on the constitutionally granted discretionary powers of central and state ministers.

Discretionary Powers

In January 2011, Congress president Sonia Gandhi launched her own campaign against corruption with an address to party activists, stressing avoiding extravagance. 'Simplicity, restraint, and austerity must be our chosen way,' she stressed. 'We cannot order this as law. But in a country where poverty is still widespread, let us at least have more sensibility to avoid vulgar display of wealth and waste.' She addressed a letter to central ministers and state chief ministers to give up their discretionary powers, particularly in land allotment issues.[28] The constitution authorized these ministers to use their discretion to favour an applicant or a contractor when deciding the delivery of certain services or allocation of land or other resources.

Responding to Gandhi's call, Singh appointed a nine-member group of ministers (GoM) to pursue the matter. At first, the GoM favoured a blanket abolition of discretionary powers of all central ministers. But once it had feedback from eighty-four ministries and departments, it moderated its stance. Thirty-seven of these ministries and departments reported that they lacked such powers. The remaining forty-five had limited discretion, most of it non-financial such as allocating seats for Haj pilgrimage. 'In a majority of the cases, the discretionary powers are in fact exercised by ministers in performance of their bona fide duties [such as appointments to boards and corporations],' the GoM report concluded in March 2012. Nevertheless, the GoM instructed all central ministries to frame guidelines on the disbursal of favours through ministers' discretionary powers and post these online.[29] But it did not appoint any monitors to ensure compliance.

The 'non-financial' adjective could not be applied to the generously funded defence ministry with its annual budget of Rs 1,800 billion ($36 billion), which included funds for purchasing expensive advanced weaponry from suppliers at home and abroad. So the gesture of defence minister A.K. Antony to give up his discretionary power to name the winner of a particular arms deal in August 2012 was widely noticed and approved. He transferred this authority to the eleven-strong defence acquisition council, which included the ministry's highest civil servant and the chiefs of the three armed services and was chaired by him. The need for using the discretionary power arose because there were almost always deviations between the technical parameters stated in the initial request for proposal and the final product. Once these deviations were spelled out, it was the defence minister who, until then, had the final authority to let the deal be signed or cancel an ongoing procurement contract.[30]

However, the privileged access to land and natural resources—the value of which had exploded in the aftermath of the NEP—was at the core of the discretionary powers of state ministers since ownership of land rested with the states.[31] As a consequence, the NEP had reinforced the earlier business-politics nexus which revolved principally around the funding of election campaigns.

Rampant Electoral Corruption

Electoral corruption stemmed from the link between unaccounted cash and the political establishment and the egregious violation of the legal caps placed on election expenses by the independent Election Commission. There was no incentive for the political parties to alter the present system since they were its largest beneficiaries.

A dramatic example of the blatant role of money in the parliamentary system was provided in March 2011 by the WikiLeaks' publication of secret cables sent by US diplomats to the state department. In July 2008, the Singh government was desperate to defeat the no-confidence motion against it when the Communist-led Left Front's MPs withdrew their support for it in protest against the civil nuclear cooperation agreement between India and America. The WikiLeaks report revealed that an aide to a senior Congress politician (Satish Sharma) showed the American diplomat two chests of cash and revealed that four MPs of a regional party had been paid Rs 100 million ($2 million) each for their votes. 'Money was not an issue at all ... the crucial thing was to ensure that those who took the money would vote for the government,' the aide reportedly said. A second official told the American diplomat that formerly a minister 'could only offer small planes as bribes' but 'now he can pay for votes with jets'.[32] The need for sharing this scandalous fact with the American diplomat arose when the Indian government tried to reassure the George W. Bush administration in advance that the controversial civil nuclear cooperation agreement between Delhi and Washington would be passed by the Lok Sabha. In the event, the Singh government survived the no-confidence vote by 275 votes to 256, with ten MPs abstaining.

Interviews by Frederick J. Kaplan, head of the US consulate in Chennai, and his colleagues with politicians of high rank and their aides in Tamil Nadu and Andhra Pradesh, summarized in his secret cable to the state department on 13 May 2009 (206688: confidential), revealed the true extent of the electoral graft.

In conversations with a visiting consulate team, Karti Chidambaram of the Congress, M. Patturajan, a confidant of a central minister, and Asaduddin Owaisi, an MP, spoke freely as to how they and their principals or parties paid voters during the election campaign. 'Bribes from political parties to voters, in the form of cash, goods, or services, are a regular feature of elections in South India,' noted Kaplan. 'The money to pay the bribes comes from the proceeds of fund-raising, which often crosses into political corruption.' No matter where he and his colleagues went, 'journalists, politicians, and voters spoke of the bribes as a commonly accepted fact of the election process'.

During visits to slums in Chennai and Hyderabad, they were told by a DMK political strategist that 'slums are critical to a campaign because their population density and poverty allows them to be more "easily mobilized" by bribes'. Representatives of an NGO working in a Chennai slum said that 'the two main political parties in Tamil Nadu—the DMK and the AIADMK (All India Anna DMK)—regularly bribe voters'. They described the procedure. 'Weeks before, the parties' election agents visit neighbourhoods with cash carried in rice sacks. They have copies of voter lists and distribute the money based on who is on the list.' The agents arrived in the middle of the night, 'between two and four in the morning, when the Election Commission is asleep'.

Kaplan explained the modus operandi for cash distribution adopted by the DMK in Thirumangalam for the state assembly seat: Here, the DMK distributed money to every person on the voting roll in envelopes inserted in their morning newspapers, with the envelope containing the DMK voting slip, which instructed the recipient for whom they should vote. By so doing, the DMK turned every voter into a bribe-taker. S. Kannan, a mid-level Congress official in Madurai, complained that 'the [DMK's] Rs 5,000 ($110) per voter in Thirumangalam changed everything', noting that previous bribes to voters had topped out at Rs 500 ($11).

In Hyderabad, Owaisi operated differently. 'If they [voters] want a well, I give them the money but make sure they use it for the well,' he said. He paid Rs 35,000 ($700) to cover the marriage of an orphaned girl. Owaisi contrasted his practice of funding projects for communal benefit with the Congress and the Telugu Desam Party, which gave money to individual voters. When American diplomats asked Owaisi if donations for digging wells or paying for marriages were not illegal, he replied: 'Of course, but that's the great thing about our democracy.'[33]

What were the sources of the money that candidates dispensed? As described in chapter 6[34], the ruling Congress tapped businesspersons and industrialists for funds in cash to finance its election campaigns; and other parties followed suit.

Research by the Association for Democratic Reforms (ADR) showed that, in 2010, the average wealth of an MP in the Lok Sabha was Rs 53 million ($1.06 million), which was 250 times the figure for an adult Indian. This statistic showed that they were richer than 99.97 per cent of adults in India, a country where 95 per cent owned assets worth less than $10,000 (Rs 5,00,000).[35] Between the general elections of 2004 and 2009, the number of MPs with assets exceeding Rs 10 million ($200,000) almost doubled—accounting for nearly three-fifths of the 543-strong legislature—and so too did their average declared assets. (These statistics were derived from the affidavits that all the candidates had to submit with their nomination papers.) Seven out of ten Congress MPs belonged to this category, as did half of BJP members. The average net worth of the sitting MPs who contested the poll in 2009 almost trebled during their five-year tenure. What seemed to help MPs enrich themselves, irrespective of being part of the government or not, was their privilege to spend Rs 20 million ($400,000) a year on development of their constituencies at their discretion.[36]

A pristine believer in democracy would have described these practices as distortions that were increasingly giving the Indian model an odious aura among its honest citizens and foreign well wishers.

The extent to which these malpractices had seeped down to the village level was alarming. The case of the 2010 sarpanch election for the panchayat of Sangariya block near Jodhpur was illustrative. The panchayat covered the settlements of Sangariya, Bhakarasni, Kuri Bhagtasni, and Tanawara. Its electorate was 16,500 strong. Only those residing in one of these villages were allowed to enter the race as individuals—not as party members who were permitted to use the party symbol allocated to them by the Election Commission. Of the dozen contestants, only five were serious contenders.

According to the candidate who lost the election by twenty-one votes to Lakshman Rao Chaudhary—who was a broad-shouldered man of medium height, often dressed in a dhoti, long shirt, and turban, and was a professional trader in land—his rival lavished about Rs 15 lakh ($30,000) on electioneering. The defeated contestant admitted spending a little over half that amount. The legal ceiling was Rs 40,000 ($800), about Rs 2.50 (US 5 cents) per elector.[37]

Chaudhary, a native of Tanawara, started campaigning two months before the poll by hiring a team of canvassers who ate and drank at his expense. Almost two weeks before the poll, he reportedly opened a free kitchen for all. Together, these gestures cost him an estimated Rs 8,00,000 to 9,00,000 ($16,000 to 18,000). The bill for the fuel for the vehicles he used—cars, jeeps, and people carriers—was Rs 2,00,000 ($4,000). To clinch his victory, two days before the polling day, he probably bought the votes of those likely to favour his most serious rival by bribing the heads of sub-castes who controlled vote banks. This reportedly set him back by another Rs 2,50,000 ($5,000). For those outside this network, he paid Rs 1,000 per voter directly to the householder, an exercise with a price tag of Rs 1,00,000 ($2,000). Posters, banners, leaflets, stationery, and other miscellaneous items cost him Rs 1,00,000.[38] Little wonder that the voter turnout was an unprecedented 80 per cent.

The only way Chaudhary, with the annual sarpanch's salary of Rs 36,000 ($720), could recoup his massive expenditure and make profit on his investment was by using his powers to extract bribes. He had plenty of avenues for that, but he needed the cooperation of the gram sevak, who was charged with processing applications for land or house transfer, maintaining office records, writing minutes of meetings, and auditing accounts. The other state official the sarpanch had to deal with was the patwari, who kept land and house ownership records.

The sarpanch's signature was required for the building and maintenance of the infrastructure in his area—roads, sewages, water supply, power, schools, and health clinics. Any land or house transfer was legal only after he had signed it and affixed the official seal. There was a widely known bribe of Rs 2,000 ($40) for the sarpanch to authorize water or electricity connections, with 10 per cent of it going to the gram sevak. Then there were the kickbacks on the infrastructure contracts. But the big source of graft was the backhanders given to this elected official on land transfers, a small part of which often funnelled to the gram sevak. These were on the rise because of the proximity of the four villages to the fast-expanding Jodhpur—which led to agricultural land being turned into residential and commercial property. The sarpanch's reported kickbacks for legalizing such transfers were 20 per cent for deals below Rs 1,00,000 ($2,000), then 10 per cent for transactions worth up to Rs 10 million ($200,000), followed by 5 per cent for the sums above that figure. The estimate of his aggregate graft was put at a minimum of Rs 10 million ($200,000) during his five-year tenure.[39]

With the average constituency for a seat in the state assembly having 2,50,000 voters—a successful candidate ended up spending Rs 10 million to Rs 20 million ($200,00 to $400,000), and the total amount spent by all the contestants often totalling Rs 25 million ($500,000). If that MLA belonged to the ruling party, he would use his influence to see that Company A got a lucrative government contract instead of Company B or C. After his favoured firm had signed the contract, its chief executive would pay the MLA in cash through a third party.

The electoral law required all candidates for public office to declare the expenses they had incurred in their race for office. They did. But, according to independent election watchdogs, they under-reported or disguised these expenses. For the 2009 parliamentary election, for example, almost all of the 6,753 candidates for the 543 Lok Sabha seats declared that their outlay on the campaign was between 45 to 55 per cent of the legal cap.[40] In any case, there were massive loopholes in the law. There were no limits on the expenses that a political party could incur on its candidates. And, astonishingly, friends and associates of a candidate could spend unlimited amounts on behalf of him/her without the latter's consent.[41]

There was indisputable evidence that roots of widespread corruption lay in the elections, the centrepiece of the democratic system in India. That the electoral process was in need of reform was recognized by the government under Prime Minister Vishwanath Pratap Singh, leader of the Janata Dal (Hindi for 'People's Union'), a progressive faction, in 1990. It appointed a commission to recommend reform. But his premiership lasted only a year. Since then, fuelled by the growing inequality caused by the NEP, the size of electoral graft has ballooned, while six more government-commissioned reports on this subject have gathered dust. All the same, the ritual continued. A news story published in March 2013 referred to the Law Commission 'working on the issue of electoral reforms'[42].

Surprisingly, only a few NGOs have focused on this fundamental issue. The Campaign for Electoral Reform in India has a one-point agenda: to see the present first-past-the-post system replaced by proportional representation. By contrast, the ADR, founded in 1999 by some professors of IIM Ahmedabad, succeeded in 2003 to get the Supreme Court rule that candidates for public office must disclose their criminal antecedents, if any; assets and liabilities, and educational qualifications in a sworn affidavit as part of filling the nomination form.

Political Parties' Shielding of Accounts

In July 2004, T.S. Krishnamurthy, the Chief Election Commissioner, addressed a letter to Prime Minister Singh on the subject of political parties' accounts. He recommended that they must be required to publish these annually for information and scrutiny by the general public, further mentioning that the present rules required them to maintain such accounts, properly audited. Nothing came of it.[43]

But, using the RTI Act, the ADR sent an application to the Central Information Commission (CIC) in February 2007, asking for the income tax returns of political parties to be made public. The CIC asked all the parties recognized by the Election Commission to respond.

