

Automobile Sector Centred Indian Industrial Development for Whom?

The automobile sector centred industrial development in India and at the global level has emerged in the process of transformation of competitive capitalism into monopoly capitalism. This trend has been strengthening continuously, what is the cause for it? The automobile sector means the production and sale of private, individual vehicles. For whose benefit the public transportation system seriously neglected to accelerate the development of private transportation system? As Transportation system is closely connected to all the structures of the economy, Will these changes raise the living standards of people? Will it eradicate poverty? Will it bring and ensure decent livelihoods to all? In fact, the majority of people are forcefully excluded from the process of development. Consequently, the critically miserable lives of many became a normal phenomenon. Then, all this 'development of automobile industry' is for whose benefit?

The profit thirst of monopoly capital will not satisfy with the profits earned from the absolute and relative exploitation of surplus labour. It will rigorously and continuously search for new methods of exploitation to earn more and more profits. In this process, it discovered the method of reducing turnover time i.e., the time required to realise the profits since the initiation of investment. The reduction in the turnover time will raise the annual rate of profit. Thus, the annual rate of profit will increase continuously as long as the turnover time decreases. In this context, the transportation and communication sectors play a crucial role. Thus, the automobile sector is closely connected to the profit thirst of monopoly capital resulted in the strong expansion of diversified automobile sector.

Moreover, the distorted argument of development—the rise in the luxurious individual private vehicles, wide Highways and flyovers for Speedy movement of vehicles —is strengthened and popularised as the indicators of development. Thus, the basis of distortion has entered into the building of industrial structures. Further, the production of Exports—Imports dependent comforts and luxuries acquired priority in the place of indigenous, basic capital goods industrial development. In this way, the policies directed by the imperialist forces are implemented to this extent. The attainment of Self-reliance remained only on the papers. This trend strengthens the process of accelerated expansion of globalisation.

The American Marxist economist Paul Sweezy states that the entire capital accumulation in the twentieth century is around automobile industry only. Car

companies, oil industry, metal industry, construction of Highways and necessary real estate has successfully created automobile-industrialisation. Consequently, oil dependence at the global level increased sharply. In fact the main cause for the CO₂ emissions which is the main contributor of climate change is this kind of transportation system.

Automobile Sector in India

Indian automobile industry is fourth largest in the world. Its products are as high as 50% in our manufacturing output. This sector provides employment to more than 35 million people. This sector possesses three main centres - Gurgaon, Chennai and Pune. Chennai is called as the Asian Detroit in view of its large automobile and its allied industries. It is one of the largest automobile hub in the world. The Hyundai, Nissan, BMW, Yamaha, TPS etc. companies have manufacturing units in Chennai. Three cars are produced per minute here i.e. 1.4 million cars per annum.

Ford and Hyundai Motors are the main car companies in Gurgaon; and Tata and Fiat are the important car companies in Pune. In this way auto-mobile sector implies passenger cars. It has excessively diversified range of cars. This sector produces ultra-modern and highly luxurious cars preferred by billionaires as well as simple cars used by middle class. The cost of the car determines the Social prestige of the individual who owns it. Therefore, the craze and mania for Ultra-Modern cars among middle and rich class, to project their prominence, is aggressively increasing. The production of individual private cars which are not at all connected to the necessities of life of majority people astonishingly became the vital part of our industrial sector. Consequently, the entire development of our industrial sector is centred around this industry. Thus, our industrial sector is clearly alienated from the necessities of the majority. Further, this industry is highly capital intensive. Our country is backward because of the rampant colonial and imperialist exploitation. So, ours is a capital scarce nation. Therefore, the ruling class always says that the foreign investment should be attracted by giving incentives and concessions. Contrarily, the scarce, valuable capital is allocated to produce luxurious modern cars for the conspicuous lives of rich class for their enjoyment. This is really, a cruel oppression in the process of basic industrial development. Moreover, the capital intensive industries will be weak in the generation of employment. The rise in the share of employment in industrial sector is a necessary condition for industrial development. Ours is labour-abundant and capital-scarce country. But our industrial development is centred around capital

intensive automobile industry. This serious contradiction is the consequence of policies implemented under the pressure of imperialist forces.

