

**Pamphlet Brought Out on the Occasion of the
Campaign Against Corruption
(July 2011)**

JOIN CPI (M) CAMPAIGN AGAINST CORRUPTION

Every day, the *aam admi* has to pay bribes to get their work done. Whether for a ration card, an SC or ST certificate or even to file a police complaint or anything else, nothing gets done without the greasing of palms. If you do not have the money to bribe, you have to suffer even though you have the right for the particular benefit you are being asked to pay for. This experience is not new. But in today's India, if corruption has spread like an epidemic affecting every sphere of life, it is because corruption has become institutionalized, an intrinsic part of governance starting from the very top. As the saying goes, when the source of the Ganga is polluted, every stream will be affected. When the top levels of government are involved in corruption, it will affect all spheres.

The UPA-2 government has been hit by successive cases of high level corruption. Corrupt ministers have been allowed to remain in the government for months and the investigations manipulated, in order to obstruct the course of justice. It is only after a Supreme Court intervention that the Government was forced to act. The loot of public resources is happening at a time when millions of people suffer from acute poverty, hunger and lack of opportunities. Besides affecting economic development, accumulation of wealth by illegal means is widening inequalities and ruining the moral fabric of our society. There is legitimate widespread national outrage at the corruption.

For a strong and independent Lok Pal

For 45 years from when the first Lok Pal Bill was presented to Parliament in 1966, successive Governments have avoided the establishment of a strong and independent Lok Pal. The CPI(M) demands a strong Lokpal Bill which would include the Prime Minister in its ambit. After the experience of the Bofors corruption scandal, the V.P.Singh Government in 1989 at the instance of the Left Parties, included the post of Prime Minister in the ambit of the Lok Pal proposed. Since then every draft Bill including the Bill recommended by a Standing Committee headed by Pranab Mukherjee in 2001 included the Prime Minister. Why is the Government afraid of it now?

MPs and MLAs

We also demand that the Constitution be amended to ensure a proper enquiry into the activities of Members of Parliament where there are corruption charges such as the cash for vote scam in 2008. Crores of rupees which were being offered to opposition MPs by the ruling alliance to save the government were displayed in the House but till date no action has been taken against even a single person. In both Kerala and Tripura the CPI(M) led Governments had initiated State Lok Pals with jurisdiction over not only the Chief Minister but all elected members. At the Centre as well as the States elected representatives of the people should be brought under the ambit of anti-corruption scrutiny through proper legislation.

The Judiciary

The CPI(M) believes that along with a strong Lokpal, it is essential to take other steps such as a separate law to ensure accountability of judges including those in the Supreme Court through the setting up of a Judicial Commission. There are so many examples where judges are suspected to have taken money to give a particular judgement favouring one side but no action can be taken under the present system. We also demand electoral reforms because we know that the money generated through the huge corruption deals and the unpaid tax and black money is also used in elections to buy votes. Thus corruption also directly corrodes and weakens the parliamentary democratic system. The State should finance elections. At the same time, to deal with the every day problems of corruption that the ordinary people face, it is essential to have a law which will ensure quick punishment through a special mechanism against bribe takers at the lower levels of governance to bring relief to the people directly.

Toxic Nexus

But this is not enough—we have to understand, expose and fight back the fountainhead of corruption. There is a neo-liberal Trimurti in operation in India today—the trimurti representing the nexus of big corporates, politicians and bureaucrats. The mega-scams that are unfolding today - the 2G spectrum allocation scam, CWG scam, KG basin gas scam etc, the growth of black money, the continuing tax evasion - show how thousands of crores worth of public resources have been illicitly cornered by this nexus. At the State level too, scams have proliferated related to the grabbing of mineral resources and land by big

corporates and real estate developers aided by the permissions given by the central Government.

This exponential growth of corruption and the process of neoliberal reforms are not merely coincidental; the former has been a direct outcome of the enmeshing of big money, vested interests and politics, brought about by the latter. The hallmark of the present corruption is the loot of scarce resources like spectrum, gas, valuable minerals and even land and water resources.