The All India Congress Committee (AICC), supervised by Sonia Gandhi, bristled. 'The applicant/appellant is a busy body having malafide intent, and they are seeking the information for ulterior motives,' it claimed. 'The documents [in question] are personal information of the political parties and also contain commercial confidential data, the disclosure of which is barred under Section 8(1) (d) and (j) of the Right to Information Act.' The BJP also objected to the disclosure of the 'confidential' information, citing the exemption granted by Section 8(1) (j) of the RTI Act. Of the remaining twenty-two political parties, only the CPI and Communist Party of India (Marxist) said that they had 'no objection' to making public their income tax returns.

The ADR responded to these reactions. It argued that since political parties were working in public domain and using public funds, the information about their financial condition was in the public interest. The CIC upheld its appeal in April 2008. It directed the public authorities holding such information to pass it on to the ADR within six weeks. The CIC noted that while political parties were, in essence, NGOs, they exercised governmental power through direct or indirect influence, and that brought them within the ambit of the RTI Act, requiring as much transparency of them as of state institutions.[44]

But a law mandating political parties to publish audited accounts annually was nowhere on the horizon. What is needed, though, is a comprehensive law on political parties along the lines of the one passed by West Germany in 1967. It defines a 'political party', and outlines its internal organization, the procedure for nominating candidates for elections, public financing, presentation of accounts and the implementation of bans on unconstitutional parties.[45]

A staggering number of NGOs had sprouted in the wake of the NEP. They performed myriad functions, with a minority among them agitating against the neo-liberal policies and globalization.

Multiple Roles of NGOs

In India, all non-profit organizations are classified as NGOs. These are required to register under the Societies Registration Act 1860 or its subsequent variants in individual states. In addition, there is a long list of other pertinent laws. It includes the Religious Endowment Act 1863, the Indian Trust Act 1882, the Charitable and Religious Trust Act 1920, the Mussalman Wakf Act 1923, the Public Trust Act 1950, the Wakf Act 1954, and the Public Wakfs (Extension of Limitation Act) Act 1959—as well as section 25 of the Indian Companies Act 1956. The research by a government-appointed committee showed that, in 2010, there were 3.3 million NGOs in India. This worked out to three NGOs in a typical village with an average population of 1,200![46] What was remarkable was that, between 1990 and 2009, the number of NGOs increased six-fold. They were funded by domestic sources, ranging from the government to individuals, or by foreign NGOs, foundations, or trusts, in which case they had to register with the home ministry in Delhi as required by the Foreign Contribution Regulation Act.

What mattered most, in view of the rising tensions in the Indian polity after the NEP, was the role played by the NGOs grappling with socio-economic and civil rights issues. There, broadly speaking, NGOs focused on one or more of the following specific areas: preservation of the ecosystem by opposing building of large dams or industries causing large scale pollution; provision of education, vocational training, health care, and basic sanitation; providing or improving housing; promoting cultural activities; safeguarding civil and human rights; monitoring such national laws as the banning of child labour; improving the lot of slum dwellers or adivasis; fighting for the underprivileged; and assisting other NGOs.[47]

Nationally, the PUCL and the People's Union for Democratic Rights (PUDR) had been active for decades to safeguard civil and human rights as guaranteed by the Indian constitution. At local or state level, Aasra in Dehradun specialized in educating slum children and imparting vocational training to slum dwelling women. In contrast, PAHAR (People's Association for Himalayan Area Research), operating from Nainital, Uttarakhand, raised awareness of the fragile Himalayan environment and brought together scientists, social activists, and local residents to save the Himalayas. Formed in 2000, the SAMARPAN Society focused on providing health care to adolescents and urban poor in Uttarakhand. It was funded initially by the United States Agency for International Development (USAID) and later also by the central government's National Rural Health Mission. What distinguished RLEK (Rural Litigation and Entitlement Kendra), with its main office in Dehradun, was its commitment to fight for the underprivileged within the law and campaign for fresh legislation if such provision did not exist. It focused on the nomadic communities in Uttar Pradesh and Himachal Pradesh and provided them with elementary education and health care. In Dehradun district, for instance, there were 7,469 NGOs in 2010. Their annual budget ranged between Rs 2.5 million to Rs 20 million.[48]

Sensing the disgust that an increasing number of citizens felt at the exponential growth in graft and the declining standards of such public services as health care and education, some state governments resorted to outsourcing the delivery of these services to NGOs. They figured that, since those working for NGOs were socially committed and not corrupt, the quality and delivery of these services would improve. In Uttarakhand, for example, the state's health department started outsourcing the running of the rural and urban health centres and mobile medical units to NGOs.[49]

Some viewed this as an innovative feature of India's democracy, while others considered it a further application of neo-liberal agenda geared to reducing the role of the state. Those NGOs which received such contracts from the government were invariably non-political.

At the other end stood the National Alliance of People's Movements (NAPM), a network of NGOs which specialized in finding the voiceless and shining a light on them—a stance that led it to resist the NEP and globalization through non-violent means.

The alliance evolved gradually with a meeting of like-minded activists in Bhopal in December 1992. They were the prime movers of an anti-NEP mass rally in Delhi three months later. Then a series of conclaves followed in major cities to forge a common ideology and programme. This culminated in a national conference on the NEP and the displacement of the underprivileged in September 1995 in Mumbai. What bound these delegates together was their opposition to the eviction of people from homes, agricultural plots, forests, water sources, and their means of livelihood by dams, forest enclosures, mining enterprises, steel and aluminium works, soft drink plants, and special economic zones (SEZs), where companies were exempted from tax and labour laws—a process that accelerated in the NEP era. They favoured communal control over land and natural resources. At the Mumbai conference, the organizers sought the active cooperation of like-minded lawyers, artists, and journalists.

They then toured fourteen states as a preamble to a holding a national convention. That tour ended at Sewagram Ashram in Wardha, Maharashtra, the main base of Mahatma Gandhi, to stress the alliance's commitment to non-violence. At the convention in Mumbai in December 1996, representatives of ninety NGOs participated and adopted an ideological charter and a programme. Sanjay Mangala Gopal was elected the national coordinator.

'We oppose the uncontrolled powers of global and national capital,' stated the NAPM's ideological charter. 'The present process of globalization is artificial and unsustainable ... We oppose the profit-oriented New Economic Policy with its attendant liberalization, privatization, and globalization, because it marginalizes and even excludes a majority of people and exhausts the resources of the nation for the sake of accumulation of profit in the private hands of a minority at the national as well as international level ... We oppose the integration of [Indian] agriculture into the world market.' The charter favoured a 'people-oriented', sustainable development model but failed to offer a blueprint.[50] Its membership was limited to domestically financed NGOs, with foreign-funded bodies relegated to associate membership. It reiterated its commitment to non-violent direct action. It affirmed its boycott of electoral politics since, in its opinion, all political parties were implementing the NEP at the state or central level. Its representatives participated in the protests at the World Trade Organization (WTO) ministerial conference in Seattle in November 1999.

During the next decade, its network expanded to more than 200 NGOs in fifteen different socio-economic fields, ranging from dam building and mining projects to slums and child labour. It organized such peaceful direct action as rallies, marches, demonstrations, and strikes.

The NAPM succeeded in some campaigns and failed in others. It supported the peaceful agitation by its constituent, the Narmada Bachao Andolan (Hindi for 'Save Narmada Movement'), against the construction of a series of dams in the valley of the Narmada river flowing through Madhya Pradesh, Maharashtra, and Gujarat. Though it helped to generate a national debate on the issue, and the subsequent controversy led the World Bank to withdraw its offer of a loan of $450 million, it lost the battle at the Supreme Court in October 2000. The court ruled by two votes to one that the building of the Sardar Sarovar dam on the Narmada could go ahead.[51]

In May 2003, when the panchayat of Pudussery in Kerala revoked the water-use licence of the Pepsi factory, arguing that it had depleted the groundwater to the extent of causing scarcity, the NAPM's Medha Patkar endorsed the move. Gopal, the national coordinator, reported, 'People from villages in Varanasi in Uttar Pradesh in the north and Thane in Maharashtra in the west have also asked us to initiate agitations against the lavish use of scarce water resources by multinational soft drink companies.'[52]

he NAPM became a storehouse of popular experience, which it deployed to mobilize those who had in the past been either dormant or passive, at best, to inject their concerns into the national discourse. In July 2006, Patkar and other NAPM activists arrived in the village of Medhiganj, Uttar Pradesh, to back the local struggle against a Coca-Cola bottling plant over-utilizing the settlement's water supply. Hundreds of villagers gathered around the platform set up near the plant gates. In her speech, Patkar narrated the experience of Plachimada village (Kerala) residents, who had also been battling a Coca-Cola factory with some success, and listed the lessons of that agitation.[53]

Earlier that year, the NAPM was a major player in securing the reversal of the decision of the West Bengal government, led by the CPI (Marxist), to establish a 15,000-acre (580-hectare) SEZ on fertile, agricultural land for an Indonesian MNC. Later in 2006, the National Commission for Dalit Human Rights, a leading network of Dalit movements, officially joined the NAPM.

But the NAPM's attempt to mobilize all its constituents to launch a concerted, nationwide attack on the NEP, starting with a huge mass rally in Delhi in March 2007, failed. Though activists from sixteen states turned up for the meeting, its size was unimpressive.

Overall, though, the NAPM's activities had created political space for discussion and debate outside the political establishment. And on important domestic events, it offered comment and analysis, which the media often reported. For instance, while commenting on the Maoist ambush on a Congress convoy in the Darbha Valley on 25 May 2013, it referred to an earlier episode on the night of17-18 May when a firefight between the security forces and Maoists guerrillas had led to the deaths of eight adivasis near another village in the same valley. 'If the lives of those in power and leadership are important, then so are the lives of common adivasis who are being tortured, jailed, and killed by security forces and Maoists,' it said. 'In the Darbha Valley, where the attack by Maoists has killed Congress leaders, the state administration had violated all existing laws and procedures to facilitate land grab for Tata Steel.'[54]

Since the NAPM was wedded to non-violence, it continued to function freely. So did all other NGOs, most of them with a single-issue agenda. As a rule, they pressed their case at first by recording it on the grievances websites maintained by the central administration and many state governments. If nothing came of it, they then sought meetings with local MLAs/MPs and ministers. If that failed, and if they had the wherewithal, they hired a competent lawyer to file a Public Interest Litigation (PIL) with the high court in a state capital in accordance with Article 226 of the constitution.[55] However, these courts were creaking under heavy backlogs. In the spring of 2013, there were nearly 5,00,000 cases pending in high courts. But, if a certain high court decided that a particular PIL petition was weighty and urgent, it could fast-track it. If the NGO's attempt failed or it lost the case, it had the option of approaching the Supreme Court, according to Article 32 of the constitution.[56] At this court, the backlog of cases was a mere 50,000.[57] In both instances, the petitioner had to establish prima facie that citizens' fundamental rights were at stake and the subject was of public interest.

Public Interest Litigation: the Prime Innovation

The PIL legal recourse rested on the basic principle of letting an individual or group file a petition on behalf of others. It was Supreme Court judge V.R. Krishna Iyer (1973-80), a former minister in the Communist government of Kerala, who introduced this concept in 1976 when he ruled that the Mumbai Kamgar Sabha (Hindi for 'Mumbai Workers' Council') could be the appellant for the workers of M/S Abdulbhai Faizullabhai & Ors. Later, the Supreme Court would assume the power to initiate litigation itself if it concluded that the aggrieved party lacked the means to do so or felt intimidated.

After the Emergency during June 1975-January 1977 imposed by Prime Minister Indira Gandhi, when all civil and human rights of citizens were suspended, there was a strong sentiment in the nation that a way of circumscribing future excesses by the executive had to be found. It was in this social environment that Supreme Court advocate Kapila Hingorani drew the attention of the Supreme Court to the deplorable plight of under-trial prisoners, exposed in a series of newspaper articles. Prisoner Sunil Batra wrote a letter to Justice Krishna Iyer referring to widespread torture of fellow inmates by jailers. A social activist drew the court's attention to the slave-like conditions of bonded workers in quarries. Several cases of this nature followed. In the course of dealing with these petitions, the Supreme Court formed a new set of citizens' rights and the state's obligations and new methods of its accountability.

In 1982, Justice Prafullachandra Natwarlal Bhagwati described public interest litigation as 'a strategic arm of the legal aid movement, intended to bring justice within the reach of the poor masses, who constitute the low visibility area of humanity, [and] is a totally different kind of litigation from the ordinary traditional litigation.'[58]

Soon after being promoted to chief justice in July 1985, Bhagwati placed PIL within the context of Article 32 of the constitution, which accords citizens the right to move the Supreme Court to bring about the enforcement of his/her fundamental rights listed in the constitution. This vastly enlarged the jurisdiction of the Supreme Court, giving it a say in remedying the actions or omissions of the executive branch, in the process acting as monitor of the investigating and prosecuting agencies of the government.

The position of chief justice goes to the most senior serving judge. Though the maximum authorized number of judges is thirty-one, often there are only twenty-three, and they retire at the age of sixty-five instead of sixty, which is the norm for civil servants.[59]

Declaring that the principle of judicial independence meant non-interference by the executive or the legislature in the appointment of its judges, the Supreme Court divested the President of India of the power to nominate Supreme Court judges in consultation with the cabinet in 1993. That authority was then transferred to the Chief Justice and a collegium of four senior-most judges. They advised the President, who did the formal appointing. Therefore, judicial independence is more firmly guaranteed in India than in America, where the President appoints a Supreme Court judge subject to confirmation by the senate.

