



IN INDIA, DEATH TO GLOBAL BUSINESS

By Manjeet Kripalani

How a violent—and spreading—
Maoist insurgency threatens the
country's runaway growth



GADCHIROLI

On the night of Apr. 24, a group of 300 men and women, armed with bows and arrows and sickles and led by gun-wielding commanders, emerged swiftly and silently from the dense forest in India's Chhattisgarh state. The guerrillas descended on an iron ore processing plant owned by Essar Steel, one of India's biggest companies. There the attackers torched the heavy machinery on the site, plus 53 buses and trucks. Press reports say they also left a note: Stop shipping local resources out of the state—or else.

The assault on the Essar facility was the work of Naxalites—Maoist insurgents who seek the violent overthrow of the state and who despise India's landowning and business classes. The Naxalites have been slowly but steadily spreading through the countryside for decades. Few outside India have heard of these rebels, named after the Bengal village of Naxalbari, where their movement started in 1967. Not many Indians have thought

much about the Naxalites, either. The Naxalites mostly operate in the remote forests of eastern and central India, still a comfortable remove from the bustle of Mumbai and the thriving outsourcing centers of Gurgaon, New Delhi, and Bangalore.

Yet the Naxalites may be the sleeper threat to India's economic power, potentially more damaging to Indian companies, foreign investors, and the state than pollution, crumbling infrastructure, or political gridlock. Just when India needs to ramp up its industrial machine to lock in growth—and just when foreign companies are joining the party—the Naxalites are clashing with the mining and steel companies essential to India's long-term success. The threat doesn't stop there. The Naxalites may move next on India's cities, where outsourcing, finance, and retailing are thriving. Insurgents who embed themselves in the slums of Mumbai don't have to overrun a call center to cast a pall over the India story. "People in the cities think India is strong and Naxalism will fizzle out," says Bhibhu Routray, the top Naxal expert at New Delhi's Institute for Conflict Management. "Yet considering what has happened in Nepal"—where Maoists have just taken over the government—"it could happen here as well. States, capitals, districts could all be taken over."

Officials at the highest levels of government are starting to acknowledge the scale of the Naxal problem. In May a special report from the Planning Commission, a government think tank, detailed the extent of the danger and the "collective failure" in social and economic policy that caused it. The report comes five months after Prime Minister Manmohan Singh shocked the country with a candid admission: "The Naxal groups... are targeting all aspects of economic activity... [including] vital infrastructure so as to cripple transport and logistical capabilities and slow down any development. [We] cannot rest in peace until we have eliminated this virus."

Why such rhetoric now about a movement that has coexisted with the rest of India for more than 40 years? One reason is the widening reach of the Naxalites. Today they operate in 30% of India, up from 9% in 2002. Almost 1,400 Indians were killed in Naxal violence in 2007, according to the Asian Center for Human Rights.

COLLISION COURSE

The other reason for sounding the alarm stems from the increasingly close proximity between the corporate world and the forest domain of the Naxalites. India's emergence as a hot growth market depended at first on the tech outsourcing boom in Bangalore and elsewhere. Now the world is discovering the skill and productivity of India's manufacturers as well. Meanwhile India's affluent urban consumers have started buying autos, appliances, and homes, and they're demanding improvements in the country's roads, bridges, and railroads. To stoke Indian manufacturing and satisfy consumers, the country needs cement, steel, and electric power in record amounts. In steel alone, India almost has to double capacity from

60 million tons a year now to no million tons. "We need a suitable social and economic environment to meet this national challenge," says Essar Steel chief Jatinder Mehra.

Instead there's a collision with the Naxalites. India has lots of unmined iron ore and coal—the essential ingredients of steel and electric power. Anxious to revive their moribund economies, the poor but resource-rich states of eastern India have given mining and land rights to Indian and multinational companies. Yet these deposits lie mostly in territory where the Naxals operate. Chhattisgarh, a state in eastern India across from Mumbai and a hotbed of Naxalite activity, has 23% of India's iron ore deposits and abundant coal. It has signed memoranda of understanding and other agreements worth billions with Tata Steel and ArcelorMittal, De Beers Consolidated Mines, BHP Billiton, and Rio Tinto. Other states have cut similar deals. And U.S. companies like Caterpillar want to sell equipment to the mining companies now digging in eastern India.