2G Scam: Look at the 2G scam--biggest scam unearthed in recent times costing the exchequer over 1.76 lakh crore rupees. Every day some new dimension of the scandal is revealed.

As per the CAG report, the beneficiaries of the under priced spectrum allocated in 2008 includes all the major corporates in the telecom sector, from Tata Teleservices and Reliance Telecom to Bharti, Vodafone, Idea etc. Besides, two real estate players, Unitech and DB Realty (Swan) also received underpriced spectrum and made huge windfall gains by selling their equity to foreign companies, Telenor and Etisalat, respectively. The top bureaucrat, the Secretary in the Ministry was also involved. Several more corporate executives from all the major telecom companies have been questioned by the CBI and it is possible that more arrests will be made in the coming days.

While the role of A. Raja the former Telecom Minister is well known, he could follow these tainted policies because of the failure of the Prime Minister and others such as the then Finance Minister Chidambaram refused to intervene. The question rises: when it was known that wrong policies of allocation of spectrum to benefit some corporates were being followed why did the Prime Minister and the cabinet not act? It was not a secret. The CPI (M) had objected to the tainted process of 2G spectrum allocation in 2008 itself, yet not only was Raja permitted to remain in the cabinet but the Prime Minister and his cabinet colleagues defended him. Even now, the new Telecom Minister Kapil Sibal from the Congress is refusing to act and recover the lost revenues from the corporate beneficiaries of the scam. CPI (M) has been demanding that the 2G licenses and spectrum that were disbursed through the tainted process in 2008 should be cancelled and re-auctioned to recoup the losses to the national exchequer.

Another Telecom Scam: Another Minister of the UPA government from the DMK, Dayanidhi Maran, has recently been forced to resign from the cabinet. It was during his period that the FDI cap in telecom was raised to 74 per cent. It is now exposed that the Minister himself had manipulated the policy in such a way to force a domestic telecom company to sell out to a foreign company. The foreign company immediately got licenses to operate in different parts of the company. It

then invested over 800 crores rupees in a television company owned by Maran's brother. This is a classic example of how crony capitalism works. CPI (M) demands thorough investigation of the allegations against Dayanidhi Maran and Sun TV and strong action if the charges are proven.

CWG Scam: A huge amount of public resources were looted and squandered in the run up to the Common Wealth Games held in October 2010 in New Delhi. Despite many reports appearing in the media regarding the messy preparations for the games and absurdly overpriced contracts awarded to favoured companies by the CWG Organising Committee headed by Congress MP Suresh Kalmadi, the government failed to prevent the misdeeds. After the games were over, the Central Government appointed a committee under former CAG V.K. Shunglu, which came out with revelations of corruption against several persons. Subsequently, Kalmadi has been arrested and charge sheeted by the CBI alongwith his cronies in a case involving a scam of around Rs. 95 crore loss to the exchequer. But why is the Government not acting on the other exposures of the Shunglu report which involve much larger sums of money? It has indicted the Delhi Government, named the Chief Minister and the Lieutenant Governor as well as indicted the Central Urban development Ministry. Shamefully contractors, builders like MGF were only paid huge amounts amounting to a loss of thousands of crores of rupees on different counts. In the name of beautification of the city huge amounts were paid out which have not been properly accounted for.

CPI (M) demands strong action against all the officials and corporate beneficiaries of the CWG scam. The role of all the agencies involved in the CWG, including the Delhi State government, which has been indicted by the Shunglu Committee must be scrutinized by the CAG and action taken against the guilty. Cover-up attempts cannot be tolerated.