Trends in the Growth of Individual Private Cars Production

Till 1980, rigid restrictions were imposed on the import of passenger cars. Our entire structure of tariffs and quantitative restrictions were aimed at restricting the foreign presence in this sector. Moreover, the role of cars, especially personal cars in the transportation system was negligible. Strong Public transportation system was in existence whose characteristics are safety and accessibility. The main vehicle in this system is the bus which is used collectively. It saves fuel, metal usage, reduces traffic on the roads and pollution. Further, its maintenance expenditure and cost of transportation of individual are less.

The state of affairs is totally reversed since 1981. In fact, the liberalization trends have entered during this period and aggressively aggravated in the 1990s with the entry of globalisation in the name of New Economic Policy. This resulted in the initiation of policies to encourage imports and to increase foreign collaborations which resulted in the demise of indigenous production as well as indigenous technology. The merger of Government of India owned Maruti Udyog Limited with Suzuki motors resulted in the demise of dominance of Premier Automobiles and Hindustan Motor Limited in the Indian car market. The dominance of foreign companies and foreign collaborations has been established in the automobile sector.

The New Economic Policy resulted in the abolition of licenses and it hastened the process of bringing in foreign companies. By 2002 as many as 16 foreign collaborations are strongly established in India. The car market is filled with large variety of cars. Moreover the imports of necessary new materials, intermediate goods and spare parts increased rapidly. The rise in the imports resulted in the transfer of our wealth to foreign countries in the form of higher licence fee, royalties and high fee for technical expertise. Further, the flow of foreign investment in this sector increased enormously. The rise in the sale of import - intensive cars resulted in the shortage of foreign exchange which is necessary for the real needs of the country. The scarce and valuable foreign exchange earned by NRIs with their hard work as well as with their restricted consumption has been transferred to the producers and consumers of these costly cars in the form of royalties, concessions and incentives. This is really a cruel contradiction.

Possibilities to Raise the Sales of Cars

Since 1980s, the liberalization trends have been increasing in the automobile sector. Despite growing unemployment and poverty, the possession of individual private personal car became a necessity. The second five year plan based on Mahalanobis model, gave high priority to large scale industries which produce productive/capital goods to achieve self-reliant industrial development as early as possible. This plan has failed because it created a serious shortage of mass consumption goods. However the rich did not suffer from inaccessibility but the entire burden transferred to poor and oppressed who are already living in miserable conditions. The failure of second Five Year Plan is the consequence of unequal society. In these conditions, it is identified and decided that imports of necessary essential goods must be accepted. On this pretext, imports of luxury goods which manifest the richness of rich class started to rise significantly. The imports as well as the production of individual personal cars increased as part of it. Moreover, the import-liberalisation policy encouraged this trend. Further the domination of foreign collaborations increased in automobile sector which resulted in the demise of indigenous technology. This resulted in the concentration of technological monopoly in the hands of parent companies of foreign collaborators. In fact, India became an assembling centre by importing various parts of the car. Thus, our industrial development is centred around automobile sector with capital-intensive, foreign capital-intensive and imports intensive character. Thus the distorted development has strengthened in our industrial structures.

Causes for the Rise in the Demand for Cars

The demand for cars is very much essential for the survival of automobile industry. For this the government has strongly implemented two strategies:

1). It has implemented measures to decrease and restrict Public Transportation system which resulted in the rise of private Transportation system. Consequently, autos and cabs became inevitable for the needs of people's transportation. Further driving autos and cabs became a source of livelihood.

2). The survival of automobile sector required the large entry of middle class into the cars market. On the one hand, it became compulsory for this class to purchase personal cars in view of the decline of Public transportation system. On

the other, easy credit and personal bank loans were made available to the middle class. At the same time, pay revision enhanced the salaries of Government employees. All these favourable conditions encouraged middle class to purchase personal cars. Moreover, it is significant to note that the size of our middle class is more than or equal to the population of England or population of France. Therefore, the entry of our middle-class into the cars market ensures sufficient demand for cars.

The government is determined to encourage automobile industry. It is one of the six Superstar sectors recognised for Make in India. The sales in the segment of passenger cars is on the rise continuously. The government has been formulating policies with the aim of raising the share of this sector in Gross Domestic Product to the tune of 12 percent. Depending upon the number of cars on the road, demand for oil will rise. They are inseparable. In fact, the emergence of serious foreign exchange crisis in 1990-91 is primarily due to oil imports. If we restrict oil imports, the industrial development centred around automobile sector will not survive and lead to profitability crisis for Monopoly capital/corporate forces. Despite serious foreign exchange crisis, the government liberalized oil imports which is really a serious contradiction. Our crude oil needs are as high as 80% of our imports.

