

Shall We Leave It to the Experts?

Enron's Power Project in India Demonstrates Who Benefits from Globalization

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18 February 2002

The Nation

India lives in several centuries at the same time. Somehow we manage to progress and regress simultaneously.

As a nation we age by pushing outward from the middle -- adding a few centuries on either end of the extraordinary CV. We glisten like the maturing head of a hammerhead shark with eyes looking in diametrically opposite directions.

I don't mean to put a simplistic value judgment on this peculiar form of "progress" by suggesting that Modern is Good and Traditional is Bad -- or vice versa. What's hard to reconcile oneself to, both personally and politically, is the schizophrenic nature of it. That applies not just to the ancient/modern conundrum but to the utter illogic of what appears to be the current national enterprise. In the lane behind my house, every night I walk past road gangs of emaciated laborers digging a trench to lay fiber-optic cables to speed up our digital revolution. In the bitter winter cold, they work by the light of a few candles.



It's as though the people of India have been rounded up and loaded onto two convoys of trucks (a huge big one and a tiny little one) that have set off resolutely in opposite directions. The tiny convoy is on its way to a glittering destination somewhere near the top of the world. The other convoy just melts into the darkness and disappears. A cursory survey that tallies the caste, class and religion of who gets to be on which convoy would make a good Lazy Person's concise *Guide to the History of India*. For some of us, life in India is like being suspended between two of the trucks, one leg in each convoy, and being neatly dismembered as they move apart, not bodily, but emotionally and intellectually.

Fifty years after independence, India is still struggling with the legacy of colonialism, still flinching from the "cultural insult." As citizens we're still caught up in the business of "disproving" the white world's definition of us. Intellectually and emotionally, we have just begun to grapple with communal and caste politics that threaten to tear our society apart. But meanwhile, something new looms on our horizon. On the face of it, it's just ordinary, day-to-day business. It lacks the drama, the large-format, epic magnificence of war or genocide or famine. It's dull in comparison. It makes bad TV. It has to do with boring things like jobs, money, water supply, electricity, irrigation. But it also has to do with a process of barbaric dispossession on a scale that has few parallels in history. You may have guessed by now that I'm talking about the modern version of globalization.

What is globalization? Who is it for? What is it going to do to a country like India, in which social inequality has been institutionalized in the caste system for centuries? A country in which 700 million people live in rural areas. In which 80 percent of the landholdings are small farms. In which 300 million people are illiterate. Is the corporatization and globalization of agriculture, water supply, electricity and essential commodities going to pull India out of the stagnant morass of poverty, illiteracy and religious bigotry? Is the dismantling and auctioning off of elaborate public sector infrastructure, developed with public money over the past fifty years, really the way forward? Is globalization going to close the gap between the privileged and the underprivileged, between the upper castes and the lower castes, between the educated and the illiterate? Or is it going to give those who already have a centuries-old head start a friendly helping hand?

Is globalization about "eradication of world poverty," or is it a mutant variety of colonialism, remote-controlled and digitally operated? These are huge, contentious questions. The answers vary depending on whether they come from the villages and fields of rural India, from the slums and shantytowns of urban India, from the living rooms of the burgeoning middle class or from the boardrooms of the big business houses. Today India produces more milk, more sugar and more food grain than ever before. And yet, in March 2000, just before President Clinton's visit to India, the Indian government lifted import restrictions on 1,400 commodities, including milk, grain, sugar, cotton, tea, coffee and palm oil. This despite the fact that there was a glut of these products on the market.

As of April 1 -- April Fool's Day -- 2001, according to the terms of its agreement with the World Trade Organization, the Indian government had to drop its quantitative import restrictions. The Indian market is already flooded with cheap imports. Though India is technically free to export its agricultural produce, in practice most of it cannot be exported because it doesn't meet the First World's "environmental standards." (You don't eat bruised mangoes or bananas with mosquito bites or rice with a few weevils in it, whereas we don't mind the odd mosquito and the occasional weevil.)

Developed countries like the United States, whose hugely subsidized farm industry engages only 2 to 3 percent of its total population, are using the WTO to pressure countries like India to drop agricultural subsidies in order to make the market "competitive." Huge, mechanized corporate enterprises working thousands of acres of farmland want to compete with impoverished subsistence farmers who own a couple of acres.

In effect, India's rural economy, which supports 700 million people, is being garroted. Farmers who produce too much are in distress, farmers who produce too little are in distress and landless agricultural laborers are out of work as big estates and farms lay off their workers. They're all flocking to the cities in search of employment.