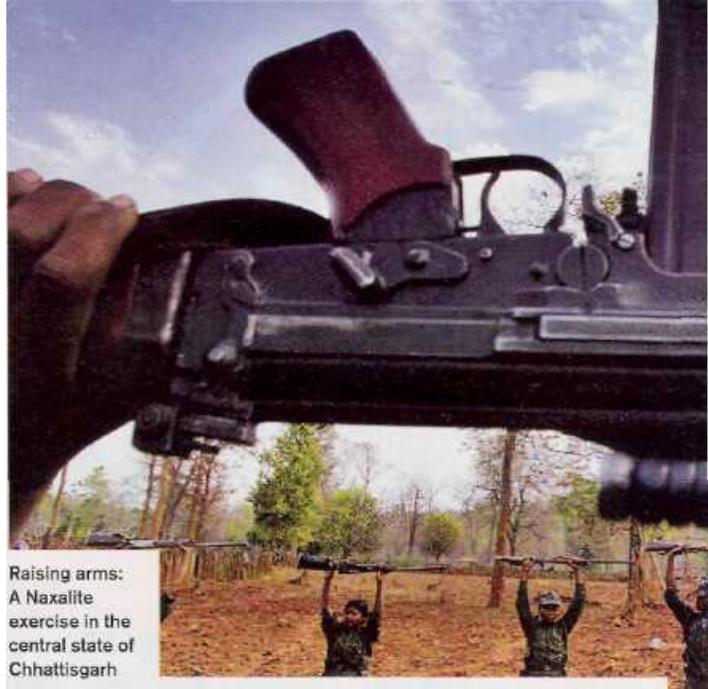
The appearance of mining crews, construction workers, and trucks in the forest has seriously alarmed the tribals who have lived in these regions from time immemorial. The tribals are a minority—about 85 million strong—who descend from India's original inhabitants and are largely nature worshippers. They are desperately poor, but unlike the poverty of the urban masses in Mumbai or Kolkata, their suffering has remained largely hidden to outsiders and most Indians, caught up as they are in the country's incredible growth. The Naxalites, however, know the tribals well and have recruited from their ranks for decades.

Judging from their past experience with development, the tribals have a right to be afraid of the mining and building that threaten to change their lands. "Tribals in India, like all indigenous people, are already the most displaced people in the country, having made way for major dams and other projects," says Meenakshi Ganguly, South Asia chief researcher for Human Rights Watch, which is compiling a report on the Naxal movement. The tribals are supposed to be justly compensated for any land used by the companies, but the states' record in this area is patchy at best.

THE BIGGEST THREAT

This creates an opening for the Naxalites. "If there is a land acquisition issue over a project, the Naxals come in and say, 'We will fight on your behalf,'" says Anami Roy, the director general of police for Maharashtra, the western state that has Mumbai as its capital. Upon his appointment to the post in March, Roy declared Naxalism to be the biggest threat to the state's peace.

For those who see things differently from the Naxalites, the results can be terrifying. In January in Chhattisgarh, a village chieftain, suspected of being a police informer, was kidnapped, mutilated, and killed with a sickle—an example to any of the villagers who dared to oppose the Naxals. Company executives talk sotto voce about how dangerous it is for a villager to support business projects. "No villager has the



Raising arms: A Naxalite exercise in the central state of Chhattisgarh



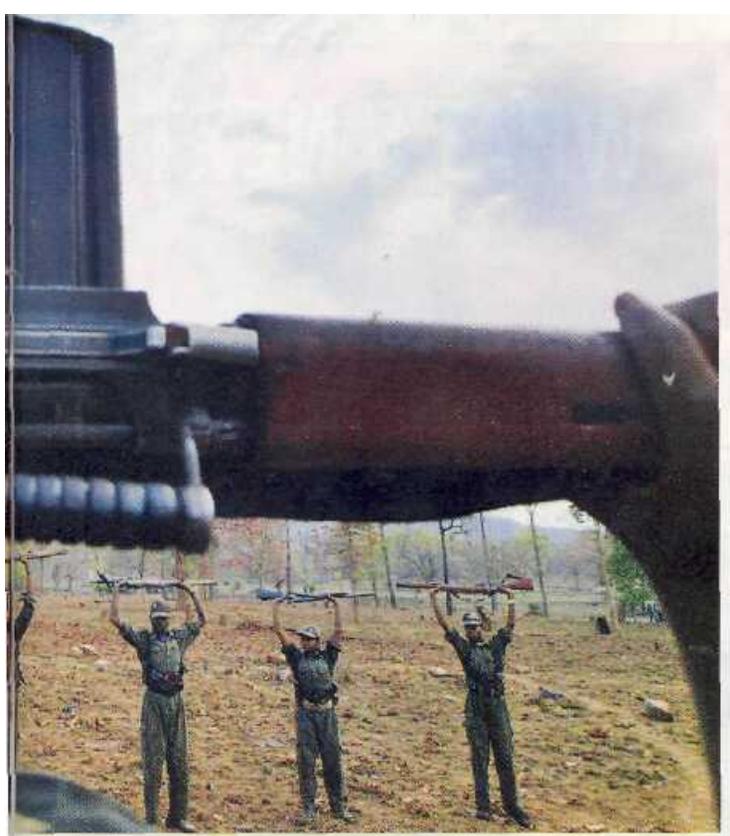
Carrying the body of a paramilitary killed by Naxalites