With rising inequality and higher rate of capital accumulation in the wake of the NEP, the number of PILs on corruption rose. The failure of the Congress government of P.V. Narasimha Rao to follow up the leads of underhand payments made by Surendra Kumar Jain as noted in his diaries, led journalist Vineet Narain to file a PIL with the Supreme Court in October 1993. It was the intervention by this court that goaded the CBI to file a case against Surendra Jain and his brother in March 1995.[60]

When dealing with cases not linked to graft, the Supreme Court's wish to demonstrate its impartiality led it to rule in favour of the government's massive infrastructure projects. Such was the case when it dealt with the objections raised by NGOs against a series of dams in the Narmada Valley. In October 2000, it concluded that the long-term benefits accruing to the inhabitants of the region from this enterprise outweighed the near-term loss of homes and land to those displaced by the project.

In April 2011, it upheld the PIL filed by the PUCL for the right to food to be regarded as part of the fundamental right to life. Its subsequent interim orders to the central government gave a push to the right to food campaign by NGOs. Yet it took twelve years for the food security legislation to materialize—and that too only in the form of an ordinance with a maximum life of six months.

It required a PIL application by Anna Hazare in June 2003 that compelled the state governments of Maharashtra and Karnataka to turn over the case against master conman Abdul Karim Telgi to the CBI. That, in turn, energized the wheels of justice at the lower level.[61]

The Bombay High Court gained front page headlines in August 2006 when it directed broadcasters to give an undertaking that they would abide by the Cable Television Network (Regulation) Act 1995 as well as the its orders within twenty-four hours in view of widespread public interest.

Both the Delhi High Court and the Supreme Court won plaudits of the public with their rulings on the most shocking 2G spectrum scam in 2009-10 centred round the misdeeds of communications minister Andimuthu Raja. It was the high court which ruled on 1 July 2009 that advancing the cut-off date for applications for 2G spectrum licences from 1 October to 25 September by Raja was illegal. And it was the PIL application to the Supreme Court by the Centre for Public Interest Litigation (CfPIL) in August 2010, and its acceptance within weeks, that set in motion the slow unravelling of the sordid saga. When Ratan Tata tried through legal means to limit the publishing of the audio-tape records, the CfPIL on 14 December sought the active intervention of the Supreme Court to lift the officially protected cloak of secrecy that concealed from public gaze disclosure of the backdoor manipulation of the administration and subversion of official decisions and policy to benefit private company interests. In short, it appealed to the court to publish the entire collection of Radia tapes in its possession. The court granted the plea. That provided the general public an unvarnished view of the unholy alliance between politicians, businesspersons, lobbyists and senior journalists—a searing evidence of the distortions of the globe's largest democracy.[62]

In the Coalgate scandal that broke in 2012, too, it was the PIL filed by advocate L.M. Sharma that exposed the skullduggery in the allocation of coal blocks by a procedure which skirted competitive bidding through Byzantine means to favour politicians and their kith and kin.[63]

Such a dismal record of his government should have caused Singh much soul searching at the very least. His prestige hit rock bottom when the Supreme Court publicly criticized him on 18 November 2010 for failing to respond to more than a year of requests to investigate the allegations against Raja.

Almost three months later, Singh got a chance to express his views in his inaugural speech to the Commonwealth Lawyers conference in Hyderabad. He referred to 'a series of landmark decisions of our Supreme Court', where 'our judges have also widened and deepened their scope and reach as law givers'. Conceding that 'the judicial process' was 'the guarantor of justice to litigants and an upholder of the constitutional ideals of our nation', he stressed that 'the basic structure of the constitution is not subordinated to political impulses of the moment or to the will of transient majorities'. Then he stated, 'While the power of judicial review must be used to enforce accountability, it must never be used to erode the legitimate role assigned to the other branches of government.'[64] In plain English, Singh was complaining about the intrusion of the Supreme Court into the policy and administrative spheres of the state's executive organ.

His complaint was misplaced. As a rule, the Supreme Court and lower courts do not delve into administrative matters. But when dealing with PILs, the Supreme Court and high courts are required to rule whether or not an administrative decision is in public interest and/or is fair and just. It can do so only by examining official documents and instructing the government to submit an affidavit.

The Changing Social Ambience

Taking a panoramic view, there are two basic questions to pose. Have the interventions of the Supreme Court helped the process of embedding the democratic system in India or hindered it? And what was the socio-economic background to these decisions by the apex court?

By giving periodic hope to those who felt victimized or oppressed, or those who loathed the nefarious, corrupt practices of the rich and the influential, that the present social system harboured an institution such as the Supreme Court empowered to right the wrong done by the executive, its judges have served, in essence, as the knowing or inadvertent agents of maintaining the status quo, content to tweak the system here and there.

Since 1993, the Supreme Court had delivered verdicts in a rapidly changing social environment. When the NEP was introduced in 1991, only one out of two Indians was literate. Two decades later, three out of four were counted as literate, a 50 per cent improvement.[65] During that period, their sources of information and comment multiplied. For example, until 1991, the ministry of information and broadcasting (MIB) had the monopoly in radio and TV communication, with the respective channels titled All India Radio (Akashvani; Hindi for 'Sky Speech') and Doordarshan (Hindi for 'Distant Vision'; DD), underwritten by the Indian Telegraph Act 1885. In early 1991, when the eleven-year-old Atlanta-based CNN satellite TV channel wanted to make its coverage of the Gulf War available in India, the government allowed it to access satellite uplinks. This provided an opening to other cable networks.

In late 1993, a dispute between the Cricket Association of Bengal (CAB) and the MIB regarding the worldwide telecasting of a cricket tournament by the New York-based TransWorld International (TWI) was hastily resolved by the imposition of a compromise devised by the Calcutta High Court. The TWI telecast the matches. Neither the MIB nor the CAB was satisfied with the outcome. They appealed to the Supreme Court.

In February 1995, the three-judge bench of the Supreme Court ruled that the right to 'impart and receive information' was implicit in the right to freedom of speech and expression guaranteed by Article 19 (1) (a) of the constitution and the Indian government should end state monopoly on broadcasting as well as satellite uplinks. In a separate ruling, Justice B.P. Jeevan Reddy ruled that the Indian Telegraph Act of 1885 was 'wholly inadequate and unsuited for' the electronic media and that the Parliament should enact new laws for this means of communication.[66] With the implementation of the Prasar Bharati (Hindi for 'Indian Broadcasting') Act in 1997, the running of Doordarshan and All India Radio was passed on to Prasar Bharati, a nominally autonomous body whose chairperson was appointed by the republic's President. Since it was dependent on the public treasury for its financial survival, it was known as public broadcasting service.

By 2012, there were 823 TV channels offering news, sports, entertainment, and religious programmes and over 150 million TV sets.[67] A single DD channel mushroomed into twenty-one outlets, with DD National, a terrestrial channel reaching 92 per cent of all homes in the country, outstripping all other channels. Overall, about 100 channels aired news and comment in sixteen Indian languages, including English, four-fifths of these being twenty-four-hour channels. Being heavily dependent on advertising revenue in a very competitive market, TV channels pitched content to the lowest common denominator to raise their audience figures. All the same, there was greater choice for viewers than ever before.

Videsh Sanchar Nigam Limited (VSNL), a public sector company, started Internet in India on 15 August 1995 in Delhi. In 2001, the number of Internet connections reached 7 million, or 0.7 per cent of the population. That statistic jumped to 110 million ten years later, or 9.1 per cent of the population.[68] But most of these were in urban centres. A similar division prevailed in the mobile phone sector.

The rise in mobile phone subscriptions, which started in August 1995, has been phenomenal. It zoomed from under 37 million in 2001 to over 846 million in 2011.[69] This impacted positively on the economic expansion. It was estimated that extra 10 per cent mobile phone penetration in India led to an increase of 0.44 per cent growth in the GDP.[70]

'The total telecom density of the country [in 2012] is about 71 per cent but only 33 per cent of rural India, which has 70 per cent of the country's population,' noted a report by Telecom India in 2012.[71] A study by the Indian Council for Research on International Economic Relations (ICRIER) in 2008 showed that the states with 10 per cent higher mobile phone penetration produced 1.2 per cent higher annual economic expansion than those with a lower telephone density.[72] Little wonder that the rural population had received a minuscule share of the wealth generated by the post-NEP boom.

Even within that portion, there was much variation between regions and between those settlements which were near expanding cities and which were far removed from the bustling urban centres.

NINE

Perspectives from the Grassroots

SOME OF THE factors that shaped the perspectives of the villagers I studied were fixed and others variable. For instance, the distance of a rural settlement from a large town or city was a constant. This was also true for the sub-caste in which Hindu Indians were born and which confined them to a particular neighbourhood in their native settlement. The extent of villagers' education changed with time. So too did the irrigation facilities for their crops and the availability of electricity and drinking water for their homes. Equally, their social and political consciousness was affected by changes in communication wrought by advances in technology and dissemination of information. These generalizations stemmed from my field research of Johri Gaon, Rasulpur, Kuri Bhagtasni, Sisola, and Kekra Ravoli.

Johri Gaon

There is a special place in the history of Johri Gaon (Hindi for 'Johri Village') for 2000. It was in that year that the state of Uttaranchal (renamed Uttarakhand in 2007) was carved out of northwestern Uttar Pradesh, with Dehradun as its capital. The exaltation of that city rubbed off on this settlement located 8 km (5 miles) from its northern boundary.

As the capital city of a state with a population of 8.5 million, famed for its salubrious climate, Dehradun attracted businesspersons and contractors from Delhi as well as retired company executives and army officers from the warmer parts of northern India. This influx raised property values. Finding the inflated house prices in Dehradun too steep or the affordable residences unsuitable, the newly arrived cast their eyes on Johri Gaon, then a settlement of 1,500 people living in modest cottages dotted between agricultural fields or clumps of lush green woodlands. Its inhabitants were served by a few, poorly stocked shops.

Land prices zoomed after 2000. 'When I was a boy, 1 bigha [900 sq yards/750 sq metres] cost Rs 1,000 ($20),' recalled forty-one-year-old, square-faced, stocky civil servant Yogesh Bist as he chewed betel-nut paan that had turned his teeth reddish. 'Now a single bigha costs Rs 5-6 million ($100,000 to $120,000).'[1]

Local landholders found the money being offered for their plots too tempting to resist. The resulting transactions put a lot of cash into the pockets of villagers. They deployed these finds variously, depending on their educational background and the disinterested advice they managed to garner from those with basic financial expertise. Most of them upgraded their cottages into brick-and-mortar two-story buildings, sometimes aping the architectural style of the upscale neighbourhoods of New Delhi. 'When I was a boy, there were many huts and houses of mud,' recalled Bisht. 'Now all houses are made of baked bricks. We also have piped water. In the olden days, a rich person owned a cycle. Now some rich families have two cars.' In addition, there were the spacious and architecturally distinct houses of the well-off urbanite immigrants, with many of them having gardens and basements, and equipped with rainwater harvesting tanks on the roof.

For the remaining agricultural land, tools of production changed. 'There are tractors for ploughing now,' added Bisht. 'Very few oxen ploughs are left.' The landless villagers made redundant by tractors turned to menial work in Dehradun or learned to drive trucks or taxis there.

As for the surplus cash left after improved housing, the uneducated among the former landholders lavished funds on expensive weddings and feasts or on drinks. The rest invested in businesses, which ranged from shops selling consumer goods to hardware stores catering to the ongoing construction projects.

The transformation of the non-descript settlement of 1,500 souls to a semi-urban suburb within a decade was well captured by the fate of Baru Pal. A lean, dark middle-aged man with a light stoop, he owned three bighas of land and worked as a truck driver to eke out a living for his family of five until 2000. When the demand for building houses by urban outsiders rose, he started to sell his land in stages. The boom in local construction led him to become a supplier of building materials—gravel, sand, cement, bricks, wood and paints—which he stored on the half a bigha of land he retained for himself. As part of his expanding business, he acquired a dumper truck, a water carrier, and an outsize auto-rickshaw. He also forged contacts with carpenters, plumbers, and electricians.

Catering to the recently settled urbanites, the enterprising villagers provided goods and services that citizens in a freshly globalizing world were getting used to—from canned foods to beauty parlours to Internet cafés.

The enterprising and highly educated Bhatt family, ensconced in a large mansion, had branched out of selling construction materials to run a travel agency, displaying glossy holiday brochures, and an Internet café, as well as sell and service computers and hardware.

Nearby, the sign 'RAINA BEAUTY PARLOUR' above the following text—'(Only for Ladies); Mobile 9557683226; Bridal Make-up; Party Make-up; Skin and Hair Treatment; Hair SPA; Trained by VLCC Beautician; Expert in Make-up in hair and skin'—was far too brash to ignore. The beautician was Sheetal Jhapa, a bright-eyed, ebullient, twenty-five-year-old with a smiling face and sleek black hair, in jeans and a flowery blouse. 'VLCC stands for the Vandana Luthra Curls and Curves in Dehradun,' she explained. 'It also makes a skin-whitening cream, a fairness cream.' The traditional Indian aspiration to be fair-skinned has been accentuated by widespread exposure to Western movies available on cable TV.