The distortions in our industrial structures in terms of industrial development centred around automobile sector will naturally pressurise import liberalisation policies for oil imports. Consequently our country will be entangled in the vicious circle of foreign exchange crisis. This trend will aggravate continuously.

The distortion in the form of automobile industrialisation normally leads to the development of its forward and backward linkage industries and allied industries. Consequently the distortions will get rooted firmly into our industrial structures. On the other, continuous rise in the oil imports has resulted in the continuation of foreign exchange crisis. It will be evergreen.

Crisis in Automobile Sector

In 2019 as many as five lakh passenger cars and 30 lakh two wheelers remained unsold in the car factories. This lead to the emergence of profitability crisis to these companies. As this sector is synonymous to our industrial sector, the crisis in the automobile sector will be an economic crisis for our country. The car companies started taking measures to reduce cars production. For example, the

Japan based car company, Toyota and South Korea based company, Hyundai Motors have reduced 50% of their plant's production in 2019. This led to the loss of livelihood to thousands of workers. In fact, it is estimated that as many as 3.5 lakh people lost their livelihood in automobile spare part industry. Thus, the crisis in automobile sector aggravated the problem of unemployment.

The studies of SBI and RBI clearly revealed that the wages are on the decline continuously and growing inflation lead to negative real wages. An ILO study states that the wage in India is less than the labour's productivity. In these conditions, the crisis in automobile sector further weakened the conditions of workforce. Will the government which has already disconnected from the welfare of the people considers the miserable conditions of working class? Further, the government takes decisions only from the view point of ensuring profits to corporate forces, therefore, it has raised the minimum wage from Rs. 176 to Rs. 178 i.e. an increase of just two rupees!

Astonishingly, in 2019, vehicles including passenger cars, commercial vehicles, two wheelers, three wheelers and quadri cycles were produced to the tune of 26 million.

Government Measures to Raise the Sales of Automobile Products

The pro-corporate government could not tolerate the profitability crisis of monopoly capital. In 2019-20, the corporate tax is reduced making it the world's minimum. Further the announcement of vehicle scrap policy in 2020-21, Central Budget states that the government and commercial vehicles which completed 15 years, private and personal vehicles which completed 20 years must be scrapped. It is only 10 years for diesel vehicles. Moreover, registration cess is decreased for new cars. All these measures are only to increase the sales of cars. The government has announced its aim of attracting Rs. 42,500 crores of new investment and achieving additional production to the extent of Rs. 2.3 lakh crores through production linked incentive scheme. In addition, 100% Foreign Direct Investment is permitted through automatic route in this sector.

In October 2020, the Japan Bank for International Cooperation (JBIC) agreed to provide US \$ 1 billion (Rs. 7400 crores) to SBI for funding the manufacturers and sales business of suppliers and dealers of Japanese automobile manufacturers and providing auto loans for the purchase of Japanese automobiles in India.

The government which took serious measures to raise the production and sales of automobile sector failed to take any measures to improve the livelihood prospects of workforce.

Prices of Petrol, Diesel and Gas

The prices of petrol, diesel and gas are on the rise continuously for the past seven years irrespective of the fall in the Global Oil prices. The price of petrol increased 56 times and diesel by 57 times between April 2020 and December 2020. The combined taxes and cess of Central and State governments constitute 62% in the price of a litre of petrol and 57.5 % for diesel. The petrol price at present reached Rs. 110 per litre and the gap between petrol and diesel price is narrowed.

In fact, these taxes became the primary revenue sources for Central and State governments. The Central government's tax revenue from this source has increased to Rs. 3,34,314.83 crore in 2019-20 from Rs. 1,72,065.39 crore in 2014-15. While for Telangana it has increased to Rs. 2,21,055.58 crore from Rs. 1,60,554.29 crore during the same period. Thus, the tax revenue doubled in 5 years duration. In fact this tax is regressive in nature i.e., the heavy burden of tax fell on common people. Moreover, the deficit in the foreign exchange current account reached dangerous level since 2008-09 due to oil imports. Still, the government refuses to take any measures to control it.

