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Drift and Confusion Reign in Indian Politics

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As India heads into an election year, its politics seems characterized by confusion and drift. The Congress Party–led United Progressive Alliance (UPA) government, which began its second term in 2009 (hereafter referred to as UPA II), appears adrift on all fronts. Indeed, the party is in danger of losing its governing position in the next national election, which is due in the spring of 2014, with a new government to be sworn in by May 22 of that year.

It is not certain if the Congress will put forward heir apparent Rahul Gandhi as its prime ministerial candidate. Gandhi, the newly appointed party vice president, is the 42-year-old son of the party’s president, Sonia Gandhi, and the scion of the Nehru-Gandhi family that has dominated Congress and Indian politics since independence.

It is not even certain if the election will be held next year, rather than advanced to some date in 2013. The latter is possible if the Congress Party thinks it could benefit from holding an early election, as its main rival, the Bharatiya Janata Party (BJP), miscalculated in 2004. An election this year also is possible if either or both of the Congress’s supporters from outside the governing coalition—the left-of-center Samajwadi Party and the Scheduled Caste (formerly “untouchable”)–based Bahujan Samaj Party, both based in India’s largest state, Uttar Pradesh—decide to withdraw support, depriving the UPA II of its legislative majority.

State assembly elections in India are a pointer to the prospects of parties in subsequent national elections, and the Congress Party’s performance in the state elections of 2012 was none too impres-

sive. It lost Punjab to Akali Dal, a Sikh party allied with the BJP; won back the small states of Uttarakhand and Himachal Pradesh from the BJP; lost tiny Goa to the BJP; retained tiny Arunachal Pradesh and Manipur; and lost Gujarat to the BJP, headed in that state by the BJP’s likely prime ministerial candidate, the controversial Narendra Modi. In India’s largest state, Uttar Pradesh, the Congress finished a poor fourth in the assembly elections, quite unlike its second-place showing in the state in the 2009 national election.

The current year will see assembly elections in as many as eight states, and possibly a ninth (Jharkhand). The small states of Nagaland, Meghalaya, and Tripura in the northeast already held elections in February. (The Congress won only Meghalaya; the Left Front won Tripura, and a regional party won Nagaland.) Mizoram, also in the northeast, will vote in November. Meanwhile, five straight Congress-BJP contests will take place in the two-party states of Karnataka, Rajasthan, Madhya Pradesh, Chhattisgarh, and Delhi (technically a federal territory, not a state, but with more lower house seats than several small states).

These state assembly elections, particularly the five Congress-BJP contests, are straws in the wind indicating shifts in public approval between the UPA II coalition and the BJP-led coalition, the National Democratic Alliance (NDA). At the moment, the governing coalition’s electoral strength remains anything but certain.

THE GROWTH DEFICIT

Nor does the state of the economy or its prospects in the coming 12 months appear to augur well for the Congress and its allies. Today, at the start of fiscal year 2013–14 (April to March), the Indian economy is in its worst shape since

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the governing coalition came to power in May 2004—and chances for a significant recovery before a 2014 election seem poor. After three years of over 9 percent annual GDP growth in fiscal 2005–08, and a slight slowdown (to 6.5 percent in 2008–09, and 8.6 percent in 2009–10) due to the international financial crisis and subsequent global downturn, the economy recovered to a 9 percent-plus growth rate again in 2010–11. Yet the rate slid to 6.4 percent in 2011–12. Estimates for 2012–13 are down to 5 percent.

In a country where a third of the inhabitants are under age 15, and 54 percent are under 25, and where only 18 percent of college-age citizens are enrolled in higher education, huge numbers enter the labor market every year. A significantly higher growth rate—together with a composition of growth that generates jobs for a largely unskilled or low-skilled labor force—is necessary to contain unemployment to socially and politically manageable levels, compared with developed economies with a demographic composition weighted toward older age groups. More rapid growth is required, too, to bring in the tax revenues that are needed to support the social programs that most political parties perceive as necessary to win public support—particularly in rural areas, where the majority of Indians live, and among the poor and disadvantaged social groups.

It is doubtful if the strategy employed to win the 2009 election by the Congress in its UPA I (2004–09) avatar will work for 2014. UPA I rode on the back of cumulative economic reforms by earlier Congress, United Front, and BJP-led governments. The reforms released growth impulses by raising the savings and investment rates (from 23 percent before liberalization to the mid-30s), and encouraged entrepreneurship by deregulation and trade liberalization.