She talked to me in the shadow of a mobile phone transmission tower of Bharat Sanchar Nigam Limited (BSNL) erected in 2006. Mobile phones were ubiquitous. 'These companies charge by the pulse, which is thirty seconds,' explained Avdesh Kaushall, a tall, skinny man with sunken cheeks and missing teeth, who ran a general provisions store in the main street. 'The monthly charges vary between Rs 100 and Rs 300 ($2 to $6). Mobiles are good because that way you know what is happening where. It is good for business; that is why I use it in the shop. At home, I have a landline phone.' His shop displayed Vodafone and Airtel logos, for which he received no payment from the companies.[2]

Mobile phone company logos were to be seen even in villages lacking electricity, which was the fate of 35 per cent of the rural settlements nationally, according to the 2011 census.[3] Though street lighting and electricity came to Johri Gaon in 1990, electrification of homes proceeded slowly during that decade. Later, the pace picked up. But, as of 2010, not all residences were electrified.[4]

Johri Gaon had the distinction of having a primary school as far back as 1963. 'Now there are three schools providing education up to the higher secondary stage [eighteen-year-olds], and the youngsters in the village are almost all literate,' reported Sumanta Benerjee, a veteran journalist and writer, who lived in Delhi until 2001. 'Besides, there is an anganvadi [Hindi for 'around a courtyard'], which is a government-sponsored village institution-cum-crèche run by female teachers and paramedics to look after children and the health of local women.' But the village lacked a health clinic. It had only one practising doctor. 'His minimum fee is Rs 50 to 100 ($ 1 to 2),' said Jhapa. 'In Dehradun, you pay Rs 150 to Rs 200 ($3 to $4), the average wage of a day labourer. And for emergency treatments, you pay Rs 300 ($6).'

Overall, Johri Gaon reflected the upbeat mood prevalent in Dehradun, which had witnessed the opening of six shopping malls in as many years. In several ways, the village was being urbanized. Yet it suffered the fate typical of rural India, which was at the receiving end of the traditional ineptitude and corruption of the bureaucracy. It was glaringly manifest in the ramshackle state of roads.

'In our village, roads are neglected for years,' complained Banerjee. 'On the eve of state assembly elections, the candidate of the ruling party gets the public works department to repair roads. This impresses the public and gets the candidate votes. Roads look fine. But the contractor does a cosmetic job, using sub-standard materials and shoddy workmanship. Come monsoon and the roads develop potholes or cave in. The one to our village from the city remains flooded during the rainy season. So we have to wait for the next election, when the candidates listen to our complaints and get our village roads repaired.'

In short, periodic elections keep the flickering flame of hope alive. 'The candidates deliver 30 per cent of the promises they make when they win,' stated Binode Nautiyal, a muscular man with a weather-beaten face and in cotton trousers, who had been eavesdropping on our conversation at Kaushall's store. 'If one candidate does not deliver, we go for another. If he fails then we try the third. I used to vote Congress, but I was impressed by Atal Bihari Vajpayee as the prime minister. So now I vote BJP.'[5] It later transpired that the turnout of voters in this village of 2,000 souls for the panchayat as well as state assembly elections was high, between 80 and 85 per cent.

Since its founding, Uttarakhand has been ruled alternatively by the Congress (2002-07 and 2012 onwards) and the BJP (2000-02 and 2007-12), with both of them committed to furthering the NEP. Similar has been the case with Rajasthan since 1990, with the Congress and the BJP alternating in the state capital of Jaipur.

Basking in the Urbanizing Sun

Predictably, the prime beneficiaries of urbanization, accelerated by the NEP, have been the villages surrounding cities and large towns. If a particular settlement also found itself included in a national highway building project, then its urbanizing chances soared. Such was the case with Kuri Bhagtasni (aka, Kudi Bhagtasani) situated 16 km (10 miles) from the centre of Jodhpur—the headquarters of the Jodhpur Development Authority (JDA) established by the state government to ensure planned expansion of the city. Most of the householders in Kuri Bhagtasni were peasants, with the rest being carpenters and potters.

In 1989, the JDA decided to acquire 2,500 bighas in Jodhpur's surrounding rural areas under the Land Acquisition Act 1894 for 'public purposes'—in stages. Five years later, it targeted Kuri Bhagtasni. It started paying Rs 35,000 ($700) per bigha of the rural land, handing over cheques to sellers. In the mid-1990s, with the Ambala-Pali National Highway (NH) 65 passing by the settlement, land prices soared. The JDA decided to sell a third of its acquired land to Ansal Housing and Construction Limited (Ansal, for short), a big player in property development, in 1999. It did so at Rs 1,25,000 ($2,500) per bigha and made a handsome profit.

Attracted by Kuri Bhagtasni's location along NH 65, some large handicraft factories in Jodhpur moved to the area around it. That pushed up the value of land further, with the government rating it at Rs 2,00,000 ($4,000) a bigha. But Ansal offered two to two-and-a-half times as much. But there was a catch. It paid the vendor two-thirds of the price in cash and only a third by cheque. Other realtors did so too. The local landholders had no objection to this arrangement. In agriculture, there was no tax either on income or on capital gains derived from sale of land. But it enabled the purchaser to transform his black money into white.

For the land buyer or builder, the income earned from selling his property to others or developing it was white money. In both cases, he profited enormously. He either divided the property into small plots and sold these individually to predominantly urban buyers at a hefty mark-up for payment by cheque, or built a housing colony and sold individual homes for large sums transferred by cheque.

'An accelerated sale of agricultural land started from 2005 onwards,' recalled Khinv Raj, a sturdy, bearded twenty-seven-year-old Ph.D. student at a university in Delhi. 'Real estate agents arrived with sacks full of cash—all of it black money—to buy land in and around my home village of Kuri Bhagtasni. Those who had large plots—around 30 bighas or so—got more than Rs 10 million ($200,000). In 2007, one of our neighbours received Rs 80 lakh ($160,000) cash in one sack plus a cheque for Rs 40 lakh ($80,000). He needed help to count the money. I volunteered. We worked through the night. Once that was done, he took the sack to the local security guard armed with a gun for safekeeping. Later, he divided the cash among his two brothers and their families. His two sons working in a factory prior to this deal quit their jobs. They now had enough money in their bank accounts to sit at home.'

By 2010, therefore, there was no agricultural land left next to Kuri Bhagtasni. Those landless peasants who used to work the land found jobs in handicraft factories or in Jodhpur. That was what I discovered during my visit to Kuri Bhagtasni. I met a dozen villagers at the newly renovated house of Hanuman Ram Jangid—with marble floors, piped water, porcelain wash basin, and a flat screen colour TV.

Older men were dressed in white dhotis, long white shirts with breast pockets, and large, coloured turbans, some of them wearing tiny ear rings or studs. The younger ones were clad in cotton-and-polyester pants and white shirts. After a communal discussion, a consensus about the state of the village emerged. The arrival of electricity had been beneficial, and so had the availability of piped water, with a storage tank on display. The opening of a mobile phone repair shop had been a boon. The assembled noted, too, that the daily wage of Rs 300 for work on a building site in Jodhpur, which some villagers had taken up, was two-and-a-half times the amount paid under the National Rural Employment Guarantee (NREG) scheme. Those who read newspapers preferred Dainik Bhaskar (Hindi for 'Daily Sun') and Rajasthan Patrika (Hindi for 'Rajasthan Newspaper').

The slim, neatly dressed Bhagat Lal, who had brought a glossy brochure in English with him, handed it to me. It was titled, 'Ashiana Amarbagh, Jodhpur'[6]. Earlier, I had seen vast billboards in Jodhpur advertising the company's housing colony with an alluring image of a villa accompanied by the text: 'Ansal Ashiana Amarbagh. Landline 0291.272.1286. Village Kuri Bhagtasni, Pali Road, Jodhpur 342001'.

Armed with the brochure, I crossed NH 65 to find a few modest trading posts—a tea stall, a mobile phones outlet, a cycle repair shop—installed on the fringe of the fenced complex with a sentry box at the gate. A very wide strip containing thirty two-story villas, complete with a garage, led to a vast trapezoid shaped colony measuring 50 bighas. It contained almost 370 villas with open terraces. The residents could count on round-the-clock power and running water. With a three-bedroom residence worth Rs 3.3 million ($66,000), the value of the Ashiana Amarbagh stood at Rs 1,200 million ($24.4 million).[7]

The artists' impression of the gated community in the brochure was telling. None of the six women in the colour drawing was wearing a sari or salwar kameez. They were all slim with short hair or pony tales and wearing jeans. Of the three men, the one drawn prominently was dressed in a business suit and carried a slick briefcase. This brought home to me what Raj had told me earlier: 'My fellow villagers are intimidated by the overbearing presence of the rich in the Ashiana Amarbagh Colony erected in front of their "invisible" settlement.'

The benefit of the surge in land values to the farmers in Kuri Bhagtasni and the surrounding villages of Bhakarasni, Sangariya, and Mogra varied widely. 'Most of those who sold land to Ansal were illiterate or semi-literate, low caste peasants,' said Raj. 'They had never seen so much cash in their lives. There was nobody around to advise them how to invest their money to get steady interest or dividends. Only one in twenty made proper use of cash as investment. Others spent it on new gadgets, expensive mobiles, jeeps, and cars. Many young villages sat at home and turned alcoholic. And once the cash was exhausted, the former landholder became a labourer on a construction site for Rs 300 ($6) a day.'[8] The conclusion I drew on this subject from my conversations with the assembled villagers in Kuri Bhagtasni matched the statement made by Raj.

All told, inhabitants of Kuri Bhagtasni as well as other nearby villages had benefited from the economic transformation of their settlements but, as individuals and companies, the outsiders had gained many times more. Once again, this illustrated the skewed nature of the NEP-fed boom in India.

And, as elsewhere in the country—the mining region being the most evident—the companies which had profited massively from exploiting the local resources had shown total disregard for the welfare of the native community.

None of these villages had yet acquired a hospital. And educational facilities in Kuri Bhagtasni had remained unchanged over the past decades. 'In 1993, I passed my fifth grade [at the age of eleven] from the Government Primary School of Kuri Bhagtasni,' recalled Raj. 'After that I had to go to the neighbouring village of Sangariya, 4 km (two-and-a-half miles) away, which had a school up to the tenth grade. Every day I walked 8 km (five miles). Even today, the school in my village is only up to the fifth grade.' During my visit, I called on the headmistress, who put the number of pupils at thirty-eight. While the pupils pursuing further studies still trudged daily to Sangariya, the ones living in the Ashiana Amarbagh Colony were picked up by buses of the English-medium, privately run St Anne's School in Jodhpur.

This was the case in a village which hosted a prominent Congress functionary, Hanuman Ram Jangid. In his contest for the sarpanch of the Sangariya panchayat, he narrowly lost to his BJP rival Lakshman Rao Chaudhary. The result of this poll was reflective of the state of the two national parties in Rajasthan. And this made the public at large set much store in periodic elections.

Proximity to a city, a repository of political and economic power, was an important factor in generating a popular feeling among the rural inhabitants that, though economically lagging behind urbanites, they were not powerless. An altogether different mood prevailed in the villages far removed from the thriving urban centres.

Such was the case with Rasulpur and its twin village Rasulpur Tongia 80 km (50 miles) south of Dehradun on the edge of a forest.

Rasulpur

If an inhabitant of Rasulpur wished to visit Dehradun, he/she had to trek 5 km (3 miles) along a stony pathway to Bandarjoot to catch a bus. The journey to the capital on a dilapidated road lasted three gruelling hours. Since this artery got flooded during the monsoon, the village lost its link with Dehradun via Bandarjoot. The only alternative left to its residents was to ride a bus in the opposite direction to the Hindu pilgrimage city of Haridwar and then do a U-turn to Dehradun—an expensive and time-consuming exercise.

No wonder the settlements of Rasulpur-Rasulpur Tongia felt neglected. Yet their problems were typical of the villages outside the charmed circle of prospering cities. When the only functioning tube well in these villages broke down due to its faulty motor, months passed before the water department in Dehradun woke up to remedy the desperate situation.

Of the two primary schools, the older one consisted of a single room with fifty pupils of varied ages taught by a single teacher. The later addition boasted two classrooms constructed on a brick-and-cement platform with three teachers and 125 students. The uneven, dusty playground in front of the built-up area was used as an open-air classroom for the youngest children, sitting cross-legged, taught by an unqualified female teacher who received her salary intermittently. None of the male teachers lived in the twin settlement. Of the four open-air toilets with rickety doors, only two seemed usable. On the positive side, it was claimed that all kids up to the age of nine attended school—a welcome development in a place where male literacy was 50 per cent and female 30 per cent.

Next door stood a junior secondary school (sixth to eighth grades) for twelve- to fourteen-year-olds with three classrooms. 'What appears as a junior secondary school in a finished and painted building with a kitchen and toilets in the records of the government's education ministry is in reality this,' said my chaperon from Dehradun. 'This' was a skeleton—a bare, half-finished structure with bare bricks, no plaster, without a kitchen or toilet or even furniture in its classrooms. It had ninety pupils but only one teacher, the thirty-year-old Amit Kumar, who, I was told, looked permanently harassed. There was no way of telling because he lived outside the village, arriving daily by a motorcycle, and—more to the point—he was not there on that day in early March 2011. The school was padlocked.

Nonetheless, many villagers, including some of the school's pupils, gathered around our jeep. They were all male, invariably wearing cotton pants in light or dark colours, checkered shirts, and ill-fitting shoes or open sandals. Remarkably, nobody was seen in jeans, an unmistakable sign of sartorial globalization.

Speculation about missing Amit Kumar followed. 'He is getting married,' quipped a wide-eyed student wrapped in a striped shawl. Giggles stirred the cold air. Others speculated that he was visiting the education ministry in Dehradun to collect his monthly salary, believed to be Rs 25,000 ($500). That was more likely.[9]

There was no primary health clinic. Sewage and waste disposal were equally absent. Puddles of sewage were scattered all over the twin settlements.

All the same, there were some improvements. 'Electricity came to public buildings in 1979,' recalled Prem Singh Pawar, the sarpanch of the local panchayat. 'But it was only in 2003 that it was extended to street lighting. Most houses are not yet connected. What we do is hook up.' The term 'hook up' was euphemism for stealing electricity by connecting a lead from the overhead cable to a house. 'We hook up in the evening and disconnect in the morning.'