"Trade Not Aid" is the rallying cry of the head men of the new Global Village, headquartered in the shining offices of the WTO. Our British colonizers stepped onto our shores a few centuries ago disguised as traders. We all remember the East India Company. This time around, the colonizer doesn't even need a token white presence in the colonies. The CEOs and their men don't need to go to the trouble of tramping through the tropics, risking malaria, diarrhea, sunstroke and an early death. They don't have to maintain an army or a police force, or worry about insurrections and mutinies. They can have their colonies

and an easy conscience. "Creating a good investment climate" is the new euphemism for Third World repression. Besides, the responsibility for implementation rests with the local administration.

Enron in India

The fishbowl of the drive to privatize power, its truly star turn, is the story of Enron, the Houston-based natural gas company. The Enron project was the first private power project in India. The Power Purchase Agreement between Enron and the Congress Party-ruled state government of Maharashtra for a 740-megawatt power plant was signed in 1993. The opposition parties, the Hindu nationalist Bharatiya Janata Party (BJP) and the Shiv Sena, set up a howl of *swadeshi* (nationalist) protest and filed legal proceedings against Enron and the state government. They alleged malfeasance and corruption at the highest level. A year later, when state elections were announced, it was the only campaign issue of the BJP-Shiv Sena alliance.

In February 1995 this combine won the elections. True to their word, they "scrapped" the project. In a savage, fiery statement, the opposition leader L.K. Advani attacked the phenomenon he called "loot through liberalization." He more or less directly accused the Congress Party government of having taken a \$13 million bribe from Enron. Enron had made no secret of the fact that in order to secure the deal, it paid out millions of dollars to "educate" the politicians and bureaucrats involved in the deal.

Following annulment of the contract, the US government began to pressure the Maharashtra government. US Ambassador Frank Wisner made several statements deploring the cancellation. (Soon after he completed his term as ambassador, he joined Enron as a director.) In November 1995 the BJP-Shiv Sena government in Maharashtra announced a "renegotiation" committee. In May 1996 a minority federal government headed by the BJP was sworn in at New Delhi. It lasted for exactly thirteen days and then resigned before facing a no-confidence vote in Parliament. On its last day in office, even as the motion of no confidence was in progress, the Cabinet met for a hurried "lunch" and reratified the national government's counterguarantee (which had become void because of the earlier "canceled" contract with Enron). In August 1996 the government of Maharashtra signed a fresh contract with Enron on terms that would astound the most hard-boiled cynic.

The impugned contract had involved annual payments to Enron of \$430 million for Phase I of the project (740 megawatts), with Phase II (1,624 megawatts) being optional. The "renegotiated" power purchase agreement makes Phase II of the project mandatory and legally binds the Maharashtra State Electricity Board (MSEB) to pay Enron the sum of \$30 billion! It constitutes the largest contract ever signed in the history of India.

Indian experts who have studied the project have called it the most massive fraud in the country's history. The project's gross profits work out to between \$12 billion and \$14 billion. The official return on equity is more than 30 percent. That's almost double what Indian law and statutes permit in power projects. In effect, for an 18 percent increase in installed capacity, the MSEB has to set aside 70 percent of its revenue to pay Enron. There is, of course, no record of what mathematical formula was used to "re-educate" the new government. Nor any trace of how much trickled up or down or sideways or to whom.

But there's more: In one of the most extraordinary decisions in its not entirely pristine history, in May 1997 the Supreme Court of India refused to entertain an appeal against Enron.

Today, everything that critics of the project predicted has come true with an eerie vengeance. The power that the Enron plant produces is twice as expensive as its nearest competitor and seven times as expensive as the cheapest electricity available in Maharashtra. In May 2000 the Maharashtra Electricity Regulatory Committee (MERC) ruled that temporarily, until as long as was absolutely necessary, no power should be bought from Enron. This was based on a calculation that it would be cheaper to just pay Enron the mandatory fixed charges for the maintenance and administration of the plant that it is contractually obliged to pay than to actually buy any of its exorbitant power. The fixed charges alone work out to around \$220 million a year for Phase I of the project. Phase II will be nearly twice the amount.

Two hundred and twenty million dollars a year for the next twenty years. Meanwhile, industrialists in Maharashtra have begun to generate their own power at a much cheaper rate, with private generators. The demand for power from the industrial sector has begun to decline rapidly. The MSEB, strapped for cash, with Enron hanging like an albatross around its neck, will now have no choice but to make private generators illegal. That's the only way that industrialists can be coerced into buying Enron's exorbitantly priced electricity.