UPA I was also helped by the global economic boom of 2002–08. The 9 percent-plus growth of 2005–08, with growth slowing just slightly in the election year 2008–09, allowed a massive expansion of social programs aimed at the poor and rural areas. In particular, the 2005 National Rural Employment Guarantee Act assured 100 days of wage work for at least one member of a rural family. It also allowed a waiver of farmers' loans from public financial institutions in the year

before the 2009 election. In addition, some popular governance reforms, such as the 2005 Right to Information Act, significantly improved transparency in government.

DWINDLING OPTIONS

As of now, however, there is little fiscal space for a growth boost led by public infrastructure investment, or for expanded antipoverty or public employment programs. The finance minister is under pressure to bring the fiscal deficit down. The 2013–14 budget tries to stimulate the economy based on heroic assumptions about tax revenue and public enterprise divestment revenues, in turn based on assumptions of 6.1 to 6.7 percent growth, and thereby a reduction of the fiscal deficit from 5.2 percent to 4.8 percent of GDP despite a rise in spending. These expectations are unlikely to materialize. Inflation, in the high single digits for over two years, has eased slightly after monetary tightening over most of the past two years. But monetary easing could stoke inflation again. And in India, inflation, particularly of food prices, can be fatal in an election. Therefore, the government has few policy options.

Part of the domestic reason for the growth slowdown is that the investment rate is down to about 31 percent of GDP, from 35-plus percent before. Some of this is due to delays in land acquisition for new projects, particularly mining projects that displace tribal people from forest areas, as well as to fear of public agitation by rural residents who lose precious farmland to such projects. Improved laws and policy implementation on these fronts could boost investment in infrastructure and industry and revive the growth momentum. However, second-generation market-oriented reforms such as labor market liberalization or privatization of public enterprises—which will help boost long-term growth and employment—will not be politically possible in an election year.

The Congress Party was lucky in the 2009 national election. On its own it won the second highest number of seats (21 out of 80) in the large state of Uttar Pradesh, and with its allies won 25 out of 42 seats in West Bengal, a state that had been dominated by the Left Front (communist) parties since 1977. The Congress seems most unlikely to be able to repeat its feats in Uttar

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Pradesh in 2014, going by its dismal performance in the state assembly elections in 2012, or in West Bengal, where its partner, and the largest coalition partner in UPA II, the Trinamool Congress, has left the coalition.

Likewise, its prospects are highly uncertain in the large southern state of Andhra Pradesh, where the party has split and the splinter faction won most of the local elections in 2012. In the southern state of Tamil Nadu, the Congress's alliance partner Dravida Munnetra Kazhagam (DMK) seems in a weak position. DMK lost power in the state assembly in 2011, and remains divided by internal rivalries deriving from a succession battle.

THE SEARCH FOR A MAJORITY

In short, there is hardly a state where the Congress can confidently assume victory—even though it is currently in power on its own or as a senior coalition partner in 12 states, and as a junior partner in Jammu and Kashmir, and in the federal territory of Delhi. These states and Delhi have a total of 183 seats, or 90 short of the majority mark of 273 seats in the lower house. Compared to this, the BJP is currently in power on its own in five states (Gujarat, Madhya Pradesh, Chhattisgarh, Karnataka, and Goa), totaling 96 seats in parliament; and as junior partner in two more, Bihar and Punjab, totaling 53 seats.

Indian state party systems have been evolving toward bipolarity over the decades. Today nearly all the states—the notable exception being Uttar Pradesh, with its 80 seats—are bipolarized between two parties, or two coalitions, or a party and a coalition. The way the Indian electoral system works, the main influence on a party's prospects for winning parliamentary seats in a particular state is whether it is one of the two leading parties in that state. If this is the case, it can benefit from a swing in its favor that will give it most of the seats in the state. This could be the case if it is in power in the state and runs a popular government perceived to be performing well. Alternatively, being in power could prove a liability if the government is perceived as performing poorly.

The Congress is one of the two leading parties in as many as 24 states and in all 7 federal territories, including Delhi—totaling 342 seats in parliament. However, it is not one of the two leading parties in four major states: Uttar Pradesh, Bihar, West Bengal, and Tamil Nadu, totaling as many as

201 seats. The prospect of the Congress winning a significant number of seats on its own from these states is quite limited (though not impossible), and the party has relied on coalition partners in the three most recent elections.

This means that, out of 543 elected seats in the lower house (2 members are nominated by the president), the Congress Party faces the almost impossible task of winning a majority of 273 from the 342 seats in states in which it is one of the two leading parties. Hence the imperative to find coalition partners, a strategy that goes against the grain for many older Congress leaders accustomed to being part of the sole ruling party for over 40 years until 1989.