The villagers did so to be able to watch TV after sunset. Their sets received only three terrestrial channels, the most popular being public broadcaster Doordarshan, with their ample fare of game shows, drama serials (such as TV channel Colors' *Balika Vadhu*, the story of a young bride married to an older man—*Kachchi Umar ke Pakke Rishte*), and mainstream Hindi movies. Younger watchers liked to switch on to sports events. Very few, if any, could afford to pay to access cable TV channels.

Television was the sole source of news for this rural community. Nobody was known to be reading a newspaper in Hindi, although the names of such popular dailies as *Amar Ujala* (Hindi for 'Eternal Light') and *Dainik Jagran* ('Daily Awakening') resonated with Pawar. The only way he could get these papers delivered to him would have been by bus to Bandarjoot from the nearest town of Biharigarh.

It was not surprising, therefore, that the queries about the Right to Information Act and the public interest litigation provision left Pawar looking puzzled. 'Such provisions have little meaning or application for a village of the Rasulpur type,' remarked Bharat Sharma, an official of the Friends of Doon, an NGO trying to improve villagers' living conditions. 'Here people are totally busy with earning their daily bread. They have no time for or interest in the procedures which do not directly affect their daily lives and which can be time-consuming.'[10]

As a rule, elections elicited interest, more so when these were local. Yet such basic rules about this centerpiece of democracy as legal expense cap for electioneering were unknown. 'When I asked Pawar about the legal limit for the election campaign for the panchayat sarpanch, he replied that it was Rs 25,000 ($500), then lowered the figure to Rs 20,000 ($400), and finally arrived at 15,000 ($300),' said Sharma. 'Actually, he did not want to share this information in public with so many villagers present. Most of them know that the actual amounts spent by the candidates are much higher than the approved one.'[11]

When it came to state assembly polls, villagers' interest and participation declined. The general consensus was that the winning candidate delivered only about 25 per cent of what he had promised. Moreover, after the election, the successful lawmaker never visited their village. The most downbeat statement came from Ajab Singh, a fifty-one-year-old, robustly built man, who owned 3 bighas of land and a poultry farm. 'Electoral candidates get away with not keeping their promises because we voters are largely illiterate.' His wife, named Momo, was illiterate, but he had four years of schooling. He possessed the only computer in the twin village—sadly, out of order—and his house was equipped with a TV dish, a rarity in the area.

Had tough living conditions in the settlement driven some inhabitants to nearby towns? 'Yes,' replied Pawar. 'In the past twenty years, about fifty families have left to open shops in town or take up salaried jobs.' That was the extent of their social mobility.

When I asked the group of youths gathered near the secondary school their aspirations in life, the following responses ensued: 'I want to own a shop'; 'I want a government job'; 'First I want to get a job and save and then open my shop'; and 'I want to study up to the highest secondary education grade and then become a teacher'. This was a revealing snapshot of the dreams of youngsters growing up in rural India, which constitutes one-eighth of the global population of 7 billion. Their living standards were so low and their upward view of the horizon so constricted that their idea of prosperity did not exceed a modest job with an assured cheque at the end of the month.

Sisola

The fertile Gangetic plain is the heart of the heavily populated northern India. A 15-miles-drive (24 km) along a tarred road from the Uttar Pradesh city of Meerut (population 1.3 million) leads to the village of Sisola in the midst of green fields of sugarcane, mustard, and wheat.

Salahuddin, who shepherded me around, was a thirty-seven-year-old father of four, in a beige bush shirt with matching pants. As the owner of 50 bighas (17 acres) of land and a tractor, he was affluent by the standards of rural India. 'Five years ago, I extended my pucca house of baked bricks and cement,' he beamed. 'In my house, I have a washing machine, also a large metal silo to store food grains. Also a fridge. But electric supply is a problem, only for twelve hours a day, alternating every two weeks.' His well-being was symptomatic of how the NEP had favoured those who were already better off than those who were at the bottom of the heap. Yet his rising prosperity did not lead to fast-track treatment in government offices. 'If you want to get anything done, your best approach is to give a bribe,' he said with a shrug of his shoulders.

During Salahuddin's lifetime, the village population has soared from 2,000 to 5,000, whereas the arable land owned by villagers has remained static. That explained the presence of immigrants from this area into the slums of Delhi and Gurgaon.[12]

Sisola had its share of those who struggled to survive particularly when a breadwinner had a large family to support. The skinny, unshaved, oval-faced Abdul Hashim, aged fifty, was a day labourer. His wage of Rs 150 ($3) a day was insufficient to feed five mouths properly.

Outside the neatly painted house of Salahuddin, a few cows and water buffaloes chewed the cud, discharging their excrement on the ground, a feast for flies and other insects. Mangy dogs wandered around or snoozed in winter sunshine.

A stopover at the modest shop of the seventy-five-year-old Khurshid

Ali, sporting a long, white beard, selling sweets, matchboxes and exercise notebooks, drew a small group of villagers. It turned out that most of the adults voted in elections. At the same time, they nursed cynical views about the practitioners of politics.

'Before the election, politicians come with folded hands, saying, "I will do this and that",' said Ali, mimicking the typical politico. 'But once he gets elected, he refuses to see you. His assistant says that he is away in [state capital] Lucknow or that he is asleep.' Those around us nodded their agreement. In Uttar Pradesh, besides the Congress and the BJP, there were two other major contenders for power: the Samajwadi Party and the Bahujan Samaj Party (BSP), with strong roots among different Hindu castes and Dalits. Led by a Dalit woman, Mayawati, the BSP had swept the polls in 2007. Five years later, the Samajwadi Party, with a strong base among mid-level Hindus, would displace the BSP from the seat of power.

There was another subject mentioned by Ali about which the assembled group was of one opinion: the importance of education. 'All of my children and grandchildren are getting educated,' said Ali loftily. 'One of my sons is now at university.'[13]

For all their criticism and cynicism about politicians, the rivalry generated by elections had brought benefits to Sisola. On the eve of the last state assembly elections, the village's dusty paths were paved with baked bricks and cement, with open drains on both sides. But, as was often the case with public works in rural settlements, the channels were not cleared regularly. As a result, uncollected, simmering junk spilled over and rotted, creating a hazard to public health.

Squalor was a common feature of even flourishing villages in India's hinterland. By contrast, the settlements of adivasis were almost invariably clean.

Kekra Ravoli

The hamlets of Bagram Lala and Kekra Ravoli in the Dhamtari district of Chhattisgarh, situated 12 km (7 miles) apart, were easily approached by a metal road from Kanker, the headquarters of the Counter Terrorism and Jungle Warfare College 50 km (32 miles) away. They were typical of adivasi settlements.

A visit to these hamlets led to a revision of the commonly held belief that squalor was the inevitable consequence of grinding penury. The inhabitants of Bagram Lala and Kekra Ravoli were mired in indigence. Yet the streets were well-swept, with none of the debris that is the hallmark of Indian villages and city slums. The houses, whitewashed or painted in primary colours, had low, slanted roofs, covered with rounded tiles, which were supported by sturdy wooden beams fashioned from the trees of the surrounding forest. Since independence, adivasis were allowed to fell trees or hack off branches for fuel and building houses and shops.

Entering the house of Bhurao Gorih in Kekra Ravoli required bending on my part to get past the well-carved wooden door. Gorih was the headman of the hamlet of 350 people, all but fifty being adivasi. His residence consisted of a small interior courtyard, a veranda, with a separate kitchen, a living room, and a bedroom. An unshaven, beady-eyed man of forty-seven in a navy blue lungi and checkered shirt, he was born in Bagram Lala, where he attended school up to the highest eighth grade. His wife Kusim in a sari printed with flowers and herbs hovered in the background as I interviewed him in Hindi.

'In our hamlet, a school opened only in 2000,' he said. 'There are classes now up to the eighth grade, and there are seventy to eighty pupils. The teachers are non-adivasi, and they come from outside. We got electricity only in 2005. Not many houses are connected as yet. There are only four TVs. So the neighbours gather to watch. Nobody reads print newspapers.' I mentioned the hand pump I had seen near his house. 'Yes, that is an improvement,' he averred. 'Earlier, we got water from the river 1 km away.'

The hamlet favoured the Congress and the local MLA was a Congressman. But the area could not immunize itself from the rise of the Maoist party. 'The nearest police station is at Nagri, 30 km (20 miles) to the north,' Gorih explained. 'When we call them, they arrive by jeep in civilian clothes because they are afraid of being attacked by the Naxalites. They wear uniform only at the police station, not outside.'[14]

Since 2007, the local police had been bolstered by the posting of the Central Reserve Police Force (CRPF). 'There is a CRPF camp at Nagri and also at a place 40 km (25 miles) to our west and another 30 km (20 miles) to the east,' Gorih continued. 'At the time of state and national elections, about a dozen CRPF troopers are posted at each polling station.'

Overall, though, the Naxalite presence had not subsided. 'Even though we adivasis have been tilling our lands for many generations here, they gave us title deeds only in 2008 because of the Naxalite movement. Also, because of the Naxalites, the moneylenders have disappeared. They used to charge exorbitant interest.' In short, the local tribals had reaped benefits from the Naxalite movement in the area, even though they were not part of it. Indeed, they ignored the Naxalites' call to boycott parliamentary elections in April 2009. The voter turnout in the hamlet was 80 per cent.

Meanwhile, the state government continued to take actions which alienated large sections of the tribal population. For instance, in mid-2008, it declared the Sitanandi Wildlife Sanctuary as a tiger sanctuary and decided to extend it by taking over the surrounding forty-four settlements with 7,000 adivasis. 'The government did not consult the local adivasis,' lamented Gorih. 'When we are removed from our homes and land, the government does not provide us with alternative accommodation or land. It gives very poor compensation like half a rupee (1 US cent) for a mango tree.' The affected tribals around the wildlife sanctuary staged a protest rally in Nagri in November 2008. But it had no impact. This led the disaffected villagers to turn to Maoists. The militants decided to hold a rally in Risgaon in the spring of 2009.[15]

The subsequent events were narrated differently by Gorih and the mainstream media. 'On the weekly market day in Risgaon, sixteen CRPF troopers were shot dead by unknown gunmen,' said Gorih. 'That area is near the Odisha border with a lot of Naxalites. So immediately the government said that the Naxalites had murdered the policemen. They arrested many, including some panchayat presidents. These murders made local adivasis happy, though they did not express their feelings. But they decided not to leave their villages and instead kept up the protest.'

But, according to the Express News Service, Maoist guerrillas ambushed a vehicle-borne forty-one-member police force between Risgaon and Madapoti villages in the Mandagiri hills with improvised explosive devices (IEDs) and engaged the security personnel in a firefight. They killed thirteen policemen and injured sixteen more.'[16] Almost certainly, this version was aired on Doordarshan, which reaches outlying villages. Yet adivasis trusted more the accounts they heard from fellow tribals than the official news.

This underlined the Herculean task that awaited the Indian political establishment—that of eradicating the Maoist influence deeply embedded in a region holding vast natural resources, which needed to be exploited to ensure a sustained high rate of growth needed to lift hundreds of millions of Indians from degrading penury.

TEN

Overview and Conclusions

THE ELECTORAL POLITICS in a poor country such as India precludes the chance of a political party openly espousing the cause of landowners and capitalists and expecting to win. To meet the monumental task of enabling the indigent masses to cross the official poverty line through sustained industrialization and productivity gains in agriculture, political parties resort to proposing quick-fix measures, which are categorized in the Hindi lexicon as jugaad—improvised arrangement or, in plain English, 'muddling through'.

My study of the Congress' history and its style of operation since Indian independence—conducted as part of my book *Inside India Today*, published in 1976—highlighted the exacting challenge it faced: how to present itself as a party of the poor to win the popular vote while pursuing policies that primarily benefited the uppermiddle and upper classes that dominated its leadership.

A remark by Prime Minister Indira Gandhi during an exclusive interview with a prominent Indian journalist and author in 1969 was enlightening. 'We spoke of socialism because that was what went down well with the masses,' she said.[1] She refined this candid statement later. 'My [Congress] party adopted a particular way to socialism in which both capitalists and noncapitalists can coexist,' she told a correspondent of the *Hindustan Standard* in March 1971.[2] Such thinking led her to adopt the catchphrase 'Remove poverty!' as the vote-winning slogan in the 1973 general election. It worked beyond her fondest dreams.

After her assassination in 1984, the term 'socialism' lost much of it lustre. Her successor, Rajiv Gandhi, paid lip service to the concept as he initiated a programme of privatization. His death, caused by a suicide bomber in May 1991, marked the end of the pretence. With the introduction of the NEP two months later, devised and implemented by then Finance Minister Manmohan Singh, a firm believer in the neo-liberal tenet, the retreat of socialism was complete.

Globally, the 1990s witnessed a revolution in information and telecom technologies and a dramatic decline in the global telecomm charges. The arrival of the Internet and affordable mobile phones impacted not only personal and social relations but also business and politics.

Domestically, the loosening of the government's monopoly in broadcasting, which started with letting the Atlanta-based Cable News Network (CNN) satellite channel air its programmes in early 1991, opened the airwaves to other cable networks. This development worked against the Congress, which had ruled India since independence, except during 1977-80. By implication, it aided the rising right-of-centre BJP, busily trying to bolster its popularity by mounting an anti-Muslim campaign. The Supreme Court's ruling to end the government's monopoly in broadcasting in 1995 opened the TV and radio industry to the private sector. Thus Indian voters were exposed to multiple sources of news and comment in the electronic media.

To distinguish itself from the Congress, the BJP stressed swadeshi (Hindi for 'made domestically'), self reliance, which chimed with its earlier complementary call for Hinduization—popularly called Hindutva—in the cultural sense. In the 1998 general election, it emerged as the largest group and formed a coalition government, which lasted only a year.