KG Gas Scam: The other big scam which is presently unfolding relates to the production sharing contract between the central government and the Reliance Industries on natural gas extracted from the Krishna-Godavari (KG) basin in the Bay of Bengal. A draft Performance Audit report of the CAG has already questioned the way the RIL was allowed to artificially inflate its development cost from \$2.4 billion in the initial contract to \$8.5 billion. When this was done in 2006, CPI (M) had strongly objected to this and alerted the then Petroleum Minister Murli Deora, who conveniently ignored the matter. Now the CAG has indicted the Director General of Hydrocarbons (DGH) and the Petroleum Ministry of conniving with the RIL, indulging in "irregularities and bending rules" to "oblige" RIL in the KG basin gas fields, leading to a massive and as yet "unquantifiable" loss to the national exchequer. Independent estimates

suggest that total loss to the government would be to the tune of \$10 billion or around Rs. 45000 crore.

CPI (M) had demanded action against the former DGH VK Sibal for colluding with the RIL and causing loss to the exchequer. He is being interrogated by the CBI in a 2005 case where he had awarded a contract to a US based company GX International at an inflated cost, causing a loss of Rs. 400 crore to the exchequer. CPI (M) has already demanded that the faulty pricing formula in the Production Sharing Contract with the RIL be amended forthwith so that the loss to the exchequer can be recovered. CPI (M) has also demanded a delinking of the domestic gas price from international crude oil price and fixing of gas price based on a cost-plus formula. The hesitation of the government in taking these steps expose the strong influence of Reliance on the Congress led government.

Other Scams: Several other scams have occurred in the recent period such as the IPL scam, the Antrix deal etc., which follows the similar pattern of ministries bending the rules to favour corporate entities against kickbacks. Allegations of wrongdoings have been made in the import and export of items like wheat, rice, sugar and onions in the past few years helping certain companies make windfall profits.

At the level of states, the BJP government in Karnataka is under the stranglehold of the Reddy brothers of Bellary, who have siphoned off crores of rupees in illegal mining of iron ore. There are serious allegations of a multi-crore land scam against the Chief Minister Yeddyurappa too, who denotified land meant for public projects and allocated it to his sons and other BJP leaders. But he continues in office. These are the double standards of the BJP.

The Adarsh Housing society scam was exposed in Maharashtra, involving four former Chief Ministers of Maharashtra - Ashok Chavan, Vilasrao Deshmukh (Union Rural Development Minister), Sushil Shinde (Union Power Minister) and Narayan Rane . Yet except for Chavan the others still hold office.

All this shows how the state governments led by the Congress and the BJP are not only mired in corruption but also how the corrupt ministers are protected by their parties.

Black Money

According to a recent study, the present value of illicit financial flows out of India was calculated to be at least \$462 billion (over Rs. 20 lakh crore). Total capital flight represented approximately 16.6% of India's GDP in 2008. Significantly, the study noted that deregulation and liberalization in the post-reform period of 1991-2008, accelerated the

outflow of illicit money from the Indian economy. It is believed that out of the \$5 trillion worth of assets of foreign clients presently being managed by the Swiss banks, a substantial share is that of Indians (the largest share as per some sources). The CPI (M) has demanded that these illicit funds stashed in the Swiss and other foreign banks by Indians be confiscated and repatriated to India. However, the UPA government's attitude towards this has clearly been lackadaisical. The government had received a list of 26 Indians from the German government in 2010 who have secret deposits in the LGT Bank in Liechtenstein. This list has been submitted to the Supreme Court in an ongoing case on black money but the government has refused to make the list public citing compulsions under tax avoidance treaties. The Government wants to protect these tax evaders who have stashed away black money abroad.

Scrap Mauritius Route

A major conduit for tax evasion and money laundering is through the Mauritius route. India's Double Taxation Avoidance Agreement (DTAA) with Mauritius allows companies with an office address in that island country to escape paying capital gains tax in India. The fact that this treaty is being thoroughly misused can be seen from the fact that out of the \$132 billion (Rs. 5.9 lakh crore) of total FDI inflows into India between April 2000 and April 2011, \$55 billion (Rs.2.4 lakh crore) or 41.5% came from Mauritius alone. During this period the FDI inflows from Singapore was \$13 billion, \$9.5 billion from the US and \$6.6 billion from the UK. Why is it that a small island country like Mauritius accounts for over 8 times the amount of FDI inflows into India from the US, the largest economy of the world. This happens because MNCs and FIIs across the world set up offices in the Mauritius to invest into India and enjoys profits without having to pay taxes.