Performing a similar calculation allows us to assess the position of the opposition BJP. The BJP is one of the two leading parties in 10 states and 5 federal territories, totaling 169 seats. With its current NDA allies, it is one of the two leading coalitions in another three states with 101 seats. That makes a grand total of 270 seats, or just less than half of all lower house seats. Among these states and territories, the BJP faces the Congress as its principal opponent in 17 of them. Even with its allies, it is not one of the two leading parties in states and federal territories totaling 273 seats. Thus, to succeed in the upcoming national election, the BJP needs to expand its independent electoral appeal and forge more alliances, including possibly repairing broken alliances. Or it must be able to attract significant postelection coalition partners.

CONFUSED OPPOSITION

What might possibly help the Congress and its UPA allies are confusion and incoherence within the principal opposition party, the Hindu nationalist BJP, and within the BJP-led alliance, the National Democratic Alliance. The NDA has shrunk since its heyday when it was in power from 1998 to 2004 under Prime Minister Atal Bihari Vajpayee. Several key regional parties, which account for one of the two major parties in each of a number of big states, have left the NDA. These include the Telugu Desam Party of Andhra Pradesh, which was a vital prop of the NDA government; the Trinamool Congress, which later became, until 2012, the largest partner of the Congress in UPA II, and which is currently the ruling party of West Bengal; and the Biju Janata Dal, the ruling party of Orissa. Another electoral ally of 2004 that has broken with the BJP (though it was

never part of the NDA) is the All India Anna DMK, currently the ruling party in Tamil Nadu.

What is worse for the BJP, its largest current ally, the Janata Dal (United)—with which it is in a coalition ruling the large state of Bihar—has threatened to leave the NDA if the BJP chooses Modi, the divisive chief minister of Gujarat, as its prime ministerial candidate. Modi stands accused of being responsible for the anti-Muslim riots of 2002 in Gujarat, in which about 2,000 people, mainly Muslims, were killed. Modi could rally the Hindu nationalist faithful. He could also appeal to a broad section of urban voters impressed by his stewardship of the economic development of fast-growing Gujarat. Even so, he would certainly alienate not only India's minorities but also a significant number of moderate Hindus, and for these reasons would drive away existing or potential allies who depend to some extent on Muslim and Christian minority votes in their states. Thus a Modi candidacy could cut both ways. BJP strategists are, of course, aware of this.

However, they do not seem to have, or be able to decide on, a credible alternative to Modi. And Modi himself seems well aware of this. Since 2002 he has seen to it that his state has experienced no repeat of the anti-minority rioting, and he has assiduously tried to project himself as a leader who symbolizes growth and good governance. Gujarat's chief minister has wooed the Indian big business elite, which has largely reciprocated his overtures, and he has also tried to ride the anticorruption movement that has emerged over the past two years, rather than resort to minority-bashing rhetoric.

Nevertheless, it is safe to say the minorities remain deeply suspicious of Modi. Muslims and Christians total 15 percent of India's population. They represent an important swing vote in a substantial minority of parliamentary constituencies. They also make up a significant component of the voter base of several regional parties that the BJP might need as coalition partners before or after the next national election.

The great uncertainty is whether either the Congress or the BJP will garner a large enough number of seats to become the nucleus of a viable coalition, that is, one that can attract postelection partners from among regional parties (and leftist parties too, in the case of the Congress). It is quite possible that we will see a 1996-type situation, in which a minority coalition of regional (and possibly leftist) parties with

external support from the Congress or the BJP forms the government.

It is also possible that no such viable coalition can be formed. In other words, the prospect of India without a stable governing coalition—whether established by the Congress Party, by the BJP, or by regional parties supported by either the Congress or the BJP—is not beyond the realm of possibility. Everything depends on the precise arithmetic of the legislature that is elected and the equations among the parties. If a sustainable coalition proves beyond reach, India might be in for another early election, as happened in the 1990s when three national elections were held in four years (1996, 1998, and 1999). This is the most worrisome scenario from the standpoint of stability and sound policy.

LEADERSHIP DOUBTS

Both major parties have leadership problems, which, though not crises, must be resolved to project a credible image before the next election. The Congress Party is most likely to retire Prime Minister Manmohan Singh in the event of forming a government in 2014 (he will be 81 by then), but it has not yet put forward the most talked about alternative, Rahul Gandhi, as its prime ministerial candidate. Gandhi has maintained long public silences on issues, occasionally broken by carefully crafted statements. This contrasts with Modi, the BJP's most likely candidate for prime minister, who is vocal on all manner of issues. Modi has increasingly dominated the media, including social media, since his third consecutive victory in Gujarat's assembly election in December 2012.