It was only after the 1999 parliamentary poll that the BJP was able to form a stable coalition cabinet. It underscored its commitment to the NEP and globalization by cutting tariffs further, lowering barriers to foreign direct investment (FDI), and redefining swadeshi as 'competing effectively in the global economy'. This stance of the BJP was not surprising. It had evolved out of the Jan Sangh, a party which enjoyed much support among upper caste Hindu traders and businessmen. It also adopted the special economic zones (SEZs) policy—declaring them to be foreign territory for the purposes of trade, duties, and tariffs—in 2000. The BJP-led coalition went on to establish the ministry of disinvestment to expedite privatization. Encouraged by the break-out from the band of 5 to 6 per cent growth rate in 2003, it advanced the general election date by several months.

Its leaders had not foreseen the opposition Congress, led by a freshly confident Sonia Gandhi, adopting the leftist parties' criticism that the distribution of the extra wealth generated by the boom was grossly skewed. She presented the Congress as a party of the aam aadmi (Hindi for 'common man') and asked rhetorically, 'For whom is India shining?' Certainly not the average citizen. The ploy worked as it had done in the case of her mother-in-law Indira Gandhi. The size of the BJP group in the Lok Sabha shrank almost by half to 137. The strength of the Congress rose from 114 to 141. It led a coalition government under the title of the United Progressive Alliance (UPA), which enjoyed the backing of fifty-nine-strong Communist-led Left Front, which forewent cabinet posts. The UPA administration passed such pro-poor laws as the National Rural Employment Guarantee Act (NREGA).

Yet when it came to making public its income tax returns in 2007-08, Sonia Gandhi's party was as adamantly opposed as the BJP. Both major national parties had a good reason to hide their finances from public scrutiny. Their funding came from large corporations and rich donors who had benefited inordinately from their neo-liberal development model.

Fighting elections had become grossly expensive, with deploying of helicopters and TV advertising pushing up the cost enormously. An average parliamentary constituency in 2004 had 1.23 million votes, the figure rising to 1.3 million five years later, spread over hundreds of villages in most instances. With Rs 2.5 million ($50,000) allowed as the legal limit for electioneering in a constituency, the average expense per voter came to Rs 2 (US 4 cents), a puny amount.

In stark contrast, it was estimated that, in 2009, individual candidates and their political parties would spend Rs 80,000 million ($1.6 billion). Of this sum, their parties would provide about a fifth—Rs 16,500 million ($ 0.35 billion)—with the contestants and their friends and associates spending Rs 53,500 million ($ 1.25 billion), including Rs 25,000 million ($ 0.50 billion) in cash bribes to voters. Of the amount to be spent by all political parties, the Congress and the BJP would account for almost 60 per cent of the total.[3] Little wonder that 70 per cent of the 203 Congress MPs in the Lok Sabha owned assets worth Rs 10 million or more; as did half of the 118 BJP members.[4]

The Root Cause of the National Malady

The roots of manipulation and corruption in the administrative and economic decision-making lay in the vast amounts that politicians spent on getting elected. These sums originated in the illicit gains they and their close associates and sponsoring political parties had made. There was correlation between these galloping costs at all levels, from the village panchayat to the parliament, and the exponential growth in sleaze, which was related to the acceleration in deregulation and privatization. Exterminating this seminal virus required political parties publishing their audited accounts annually and throwing light on how they selected candidates for public office.

In 2010, the Association for Democratic Reforms (ADR) and Right to Information (RTI) activist Subash Agrawal petitioned the Central Information Commission (CIC) that political parties be declared 'public authorities', thus bringing them in the ambit of the RTI Act. In response, the parties stated that they gave electoral expense details to the Election Commission, which was free to post them on its website (but never did). They also stated that they filed income tax returns (which were not made public). In reply, the ADR argued that keeping financing and donors secret could raise suspicions of quid pro quo and that citizens were entitled to know whether or not large donations to the parties made them captive to special interests. It pointed out that political parties received direct or indirect state funding as follows: they were exempted from paying income tax and service tax when selling their coupons to raise funds; they were given government accommodation in Delhi and state capitals; and they were allocated free time on Doordarshan and All India Radio. In June 2013, the CIC declared that since six national parties received direct and indirect government financial assistance, they were 'public authorities'. These were the Congress, BJP, Bahujan Samaj Party (BSP), Communist Party of India (CPI), Communist Party of India-Marxist (CPI-M), and the Nationalist Congress Party (NCP).[5]

Excepting the CPI, which had merely four MPs in the Lok Sabha, all other parties rejected the CIC ruling. It clearly marked them as the political establishment exercising, or aspiring to exercise, executive power, which, in India, is allied with legislative authority. Along with large and medium-size companies, these parties formed the core of the social system, which was overlaid with the judiciary, with its higher ranks entitled to intervene to protect citizens' fundamental rights written into the constitution. These political organizations were bound together by their commitment to pursue the economic development paradigm defined, essentially, by the free-market orthodoxy. While conceding that the net outcome of this model had been to better the lot of those who were already well-off while providing marginal succour to the vast majority, its advocates took comfort in the expansion of the urban middle classes, which mattered most in day-to-day politics.

This solid core of vested interest had to deal with an amorphous universe of NGOs. Their varied functions included monitoring the executive, safeguarding human and civil rights, and working for the welfare of the underprivileged on a small or medium scale. Basically, these operated in three different modes. One group of NGOs received government contracts and funds to perform certain services normally delivered by a public authority. Another depended on funding by a private individual or foundation or company to undertake social welfare projects or work to preserve the ecosystem or safeguard human rights. The third group received funds from both the government and the private sector. A small, privately financed minority among NGOs specialized in vigorously challenging official actions seen to benefit a few at the expense of many through non-violent means.

Finally, there was the layer of ultimate outliers, the Maoists, dedicated to overthrowing the system through decades-long armed conflict.

Low Intensity Warfare

It was not accidental that as the NEP and globalization gathered momentum in the early 2000s, it led the two leading rural-based Naxalite factions to form the Communist Party of India (Maoist) in 2003. Their cadres had acquired a good footing among adivasis, the most neglected and exploited community inhabiting forests, which happened to contain most of the nation's mineral wealth. At the behest of the government, domestic and MNCs targeted these resources for extensive exploitation. With that, the contradiction between the adivasis, possessing the mineral-rich land, and the globalized capital, backed by the Indian authorities, sharpened. The result was low intensity warfare between Maoists and the security forces.

This was not a novel challenge for the security forces. As early as the mid-1950s, there was an armed rebellion by ethnic Nagas in the northeastern state of Assam. Delhi deployed the military to crush the insurgency and gave it legal immunity for its actions in the areas it declared 'disturbed' by passing the Armed Forces (Special Powers) Act (AFSPA) in 1958. As more ethnic groups took to arms for independence or autonomy in the region, the central government extended the AFSPA from Assam to Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. Despite these measures, which were coupled with development funds and bribes to tribal leaders, and the comparatively small size of the disaffected populations, it took a few decades to pacify this corner of India. The example of insurgency in Mizoram, with a head count of less than a million in 2011, was illustrative. 'It took thirteen years to end the insurgency in Mizoram,' said (retired) Brigadier Basant K. Ponwar, who was the commander of the Counter Terrorism and Jungle Warfare School in Vairagte, Mizoram. The AFSPA was extended to Jammu and Kashmir in 1990 as the Armed Forces (Jammu and Kashmir) Special Powers Act. It was not until the end of the decade that Delhi was able to curb the insurgency there after deploying up to 5,00,000 security forces.

In both instances, the insurgencies were far removed from the heartland of India, geographically and ethnically. The tribals in the Northeast were Christian and, being Mongoloid, racially distinct from the mainstream Hindu Indians. Though Kashmiris were racially the same as North Indians, they were almost wholly Muslim, and they lived in the northwestern corner of India. Thus, geographical location and ethnic-racial differences militated against the rebels gaining any identification with mainstream Indians.

By contrast, the adivasi rebels were mobilized on the basis of class, in the heartland of India. They were counted as Hindus in the national census. While they had many mother tongues, most of them understood and spoke Hindi, particularly when they attended school and were exposed to popular Hindi movies and songs. This meant that the base that the Maoists had established among them in the Hindi-speaking states of Chhattisgarh and Jharkhand had the potential of spreading to the rest of the Hindi belt, where they had already acquired a foothold in southern Bihar. Since their appeal transcended religion and ethnicity, they had the potential of attracting vast numbers of the underprivileged villagers untouched by the new economy.

What worried the authorities most was that in the areas of Maoist control or influence, most inhabitants had shed their customary fear and awe of the security personnel. They had done so by creating a parallel armed force backed by a popular militia. Besides countering the regular forces of the government, it protected the corruption-free administrative governance system, based on triennial elections.

These political developments figured as prominently in the minds of India's policy makers as did the frustration that Maoists caused them by resisting the mining projects in the central-eastern region. In principle, Maoists were not against industrialization per se. They were opposed first to foreign MNCs, and then to domestic MNCs, with least resistance to the public sector undertakings. They also favoured developing industries related to forest produce. But, despite repeated promises, their leaders had failed to publish a coherent policy document on mining and on forest produce.

'People before Profit'—Worthy but Too Idealistic

Two important features distinguished the National Alliance of People's Movements (NAPM) from the Maoists: its constituents abjured violence and were focused on resisting the displacement of people to develop the economy. Their slogan of 'People before Profit' was an overarching, seductive concept. Its specific application in present-day India boiled down to consulting the people who faced displacement and/or loss of their means of livelihood by a proposed development project. On paper, this provision existed in the law. But as the evidence marshalled in Chapters 7 and 8 clearly demonstrates, such legal requirements were either circumvented or manipulated with the active assistance of politicians and senior bureaucrats to favour predatory MNCs. If and when any compensation was offered to those being evicted, it was often grossly unfair and sometimes derisory. It was chiefly up to the NGOs affiliated to the NAPM to monitor the situation, mobilize resistance, and inject public opinion into the equation.

It remained to be seen whether the Land Acquisition, Rehabilitation and Resettlement Act, 2013, to be enforced from the spring of 2014 is going to yield all that has been promised by the leaders of the Congress-led UPA. This would require a sea change in the attitudes of the bureaucrats charged with implementing this law.

As matters stand in the mid-2010s, no matter which of the two main national parties leads the coalition government in Delhi, the current pattern of advancing neo-liberal tenets will continue. If so, these will provide fuel for the antagonistic camp. In that divide, Maoists will act as the vanguard of resistance to globalization and deregulation. But their area of operation will remain limited mainly to dense forests and hills.

Though numerically strong, poor and marginal peasants and landless labourers are unable to wield power or influence commensurate with their size. Being largely illiterate or semi-literate, they rarely throw up an articulate and well-read leader who decides to continue living in his native village. Their only opportunity to exercise influence of sorts comes at the time of elections. But fighting an election even for the presidency of a panchayat has become so expensive that the winner can seldom resist the temptation to take bribes at the expense of the well-being of his community.

There is little prospect of the Maoist movement spreading to large towns and cities. Official intelligence agencies functioning effectively successfully curbed the Maoist leaders' attempts to extend their party's influence to urban centres during 2004-07. And, despite the incompetent and venal bureaucracy and police, there is a general sense of well-being and hope among urbanites, more so in some parts of India than others due to the uneven development of the country. As such, the reasons for the earlier failure of the Maoist party to penetrate urban areas have not altered.

Basically, the role of Maoists and the NAPM will remain reactive. So far, they have proved to be a corrective to the relentless pressure applied on India by Western governments and MNCs, which succeeded in finally getting the Congress-led cabinet in Delhi in September 2012 to let the likes of the colossus Wal-Mart Stores Inc. and Tesco Plc open their retail branches in the country after several years of lobbying. Domestically, this would benefit those medium and large size farmers whose produce is available for pick-up by trucks plying on metalled roads, and improve the service and quality of goods to the minority living in urban areas.

After this achievement, Western capitals and MNCs will intensify their efforts to gain entry into the vital financial services of India. Their success in this sector would expose the country to grave risk. By maintaining control of banking with 75 per cent public ownership, the Indian government is able to ensure prudent behaviour by bankers in general. It was this fact which saved the country from the worst effects of the banking crash in the West in 2008-09. The NAPM and Maoists along with trade unions will continue to provide the ballast for popular resistance to allowing foreign firms into banking, insurance, and accountancy.

'Globalization by a democratically elected government, as experienced in India, runs the risk of going stop and start and even reversing,' writes Nayan Chanda, an India-born journalist and author based in America. 'The slow and uneven redistribution that capitalist economic growth inevitably generates can turn impatient citizens against openness [to world markets].'[6]

It is hard to visualize a proactive role by the NAMP or Maoists in the economic policy-making. Neither of them is in a position to produce a blueprint of an alternative development paradigm. That would require the resources of a massively funded, left-of-centre think tank which is as yet even to be conceived. Merely stating that development should be sustainable, opt for small dams rather than large ones, and should not contribute to climate warming or pollution does not add up to a coherent alternative to the development model being implemented now. However, what can and should be done is to divert government resources to revive and rejuvenate rural India. That will be possible only if there is greater political consciousness and activism among the majority of villagers.