courage to stand up to the Naxalites" says one manager who is often in the region. The possibility of violence has contributed to the slow progress of many mining projects. Nik Senapati, country head of Rio Tinto, which has outstanding permits for prospecting in eastern India, knows the threat. "It's possible to work here," he says. "But we avoid parts where there are Naxals. We won't risk our people."

The Naxalites often don't hesitate to kill or intimidate their foes, no matter how powerful they are. Former Andhra Pradesh Chief Minister Chandrababu Naidu, who is credited with turning the state capital of Hyderabad into a tech center, narrowly avoided death at their hands.

But the Naxalites can offer their followers clear benefits. Lakshmi Jalrna Khodape, 32, alias Renuka, a petite tribal from Iheri, Maharashtra, was just 15 when she joined up. "I had no education," she recalls. "My father was a guard in the forest department. The Naxals taught me how to read and write." Eventually disgusted by the Naxals' violence, Lakshmi surrendered to the state police and now lives under their protection.

Undeniably, the Naxals are viewed as Robin Hoods for many of their efforts. "The tribals have benefited economically thanks to the Naxals," says human rights lawyer K. Balagopal,



who has defended captured Naxalites in court cases. In Maharashtra, tribals pick tender tendu leaves, which are rolled to make a cigarette called a "bidi." Contractors used to pay them the equivalent of a penny for picking 1,000 leaves from the surrounding forest. The contractors would then take the leaves to the factory owners and sell them for a huge markup. But the Naxals intervened, threatening the contractors and demanding better wages. Since 2002 the contractors have increased the price to about \$4 per 1,000 leaves.

According to the Institute for Conflict Management, the Naxalites are now planning to penetrate India's major cities. Ajai Sahni, executive director of the Institute, says they are looking to encircle urban centers, find sympathy among students and the unemployed, and create armed, "secret, self-defense squads" that will execute orders. Their targets are the two main

industrialized belts that run along the east and west coasts.

That's an ambitious plan, but the Institute estimates there are already 12,000 armed Naxalites, plus 13,000 "sympathizers and workers." This is no ragtag army. It is an organized force, trained in guerrilla warfare. At the top, it is led by a central command staffed by members of the educated classes. The government also fears the Naxalites have many clandestine supporters among the urban left. The police have recently been rounding up suspected allies in the cities.

READY RECRUITS

The Naxalites are already operating on the edge of industrialized Maharashtra state, about 600 miles from Mumbai. The litany of complaints from village women in Maharashtra's Gadchiroli district is endless and is one reason the Naxalites find ready recruits here. The teachers don't come to teach in the government school, and when they do, say local parents, they drink and gamble on the premises. In one village, the sixth-graders don't know how to read and write despite the fact that the state pays teachers 20% extra for volunteering to work in Naxal-infested areas. In the civil hospital in Gadchiroli, poor villagers have to purchase all the equipment for treatment themselves, from scalpels to swabs. (The hospital says it's well stocked.) "This is what happens in nontribal villages," says Dr. Rani Bang, a Johns Hopkins School of Medicine physician who runs a popular tribal hospital in the nearby forest. "You can imagine how bad it is for tribals."



Prime Minister Singh: It's crucial to eliminate the Naxal "virus"

Despite the need to ease the tribals' poverty and blunt the appeal of the Naxalites, New Delhi still treats the insurgency largely as a law-and-order problem. States like Chhattisgarh, whose ill-trained police force is overwhelmed, have unleashed vigilantes on the Naxalites and the tribals and given the force arms and special protection under the law. The vigilantes, called Salwa Judum ("Peace Mission"), have made homeless an estimated 52,000 tribals, who have fled to poorly run, disease-infested government camps. Allegations of rape and unprovoked killings have dogged the Salwa Judum. Efforts to reach Salwa Judum were unsuccessful, but the state government has vigorously defended the group.

The problem is so severe that, in March, a public interest lawsuit was filed in India's Supreme Court by noted historian Ramachandra Guha, who demanded an investigation into Salwa Judum's activities. The court granted the request in April. Guha himself is not sanguine about the state's ability to address the Naxal issue. "The problem is serious, it is growing, our police force is soft," he says. "Thousands of lives will be lost over the next 15 years." | BW |