Gandhi has not, despite repeated invitations, taken up a cabinet position. He has preferred, since 2004, to work to rebuild the Congress as a broad-based and responsive political machine that can deliver electoral victories across the country. He has particularly focused on rebuilding the party in his home state of Uttar Pradesh, where it has been out of power since 1989 and was relegated to fourth place in the 2012 assembly election. His record in this effort has been mixed at best, which does not bode well for either him or the party.

However, he seems to see his role, like that of his mother Sonia Gandhi, the Congress's president, as a unifying symbol and rallying point for the party, remaining above factionalism and regionalism, rather than as the political executive of a government department. It is possible

the Congress might go into the national election without naming a candidate for prime minister, as it did in 2004. But if faced with a strong, if controversial and divisive, BJP candidate in Modi, the strategy might not work.

The BJP also shows, despite the party's and Modi's aggressiveness, a streak of desperation. In recent state assembly elections it mostly retained what it already held, but it lost power in the small states of Uttarakhand and Himachal Pradesh, and wrested only tiny Goa from the Congress. It has lost four major allied parties, mentioned earlier, from its electoral coalition since 2004. A defeat in 2014 would be the BJP's third consecutive loss in a national election.

ELECTORAL WILD CARDS

The wild cards in the run-up to the national election, and in the process of government formation after it, will be key players in the various regional parties—that is, those occupying the non-Congress, non-BJP space in the Indian party system. Non-Congress, non-BJP parties collectively received 50 percent of the votes in the last national election. Actually, the term “regional party” is a misnomer. Almost all of these are single-state parties. Even the Communist Party of India (Marxist), which has a base in three states, West Bengal, Kerala, and Tripura, is not a regional party, since its state strongholds are in three different regions. These parties in aggregate account for one of the two leading parties in as many as 11 major states totaling 315 seats.

Of the regional parties, three are long-standing allies of the BJP in the NDA: the Sikh party Akali Dal of Punjab, the Shiv Sena of Maharashtra, and the Janata Dal (United) of Bihar. Three more—the Telugu Desam Party of Andhra Pradesh, Biju Janata Dal of Orissa, and Asom Gana Parishad of Assam—will not ally with the Congress since it is their main rival in their states. They have allied with the BJP in the past and could do so again. A significant possibility, depending on the parliamentary election results, is a minority coalition of regional and leftist parties, supported from the outside by the Congress, as was the case with the short-lived United Front governments in 1996–98, or even a minority coalition (minus the left) supported by the BJP.

Part of the confusion in Indian politics stems from the fact that prospects for government formation and hence policy trajectories depend on the precise arithmetic of pre-electoral and post-electoral coalitions in a party system with a large number of regional parties that can go in various directions.

THE POLITICS OF SCANDAL

Since 2011, a large-scale anticorruption movement has emerged in civil society in response to graft scandals exposed by the media, and this has undermined the legitimacy of the Congress more than that of other parties. Several major scandals, involving amounts running possibly into billions of dollars, have erupted in recent years. Among the officials implicated are federal ministers and state chief ministers of the ruling UPA II coalition, including the Congress Party.

These scandals include the allegedly crooked sale of second-generation cell phone spectrum allocations in 2008, involving the former telecom minister A. Raja of the DMK, a coalition partner of the Congress; a 2010 Commonwealth Games scandal involving contracts awarded by Congress politician Suresh Kalmadi; a real estate scandal involving the former Maharashtra chief minister Ashok Chavan; a “coalgate” scandal over the allocation of coal mining permits to favored firms by the UPA II government; and most recently a payoff in an arms import deal. All of these cases have involved bribery charges in connection with the allocation of publicly owned or regulated resources to favored private firms, or with government contracts in the cases of the Commonwealth Games and arms imports allegations.

The scandals sparked a huge public agitation led by the charismatic, septuagenarian rural leader and anticorruption crusader Anna Hazare. Protesters demanded the passing of a law that would institute an ombudsman to investigate corruption charges against public officials, a process that could be activated by citizen complaints.

The Congress Party was put on the defensive, and the Anna Hazare movement appeared at first to be coordinating its positions and attacks on the government and ruling party with the BJP-led opposition. However, after huge demonstrations in Delhi and saturation media coverage, particu-

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larly in the summer of 2011 and much of 2012, the movement split and entered formal politics with the registration of a single-issue, anticorruption political party called the Common Man's Party. And this party has trained its attacks on both the Congress and the BJP.