Meanwhile, the predominantly urban middle classes will continue to garner the lion's share of the growth in the GDP, and inequality between the haves and have-nots will keep expanding—as it has in the advanced economies of the West. In the Unites States, for instance, the ratio of the average chief executive officer's (CEO) earnings to the average worker's earnings spiralled from 60:1 in 1991 to 354:1 in 2012.[7]

India's adoption of the NEP and globalization endeared it to the United States. The two-way trade in goods and services between the two countries zoomed from $5.2 billion in 1991 to $86 billion in 2011.[8] During the same period, the number of Indian immigrants (aka, Asian Indians) in the US nearly quadrupled to 3.2 million, making the community the second largest Indian diaspora in the world after Nepal.[9] A similar upsurge occurred in the number of Indian students enrolled in American universities. Their number crossed the 1,00,000 mark in 2012.

The Indian Diaspora and MNCs: Future Trends

The pull of America for intelligent, ambitious, well-qualified Indian engineers will remain strong. At the same time, India will continue to benefit from cross-fertilization that has resulted. The Indian MNCs which have bought Western companies in the US or Britain have kept the original managements in place while making use of the advanced technologies they have inherited for their low-cost operations in India, thereby illustrating the advantages of globalization in manufacturing. However, the advantage that Indian firms enjoyed because of the ample supply of university graduates with a good grasp of English is slipping with rising competition from the Philippines.

In the service industry, when an India-based company in Britain or America farms out most of the work to its employees in the home country, it trumps a competing Western firm easily. This pattern is likely to continue and help shore up Delhi's export earnings.

All told, the Indians who have settled in the UK or the US since the NEP are on an upward trajectory. The prosperity of the Indian diaspora in America and Britain runs parallel to what is happening to the upper middle and upper classes in India. At the same time, they are immune from any tensions or crises that Indians at home are likely to face in the future, which is unlikely to be as rosy as it was in the first decade of the twenty-first century.

Challenges of Lower Economic Growth

During the rest of the current decade, the GDP growth rate is likely to stabilize around 5 per cent. There are three main reasons for this slack. Expansion in the infrastructure has failed to keep pace with the rest of the economy. Also, the extraordinary expansion of the first decade of this century was fuelled mainly by the booming ICT industry, resulting in higher foreign exchange earnings, as well as the cascading use of mobile phones, which contributed almost half a per cent growth to the GDP for every 10 per cent penetration.[10]

The second major reason is the ever expanding inequality which fuels graft, dampens small scale enterprise, and raises social tensions. And the third is the under-investment in education and public health and sanitation by the state and central governments. A well-educated, healthy population raises labour productivity, which lifts living standards. Whereas increased investment in infrastructure can yield beneficial results in a short space of time, such an outcome from enhanced allocation of funds to education and health can materialize only after a long period. In short, there is no quick fix for the deficiencies in these vital areas.

A reduced GDP expansion rate will mean a smaller pie to be shared in the context of widening inequality. This will happen against the background of an increasing number of better educated Indians, including those living in villages, gaining access to instant information and comment on the Internet. The increasingly aware and literate masses will demand a bigger slice of the national income than what they have received so far.

So there will be plenty to keep the likes of the NAPM busy. Any successes it gains through peaceful protest or the rulings of the Supreme Court will help lower the tensions between the haves and the have-nots. That, in turn, will reduce the chance of the ranks of the Maoist movement swelling.

As for the governments in Delhi and state capitals, they will meet the challenge as they have basically done before with short-term palliatives of subsidies, loan waivers, and minor strengthening of the threadbare social safety net. In sum, the template of the past, dating back to the early days of the Congress rule, is likely to continue despite wider differences between the highest and the lowest income earners.

Epilogue

THE MANMOHAN SINGH government followed up its National Food Security Ordinance of 5 July 2013 with the National Food Security Bill in less than two months. During the two-day debate in the Lok Sabha, the opposition parties tried to be more pro-poor than the ruling Congress-led UPA. The Bill incorporated all the existing state and central schemes concerning food security. As expected, the legislation covered three-quarters of the rural and up to half of the urban population, the total adding up to 750 million. The 300-plus amendments to the legislation proposed by the opposition were largely focused on reducing further the food grain prices and expanding its scope to cover everybody. When put to vote in several batches, all these amendments were rejected by the House.

Opposition MPs were reduced to criticizing the timing of the legislation rather than its content. 'This is not a Food Security Bill; this is a vote-securing bill,' said BJP leader Murli Manohar Joshi. On the final day of the debate, Congress chief Sonia Gandhi made a rare parliamentary intervention despite having viral fever. She dismissed the advice of the World Bank, the International Monetary Fund, and their Indian allies, who argued that the country could not afford the new measure. 'The question is not about resources; we will have to manage resources for this,' Gandhi asserted. 'The question is not if we can do this. We have to do this.' She argued that the law would provide succour to those who had not benefited from economic growth and were battling hunger and malnutrition. Her supporters viewed the proposed law as representing a model of human development—from grassroots upwards rather than trickle-down palliatives to improve living standards. The total cost of funding the new scheme at $20 billion—

amounting to 1 per cent of the GDP—was only $8 billion higher that what Delhi government was currently spending on subsidizing food.[1]

Well aware of the general election in May 2014, Sonia Gandhi was intent on presenting herself as the reincarnation of her late mother-in-law Prime Minister Indira Gandhi, who famously raised the slogan 'Remove Poverty' during the run-up to the 1971 parliamentary poll and triumphed. It was left to M. Venkaiah Naidu, BJP leader in the Rajya Sabha, to allude to the former premier with a populist touch. 'Indira Gandhi gave the slogan "Garibi Hatao" [remove poverty] in the 1970s,' he said. 'Now, sixty-seven years after independence, you [Congress leaders] are saying 67 per cent of the population is food insecure. Who is to blame?'[2]

In the end, as in the Lok Sabha, members of the Rajya Sabha passed the legislation on 3 September with voice vote, thus heeding Sonia Gandhi's call to MPs to accord the bill unanimous backing. The implementation of the Act, left to state governments, was expected to start in 2014.

But before that could happen, Indian trade minister Anand Sharma found himself at odds with the US Trade Representative Michael Froman at the ministerial conference of the WTO in Bali, Indonesia, in early December on the provisions of this Act. It violated the WTO's cap on farm subsidies of 10 per cent of the total produce as well as the minimum support prices for farmers, Froman pointed out. This led the WTO's Brazilian director-general Roberto Azevedo and Indonesia's trade minister Gita Wirjawan to holding marathon meetings with the disputing protagonists separately and jointly.

Acting as the spokesperson for the developing countries worldwide, Sharma appealed to US President Barack Obama through Froman not to be seen as being against developing countries' right to food. It worked. A compromise ensued with an amendment in the 'Peace Clause' in the final agreement. It allowed India to keep its present arrangement in place for four years until a permanent solution was found. This implied safeguards for the support subsidies to poor farmers in all developing countries. The compromise cleared the way for the achievement of the main objective of the conference: trade facilitation by reducing red tape at customs by all of the 159 members of the WTO.[3]

India's success at the Bali Conference came because of the support that movements, trade unions, and campaign groups gave to the efforts of developing countries to secure a deal which shifted the agenda away from a pro-corporate charter of the WTO and towards the rights and needs of the majority of the globe's population. Nick Dearden, director of the liberal World Development Movement, agreed: 'On the positive side, developing countries have forced concessions onto the pro-corporate agenda of the US and European Union.'[4]

Success Abroad, Panic at Home

The celebratory mood generated by the Congress-led government's achievement at an important international forum on 7 December disappeared with the drubbing that the party received the next day in the elections to the assemblies of four states and the union territory of Delhi.

While maintaining its power in Chhattisgarh and Madhya Pradesh, the BJP trounced the Congress in Rajasthan, reducing it to a rump of twenty-one in an assembly of 200. In Mizoram, the Congress retained power. But it suffered an ignominious defeat in Delhi at the hands of the Aam Aadmi Party, barely a year old.[5]

Led by Arvind Kejriwal, a former income tax commissioner, who had gained national prominence as an aide to Anna Hazare, AAP won twenty-eight seats in the seventy-strong assembly, reducing the Congress to eight seats. (At thirty-one, the BJP failed to secure a majority of its own.) AAP's election symbol, a broom, implying a clean-up of the Indian political scene, was a hit. Party leaders raised funds for electioneering with text messages sent to millions who had earlier backed the anti-corruption protests. More than 1,20,000 unpaid volunteers called on voters to discuss the series of odious scams under the Congress-led government as well as high inflation. These tactics, combined with the populist promises of halving household power bills and providing 700 litres of free water to each family, proved a winning formula.[6] But such were the compulsions of electoral politics that Kejriwal became the chief minister only after securing the 'not-unconditional' support of the assembly members of the Congress, which AAP had attacked virulently during the election campaign.

Nonetheless, Congress leaders at the national level got the message. Having dragged their feet on the Lokpal and Lokayuktas Bill 2011 in the Rajya Sabha since May 2012, they now fast-tracked it. The opposition parties cooperated readily. The amended Bill was passed by the members after a five-hour debate on 17 December by voice vote. The next day, the Lok Sabha followed suit. The new law brought under its purview the prime minister with certain safeguards as well as other officials.

To burnish his image as an honest, upright politician, Congress vice president Rahul Gandhi, the forty-three-year-old son of Sonia and Rajiv, sought an unsuccessful extension of the winter session of the Lok Sabha to pass the pending bills, which, he claimed, were 'part of the comprehensive anti-corruption framework of the UPA government'. 'We should complete the unfinished work of fighting corruption,' he declared. Noting that the Lokpal Bill was part of this comprehensive framework, he said the Right to Information law was the first on the UPA list. The others were an amendment to the existing Prevention of Corruption law, right to citizens for time-bound delivery of goods and services, public procurement, and bribery involving foreign entities. But the speaker stuck to the original schedule and adjourned the Lok Sabha sine die.[7]

All MPs, irrespective of the party label, were anxious to start campaigning for the May 2014 general election and raising funds to participate in an exercise which had become alarmingly expensive to the detriment of the common good. The political parties' budget for electoral advertising was estimated at Rs 25 billion ($400 million), with the Congress and the BJP setting aside Rs 5 billion ($80 million) each.

The parliamentary poll was shaping up as a contest between Rahul Gandhi, dubbed a 'shahzada (prince)' by his critics, and Narendra Modi, a sixty-three-year-old BJP leader who prided himself on having sold tea to railway passengers as a teenager. Having served as the chief minister of Gujarat for an unbroken twelve years, he was now aiming for the premiership of the globe's largest democracy with 814 million voters. While each side highlighted the weakness of the other—escalating corruption during the Congress-led government and the anti-secularist roots and policies of the BJP—they did not differ on pressing ahead with the NEP and globalizing agenda.

Notes

1 When India's regulation required foreign automobile companies—Ford Motor Company and General Motors which had been assembling cars there since 1930—to undertake local manufacturing, they refused and left India in 1953.

2 The Indian parliament consists of the Lok Sabha (People's Council, the Lower House) and the Rajya Sabha (States' Council, the Upper House). Members of the Lok Sabha are elected by voters. Of the 250 members of the Rajya Sabha, twelve are nominated by the President. The rest are allocated to the constituent states according to their population. The directly elected state lawmakers then elect the members to the Rajya Sabha.

3 S. Ramadorai, *The TCS Story…And Beyond* (Delhi: Penguin Books, 2011), 77-78.

4 Ibid., 75.

5 Dilip Hiro, *The Essential Middle East: A Comprehensive Guide* (New York: Carroll & Graf, 2003), 159.

6 Bernard Weinraub, 'Economic Crisis Forcing Once Self-Reliant India to Seek Aid', *New York Times*, 29 June 1991, http://www.nytimes.com/1991/06/29/world/economic-crisis-forcing-once-self-reliant-india-to-seek-aid.html.

7 Manmohan Singh then got elected to the Rajya Sabha from Assam.

8 Bernard Weinraub, 'Economic Crisis Forcing Once Self-Reliant India to Seek Aid', *New York Times*, 29 June 1991, http://www.nytimes.com/1991/06/29/world/economic-crisis-forcing-once-self-reliant-india-to-seek-aid.html.

9 These included Centurion Bank, HDFC Bank , ICICI Bank, IDBI Bank, Bank of Punjab and UTI Bank.

10 http://rbidocs.rbi.org.in/rdocs/Wss/DOCs/17965.doc

11 The bursting of the dot.com bubble in America that occurred later, in July 2000, left the Indian IT firms virtually unaffected because only a few were listed on US stock exchanges.

12 Rajeev Deshpande, 'Govt study fixes poverty line at Rs 66 for cities and Rs 35 for villages', *Times of India*, 29 April 2102, http://articles.timesofindia.indiatimes.com/2012-04-29/india/31475601_1_poverty-line-population-expenditure.

13 Thomas Friedman, *The Earth is Flat: A Brief History of the Twenty-first Century* (New York: Farrar, Straus & Giroux, 2005), 459.

14 A study by the Indian National Council of Applied Economic Research estimated the size of the middle class at 156 million in 2011. Jason Burke, *Guardian*, 24 September 2012, 'Letter from India: Letting in companies such as Walmart won't create a boom economy', http://www.guardian.co.uk/commentisfree/2012/sep/24/india-economic-reforms-no-boom.

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2 National Association of Software and Services Companies (NASSCOM): During 2001-11, the business process outsourcing industry grew sixteen times to $16.9 billion a year. http://en.wikipedia.org/wiki/NASSCOM

3 K.P. Singh, with Ramesh Menon and Raman Swamy, *Whatever the Odds*: *The Incredible Story Behind DLF* (Noida: HarperCollins *Publishers* India, 2011), 144.

4 Later, American Universal Electric (India) would be sold to GE Motors India Limited, part of the GE Group-Global.

5 Simon Robinson, 'Building a Dream', *Time*, 17 August 2007, http://www.time.com/time/magazine/article/0,9171,1653654,00.html.