It is widely believed that much of the FDI routed through Mauritius is actually Indian money being round tripped and laundered. It is noteworthy that some of the recent scams in India, like the 2G scam or the IPL scam, involved channeling of funds through shell companies set up in Mauritius.

The CPI (M) has been consistently demanding the scrapping of the DTAA with Mauritius. Under pressure from the Left parties during the UPA-I government's tenure, negotiations were initiated with the Mauritian government to plug the loopholes in the DTAA. However, there has been little progress on this so far. The main reason is the tremendous pressure built by the Indian corporates, MNCs and FIIs to maintain status quo. It is important to build counter-pressure on the government in this regard.

Tax Defaulters: A huge amount of arrears of central taxes have accumulated over the years. The total outstanding arrear demand reached Rs. 2.5 lakh crore in 2010. Out of this around Rs. 1 lakh crore was held up because the tax assesses are untraceable or there are no assets to attach from them. These huge tax arrears have accumulated because of the chronic tax defaulters, who are getting away without paying their due taxes. The neoliberal medicine of cutting tax rates to enhance tax compliance has not worked. The IT department has reportedly prepared a list of 551 high net worth individuals and entities who have willfully defaulted or have unpaid taxes worth Rs. 25 crore and above. This list should be made public forthwith and the due taxes collected from them, by attaching their assets wherever necessary.

Root Cause of Corruption

When the neoliberal policies were introduced in 1991 under the aegis of the then Finance Minister Manmohan Singh, it was claimed that such economic reforms will not only lead to greater economic prosperity but also enhance the transparency and efficiency of governance. The neoliberal logic was simple: government's regulation and licensing policies are the source of all corruption and therefore privatization and liberalization, by lessening the role of the government, will get rid of corruption. Twenty years after the neoliberal reforms were initiated, this colossal falsehood stands thoroughly exposed.

Under the neo-liberal capitalist regime corruption has grown to unprecedented levels. Deregulation and privatization in all sectors has unleashed relentless greed for making more and more profits, which prevails under capitalism. The massive corruption, loot of public resources and generation of black money that we are witnessing in India today is also a fall out of the neoliberal policies being pursued by the ruling class parties like the Congress and the BJP for the last two decades. There is no longer an arm's length that the state is supposed to maintain vis-à-vis private interests, especially the interests of big corporates. Having been enmeshed with big business interests, the state has also become a party to the lawlessness of the rich and the elite. The nexus of politicians-corporates and bureaucrats is the symbol of this corruption. This is inimical to the interests of ordinary people and if not reversed, would completely subvert the functioning of our democracy.

Conclusion

While many voices are being raised against corruption in India today, most anti-corruption platforms are sidestepping the link between corruption and neoliberal policies. The CPI (M) firmly believes that any anti-corruption movement that only targets politicians in general and refuses to see the nexus of big corporates, politicians and bureaucrats as

the fountainhead of corruption, would be ineffective. In order to combat corruption, we have to build a powerful mass movement to smash this nexus and initiate institutional reforms to insulate the state from vested interests and make it more transparent and accountable to the people. What India needs is a roll back of neoliberal reforms and the ushering in of pro-people reforms in the legislature, executive and the judiciary.

We demand:

Break the corporate –politician-bureaucrat nexus. Reverse neo-liberal policies

Bring a strong Lok Pal Bill including the Prime Minister in its ambit

Amend the Constitution to permit action against MPs indulging in corruption

Bring a Bill to ensure action against corrupt judges

Confiscate and bring back black money

Arrest chronic tax defaulters and confiscate their assets

Ensure legal redressal mechanisms for the common people

The CPI(M) calls upon the people to join its campaign for these demands