In January 2001 the Maharashtra government (the Congress Party is back in power with a new chief minister) announced that it did not have the money to pay Enron's bills. On January 31, only five days after an earthquake in the neighboring state of Gujarat, at a time when the country was still reeling from the disaster, the newspapers announced that Enron had decided to invoke the counterguarantee and that if the government did not come up with the cash, it would have to auction the government properties named as collateral security in the contract.

But Enron had friends in high places. It was one of the biggest corporate contributors to President George W. Bush's election campaign. US government officials warned India about vitiating the "investment climate" and running the risk of frightening away future investors. In other words: Allow us to rob you blind, or else we'll go away.

Last June the MSEB announced that it was ending its agreement with the Dabhol Power Corporation, a joint venture of Enron -- which has the largest stake -- General Electric and Bechtel. DPC ceased operations soon afterward, and is pressuring the government to cover its debts. Royal Dutch/Shell, the Anglo-Dutch petroleum group, TotalFinaElf and Gaz de France are currently bidding to take over Enron, Bechtel and GE's collective stake in the plant in a "distress sale."

Globalizing Dissent

Recently, globalization has come in for some criticism. The protests in Seattle and Prague will go down in history. Each time the WTO or the World Economic Forum wants to have a meeting, ministers have to barricade themselves with thousands of heavily armed police. Still, all its admirers, from Bill Clinton, Kofi Annan and A.B. Vajpayee (the Indian Prime Minister) to the cheering brokers in the stalls, continue to say the same lofty things: If we have the right institutions of governance in place -- effective courts, good laws, honest politicians, participatory democracy, a transparent administration that respects human rights and gives people a say in decisions that affect their lives -- then the globalization project will work for the poor as well. They call this "globalization with a human face."

The point is, if all this were in place, almost anything would succeed: socialism, capitalism, you name it. Everything works in Paradise, a Communist State as well as a Military Dictatorship. But in an imperfect world, is it globalization that's going to bring us all this bounty? Is that what's happening in India now that it's on the fast track to the free market? Does any one thing on that lofty list apply to life in India today? Are state institutions transparent? Have people had a say -- have they even been informed, let alone consulted -- about decisions that vitally affect their lives? And are Clinton (or now Bush) and Prime Minister Vajpayee doing everything in their power to see that the "right institutions of governance" are in place? Or are they involved in exactly the opposite enterprise? Do they mean something else altogether when they talk of the "right institutions of governance"?

The fact is that what's happening in India today is not a "problem," and the issues that some of us are raising are not "causes." They are huge political and social upheavals that are convulsing the nation. One is not involved by virtue of being a writer or activist. One is involved because one is a human being.

If you're one of the lucky people with a berth booked on the small convoy, then Leaving It to the Experts is, or can be, a mutually beneficial proposition for both the expert and yourself. It's a convenient way of shrugging off your own role in the circuitry. And it creates a huge professional market for all kinds of "expertise." There's a whole ugly universe waiting to be explored there. This is not at all to suggest that all consultants are racketeers or that expertise is unnecessary, but you've heard the saying: There's a lot of money in poverty. There are plenty of ethical questions to be asked of those who make a professional living off their expertise in poverty and despair.

For instance, at what point does a scholar stop being a scholar and become a parasite who feeds off despair and dispossession? Does the source of your funding compromise your scholarship? We know, after all, that World Bank studies are among the most quoted studies in the world. Is the World Bank a dispassionate observer of the global situation? Are the studies it funds entirely devoid of self-interest?

Take, for example, the international dam industry. It's worth \$32-\$46 billion a year. It's bursting with experts and consultants. Given the number of studies, reports, books, PhDs, grants, loans, consultancies, environmental impact assessments -- it's odd, wouldn't you say, that there is no really reliable estimate of how many people have been displaced by big dams in India? That there is no estimate for exactly what the contribution of big dams has been to

overall food production in India? That there hasn't been an official audit, a comprehensive, honest, thoughtful, post-project evaluation, of a single big dam to see whether or not it has achieved what it set out to achieve? Whether or not the costs were justified, or even what the costs actually were?

Cynics say that real life is a choice between the failed revolution and the shabby deal. I don't know . . . maybe they're right. But even they should know that there's no limit to just how shabby that shabby deal can be. What we need to search for and find, what we need to hone and perfect into a magnificent, shining thing, is a new kind of politics. Not the politics of governance, but the politics of resistance. The politics of opposition. The politics of forcing accountability. The politics of slowing things down. The politics of joining hands across the world and preventing certain destruction. In the present circumstances, I'd say that the only thing worth globalizing is dissent. It's India's best export.

Arundhati Roy, a novelist who lives in New Delhi, is the author of Power Politics (from which this article in the February 18, 2002 issue was adapted). A second and expanded edition will be available (February 2002) from South End Press.

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