6 Dhiraj Nayyar, 'India's Landlord: The trials and triumphs of K.P. Singh', *India Today*, 18 November 2011, http://indiatoday.intoday.in/story/whatever-the-odds-the-incredible-story-behind-dlf-by-k.p.singh/1/160593.html.

7 R. Sridharan, 'Sultan of Suburbia', *Business Today*, 3 February 2002, http://archives.digitaltoday.in/businesstoday/20020203/cover1.html.

8 Ibid.

9 For 'discretionary powers', see Chapter 8, XXX.

10 Interview, October 2011. See 'Latest Property News on Real Estate Developers', *Indian Realty News*, 2 February 2012, http://www.indianrealtynews.com/category/real-estate-developers/. The Central Bureau of Investigation accused Emaar MFG of committing financial irregularities through sale of plots at grossly undervalued price in its 358-acre joint venture, Emaar Hills Township Project, in Hyderabad.

11 S.R. Bakshi, Sita Ram Sharma, S. Gajrani, *Bansi Lal: Chief Minister of Haryana* (Delhi: APH Publishing, 1998), 136-37;

12 The complex of 190 houses, surrounded by a high compound wall, was completed in 1993.

13 Interview, October 2011.

14 Cited in Mark Tully, *Non-Stop India* (New Delhi: Allen Lane, 2011)/*India: The Road Ahead* (London: Rider Books, 2011), 14.

[15] Interview, October 2011.

[16] 'Dawn of the Indian Century', *Financial Express*, 18 December 2004, http://www.financialexpress.com/news/dawn-of-the-indian-century/122377/2.

[17] This commonly used term in America describes a building or complex containing a number of individually owned apartments or houses.

[18] Monique Perry Danzinger, 'New Report Finds Illicit Capital Flight out of India US $462 Billion', http://www.gfip.org/index.php?option=content&task=view&id=347

[19] Neeraj Chauhan, 'How did CBI arrive at $500bn black money figure?', *Times of India*, 16 February 2012, http://articles.timesofindia.indiatimes.com/2012-02-16/india/31066398_1_tax-havens-black-money-tax-evasion.

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[21] General Electric was included in the Dow Jones Industrial Average in 1907.

[22] Interview, March 2011.

[23] Interview, October 2011.

[24] Kishore Mahbubani, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East* (New York: Public Affairs, 2008), 93.

[25] NASSCOM-McKinsey Report 2005 Summary, http://indiaoutsource.livejournal.com/129981.html.

[26] Randeep Ramesh, 'From muddy villages to boomtown', *Guardian*, 13 January 2007, http://www.guardian.co.uk/world/2007/jan/13/politics.india.

[27] With assets of $2 trillion, JP Morgan Chase & Company is the largest bank in the United States by assets and market capitalization.

[28] Interview, March 2011.

[29] Interview, November 2011.

[30] JP Morgan Chase Bank, N.A., operating as Chase, is the retail banking subsidiary of JP Morgan Chase & Company, a financial services firm.

[31] Interview, November 2011.

[32] Unitech Espace Nirvana Country—Nirvana Country, Gurgaon (ID: J290970411). http://www.propertywala.com/unitech-espace-nirvana-country-gurgaon. Outdoing this, its advertisement for the Uniworld City promised 'the indulgence of Western architecture, the oriental charm of Asia and fine elements of American lifestyle'.

[33] Interview, November 2011.

[34] In Britain, a 70-centilitre bottle of Ladyburn 1973 Vintage Single Malt Scotch Whisky sells for £550. At Leela Palace Kempinski in an upscale neighbourhood of New Delhi, the bar offered its special drink, 'the black pearl', at Rs 1,25,000 ($2,500) a shot. Jason Burke, *Guardian*, 20 January 2012, 'Delhi's food revolution: forget the bhaji, bring on the risotto', http://www.guardian.co.uk/

lifeandstyle/2012/jan/20/delhi-food-revolution

35 Jim Yardley, 'India's Way: In India, Dynamism Wrestles With Dysfunction', *New York Times*, 8 June 2011, http://www.nytimes.com/2011/06/09/world/asia/09gurgaon.html?pagewanted=all.

36 Interview, March 2011.

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38 Raghav Ohri, 'Have sealed over 442 illegal tube wells, Gurgaon DC tells court', *Indian Express*, 8 November 2011, http://www.indianexpress.com/news/Have-sealed-over-442-illegal-tubewells--Gurgaon-DC-tells-court/872545/.

39 Interview, November 2011.

40 A paan—made of a betel leaf with areca nut, slaked lime paste and brown powder paste, chewed by many Indians—is considered a palate cleanser and breath freshener.

41 Interviews, November 2011.

42 Tanushree Roy Chowdhury, 'Wazirabad recreation project planned on forest land', *Times of India*, 11 January 2011, http://articles.timesofindia.indiatimes.com/2011-01-11/gurgaon/28379077_1_forest-land-leisure-project-acres.

43 Tanushree Roy Chowdhury, 'SC check on land acquisition a blow to government, private developers', *Times of India*, 2 February 2011, http://articles.timesofindia.indiatimes.com/2011-02-02/gurgaon/28359133_1_private-developers-panchayat-land-village-panchayats.

44 Ibid.

45 Jessica Marquez, 'Report Cites Poor Working Conditions in India's Call Centers', *Workforce*, 17 October 2006, http://www.workforce.com/article/20061017/NEWS01/310179999.

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2. Britain: A Magnet for Indian Companies

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3 'In 1902, J.N. Tata in Pittsburgh', and 'In 1902, J.N. Tata met Mr Charles Page Perin, an eminent consulting engineer in New York', http://www.tatasteel.com/corporate/heritage/images/landmark.xml,

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5 'PM's Speech in Bangalore, India,' 28 July 2010, http://www.number10.gov.uk/news/pms-speech-in-india/.

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7 'Same day visa service launches in India', 13 May 2013, http://www.ukba.homeoffice.gov.uk/sitecontent/newsarticles/2013/may/41-spv-india

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10 'Glimpsing a fairytale wedding', BBC News, 22 June 2004, http://news.bbc.co.uk/1/hi/3830009.stm.

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[19] Stanley Reed with Michael Arndt, 'The Raja of Steel', *Businessweek*, 19 December 2004, http://www.businessweek.com/stories/2004-12-19/the-raja-of-steel.

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[31] However, as a son of Indira Gandhi, the daughter of Jawaharlal Nehru, Rajiv Gandhi considered himself and was regarded by others to be a Hindu Brahmin.

[32] Ratan Tata's interview with *Economist*, 15 February 2011.

[33] Jonathan Wheatley, 'Twilight of a Latin Mogul?', *Businessweek* , 28 June 2000, http://www.businessweek.com/stories/2000-06-25/twilight-of-a-latin-mogul-intl-edition.

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[36] Meanwhile, the merchant bankers of CSN purchased about 15 per cent of Corus shares on the open market, underlining CSN's resolve in the deal. This turned out to be profitable investment.

[37] Prince Mathews Thomas, 'CSN sounds out banks for bigger play', *Economic Times*, 20 January 2007, http://articles.economictimes.indiatimes.com/2007-01-20/news/28415732_1_csn-uk-takeover-panel-corus.

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[40] The earlier entries on the list were Indian corporations operating solely inside the country.

[41] See Chapter 7, XXX.

[42] Randeep Ramesh and Mark Milner, 'Tata celebrates costly victory in Corus chase', *Guardian*, 1 February 2007, http://www.guardian.co.uk/business/2007/feb/01/india.frontpagenews.

[43] Often the buyer and the seller agree to an additional payment—called contingent consideration—based on the outcome of future events. It is typically based on revenue or earnings targets that the acquired company must meet after the acquisition date.

[44] A non-recourse loan is the one under which the collateral underwriting it is the ultimate source of repayment, and in case of default, the lender can only seize and sell the collateral and leave the non-pledge assets untouched.

[45] The break-up of Tata Steel's equity capital was $700 million from internal generation; $500 million of external commercial borrowings; $640 million from the preferential issues of equity shares to Tata Sons Ltd, the parent company's holding firm, in 2006-07 and 2007-08; $862 million from a rights issue of equity shares to the shareholders; $1,000 million from a rights issue of convertible preference shares; and about $500 million from a foreign issue of equity-related instrument. Tata Steel 100th Annual Report 2006-2007, http://www.tatasteel.com/investors/tatasteelAR2006-07/html/discussion4.html.

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[47] Interview, July 2012.

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[60] Interview, September 2011.

[61] S. Ramadorai, *The TCS Story…And Beyond* (Delhi: Penguin Books, 2011), 186-87.

[62] Ibid., 87.

[63] Since then, there have been two stock splits of 2 for 1, in June 2008 and June 2009. In August 2012, a price of Rs 1,280 meant that the stock had appreciated twelve-fold since its launch eight years earlier.

[64] In Gurgaon, each division of TCS was housed in a different building. See Chapter 1.

[65] Interview in Gurgaon, November 2011.

[66] Interview, August 2011.

[67] Between April and October 2011, the outward FDI from India was more than $20 billion, with Singapore and Mauritius the preferred investment destinations, http://www.deloitte.com/assets/Dcom-India/Localper cent20Assets/Documents/Budgetper cent202012/2012per cent20Budgetper cent20Publication.pdf.

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6. Sleaze Grows Exponentially

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7. Maoists in the Minerals-rich Heartland

[1] Its full title is Counter Terrorism and Jungle Warfare College.
[2] Most of the wood from sal and teak trees was used for construction and accounted for nearly half of the forest sector's revenue.
[3] 'Dantewada' is a derivative of 'Danteshwari'.
[4] The old Bastar princely state is now divided into five southern districts of Chhattisgarh: Bastar, Bijapur, Dantewada, Kanker, and Narayanpur.
[5] Interview, March 2011.
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[8] Charu Mazmudar, an asthmatic, was probably denied medical treatment which led to a heart attack.
[9] The Southern Land referred to India whereas the Northern Land was China.
[10] The Gondi tribe was 7 million strong in 2010.
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[12] In 2010, it claimed more than 1,00,000 members. Interview with Suvojit Bagchi, February 2011.
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include Bastar in Chhattisgarh and Gadchiroli in Maharashtra. Abujhmad covers Narayanpur district and part of the old Bastar princely state.

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[20] Interview, February 2011.

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[22] A few weeks later, a mass rally of some 1,50,000 people in Hyderabad welcomed the founding of the party.

[23] In Andhra Pradesh, Maoist cadres used their mobile phones to order groceries which were delivered by tractor or jeep. That exposed them to informers and infiltration.

[24] In 2009, Counter Terrorism and Jungle Warfare College in Kanker acquired a 1,300-metre-long airstrip.

[25] In April 2008, the Supreme Court disapproved arming of private persons by the state government to tackle the Naxalite problem. 'If private persons, so armed by the state government, kill other persons, then the state is also liable to be prosecuted for abetting murder,' said a bench of Supreme Court judges. Dhananjay Mahapatra, 'SC takes dim view of arming civilians to fight Naxalites', *Times of India*, 1 April 2008, http://articles.timesofindia.indiatimes.com/2008-04-01/india/27771679_1_naxal-menace-salva-judum-arming.

[26] Interview, March 2011.

[27] In 2005, the Indian government put the total number of PLGA guerrillas at 6,500.

[28] Venkitesh Ramakrishnan, 'Daring and dangerous', *Frontline*, 3 to 16 December 2005, http://www.frontline.in/navigation/?type=static&page=flonnet&rdurl=fl2225/stories/20051216004103300.htm; and 'Historic Jehanabad Jail Break', *People's March*, 11 December 2005, http://www.bannedthought.net/India/PeoplesMarch/PM1999-2006/archives/2005/nov-dec2k5/edit.htm.

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[30] PTI, 'Eight CISF jawans killed in Naxal attack', *Times of India*, 10 February 2006, http://articles.timesofindia.indiatimes.com/2006-02-10/india/27822926_1_cisf-jawans-naxal-attack-explosive-depot.

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for combining his Christian faith with social action.

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[37] Prem Shankar Jha, 'The State As Landlord', *Outlook*, 17 March 2008, cited in http://paulsoren.wordpress.com/2008/03/08/.

[38] See Chapter 5, xx.

[39] Interview, March 2011.

[40] No mention was made that the officers of its elite Greyhound police forces were trained in Israel.

[41] The constituents of the Central Armed Police Forces were the Central Reserve Police Force (CRPF), the Border Security Force (BSF); Border Security Organization, Indo-Tibetan Border Force (ITBF) and the Central Industrial Security Force (CISF). The CAPFs were 7,77,788 strong in May 2011.

[42] 'Status Paper on the Naxal Problem' tabled before parliament on 13 March 2006,http://www.satp.org/satporgtp/countries/india/document/papers/06mar13_naxal%20problem%20.htm.

[43] 'Naxal Management Division, Ministry of Home Affairs', 16 October 2006, http://mha.nic.in/uniquepage.asp?Id_Pk=540. The review group, the coordination centre, and the task force, consisting of senior civil and police forces under the standing committee of the chief ministers of the affected states, chaired by the central home minister, were focused primarily on bolstering the security forces and increasing Centre-state coordination.

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10. Overview and Conclusions

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DILIP HIRO is a seasoned political writer, journalist and analyst based in London. He writes for many newspapers and magazines, including the *Guardian*, *Observer*, *New York Times*, *International Herald Tribune, Washington Post, Outlook* and *India Today*. His output consists of thirty-four books, among which is *Inside India Today*—considered a modern classic and re-issued in 2013, three-and-a-half decades after it first came out. Some of his highly praised works include *Jihad on Two Fronts*, *Blood of the Earth* and *The Timeline History of India*.

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