The decline in Public Transportation system not only raised the sales of automobile products but also became a source of livelihood to vehicle drivers. Now, the rise in the prices of petrol and diesel throws them into critical conditions. The All India Motor Transport Congress estimates that as many as 14 million drivers of trunks, tourist vehicles, small transport operators, wage earners lost their livelihood due to covid-19 pandemic. The rise in the prices of petrol and diesel aggravates this problem further. Still the "pro-corporate, anti-people" policies of the government imposes more and more taxes on the people who earn their livelihood from driving vehicles. Despite people's resistance and protest, another intention of the government to raise taxes on oil, is to encourage and incentivise shift to electric vehicles. All this is under the direction of imperialist forces.

Measures To Encourage Electric Vehicles

The government initiated the scheme of Faster Adoption and Manufacture of Hybrid and Electric Vehicles-2 in 2019 and extended it till 31st March 2024. Under

this scheme, an amount of Rs. 871 crores are allocated in June 2021 for Electric Vehicles. Further, it has sanctioned 6,265 Electric Buses to run in various states and cities and decided to give encouragement to 87,659 Electric Vehicles. Moreover, the target is to enhance Indian Electric Vehicle market to the extent of Rs. 50,000 crores. The efforts to shift to Electric Vehicles has intensified in view of the middle class and growing youth population. For this, the goal is to attract 25.85 billion US dollars. Further, the Advanced Chemistry Cell is started with Rs. 18,000 crores for the use of Electric Vehicles. The Delhi government has established 100 units for the purpose of charging of Electric Vehicles in 2020-21. Car companies have made investments to the tune of Rs. 25,045 crores during Jan-July 2021 for E-Vehicles. Mahindra and Mahindra company is implementing a 3 year investment plan with Rs. 3000 crore starting April 2021. It is estimated that as high as Rs. 12.5 trillion are necessary by 2030 to achieve our Electric Vehicle goal. All these hurried measures and huge amount of investments are not at all useful and beneficial to the oppressed class.

The government which took all the relevant measures to achieve industrial development centred around automobile sector by stating that it is the indicator of development and did not care the foreign exchange crisis due to oil import, now argues that the present automobile sector is the cause for the problem of climate change. Therefore, it is necessary to shift to Electric Vehicles. Thus, again finding solutions in the continuation of distorted industrial structures is for the purpose of profits of monopoly capital.

Monetisation of Infrastructure Assets

The primary assets identified in this program are Roads and Electricity where both are connected to auto-mobile sector. Broad Highways are necessary for smooth running of luxury cars. Therefore, the government constructs Highways, transforms them into brownfield infrastructure and then leases them to Monopoly capital to allow them to collect toll fee. Further, the shift to electric vehicles will raise the electricity requirement. So, it is proposed to lease the remaining public electricity projects to Monopoly capital. Arrangements are made to give land for lease to Electricity recharge stations. On the other, it is a fact that already many villages and farmers are suffering for want of electricity. The conversion to Electricity vehicles will aggravate the Power Crisis. In places where agriculture is closely linked to electricity, it will be destroyed.

Real Goals of Imperialist Forces

It was directed to use CNG gas instead of oil for some time. In order to increase the sale of diesel vehicles, for a long time diesel prices are kept low compared to petrol prices. Later on, the use of diesel vehicles was discouraged by raising the prices of their spare parts and by controlling the marketing of old vehicles and their servicing centres. Also, the price difference between petrol and diesel was reduced. Thus, compulsory conditions are created to purchase petrol vehicles. Now, conditions are created for substituting with Electric Vehicles for upper middle class and petrol vehicles for travelling to distant places. Similarly, electric vehicles to go to work places but diesel vehicles for transporting goods. Thus, there is continuous encouragement for the purchase of vehicles so as to extract the entire savings of people to convert them into profits of monopoly capital.

There is another serious disruption owing to the shift to Electric Vehicles. Petrol/diesel vehicles uses combustion engines, the spare parts, production, repairs and replacement provides employment to millions of workers. All of them will be displaced due to the replacement with electric vehicles. Thus, the transition is destructive especially in view of growing economic inequalities, rising unemployment and poverty. As US car companies have decided to produce Electric Vehicles, our comprador bourgeoisie government is formulating policies to encourage and implement it.

Conclusion

Transportation system is not a substitute but a primary need of the people. The Automobile sector is popularized as a synonym to development only for the purpose of profits of monopoly capital. This development is not connected to the real lives of people. Moreover, it is harmful to environment also. Therefore, all the issues linked to the development of automobile sector, Highways, privatisation and leasing of Electricity projects should be resisted and protested. This warrants the consolidation of oppressed class to fight against it. There is no alternative for people's strong movements.