The anticorruption movement is part of a wider arena of civil society groups and activist media that take up and magnify public discontent. This was again reflected in massive public agitation and media coverage concerning the issue of women's safety, following a horrific and deadly gang rape of a student in Delhi in December 2012. These largely urban, middle-class movements and the associated media coverage have unsettled politicians and the ruling parties at the national and state levels. Many in the political class are not accustomed to such public outcry and activism, and for many a degree of corruption is routine.

The anticorruption movement initially was felt to have made the ruling Congress Party and its allies electorally vulnerable. However, the fallout also has affected the BJP, following corruption scandals associated with iron ore mining and sand quarrying in Karnataka and Uttarakhand, respectively, and corruption charges against Nitin Gadkari, the BJP president, who was forced to step down from his post in January 2013.

UNCERTAINTY ABROAD

On the foreign policy front, there seem to be confusion and drift too. India's key security threats, Pakistan and China, are both nuclear powers with a long-standing covert cooperative relationship in the nuclear and missile areas. India has long and disputed borders and a history of conflict with both countries. Yet relations have not significantly improved with either Pakistan or China under the UPA II—in some respects they have deteriorated.

India-Pakistan relations took a nosedive after Pakistani terrorists attacked Mumbai in November 2008. However, despite an absence of meaningful action by Pakistan against the terror groups thought to be behind the attack, the UPA II sought to improve relations. Officials focused on improving trade ties in order eventually to boost political relations. Relations remain frosty and distrustful nevertheless. The number of

shooting incidents along the de facto border in Kashmir has increased over the past year despite an official cease-fire.

China, likewise, has stepped up aggressive patrolling, and though there have been no shooting incidents, the number of intrusions along the undefined Line of Actual Control has increased over the past two years. Political relations with Beijing have not improved despite a rapid growth in trade, such that China has emerged as India's second largest trading partner. Beijing has indicated shifts on Kashmir toward the Pakistani position, as well as reasserted its claims to the northeastern state of Arunachal Pradesh in its visa policy. China recently initiated work on three dams on the Brahmaputra River in Tibet without informing downstream India. And Pakistan reportedly has handed over management of its Gwadar port in the Arabian Sea, near the mouth of the Persian Gulf, to a Chinese company.

Relations with the United States, thought to be the key to the long-term support that India is perceived to need vis-à-vis an unstoppably rising

China, have been adrift. This is so despite the landmark Indo-US nuclear deal of 2008, negotiated by the UPA I government with the George W. Bush administration. That agreement opened up imports of civilian nucle-

ar reactors, fuel, and components to India in exchange for some nonproliferation obligations, while India received de facto US acceptance of its existing weapons capabilities. The deal led to an expectation of realignment toward the United States, or at least a greater tilt in India's formally nonaligned posture. This has not quite happened under UPA II, leading to a degree of disappointment with India in the United States, and doubts about whether India can be a reliable partner.

The Indo-US nuclear deal, though subject to various interpretations, should have enabled a distinct Indian shift toward the United States, since it finessed the nonproliferation issue. This was the third and only remaining irritant in the relationship after the cold war-era Indian tilt toward Moscow and US tilt toward Pakistan, both of which had been corrected under Presidents Bill Clinton and Bush. However, India has placed no nuclear reactor import contract with US companies since then, preferring other suppliers. Nor did the United States win a deal to supply India

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with 126 multi-role combat aircraft, a deal that went last year to a French firm.

New Delhi has been hedging against China's rise by diversifying relationships with a range of powers, including the United States but not exclusively. The understanding of the world behind this strategy, a narrative that has been called "Nonalignment 2.0," is one in which the United States is relatively declining and a multipolarity of sorts is emerging, a trend that India needs skillfully to navigate and exploit. Both India's strategic foreign policy orientation and Indo-US relations will depend to a major extent on whether the second Barack Obama administration, after its recently announced pivot of forces to Asia, will constrain or accommodate China. This issue will unfold over the next 12 months at a time when Indian politics is in a state of election-year uncertainty.

Indian governance continues to confront complex challenges that, in combination, present

roadblocks to reforms. Contradictory pulls and pressures arising from a fragmented party system within a federal system lead to minority coalition governments at the federal level, while several states are ruled by opposition parties. A number of key economic reforms need action at the state level. In addition, a large part of the Indian population is still very poor and looks to government programs for sustenance. And graft, ultimately rooted in a corrupt campaign finance system, remains pervasive.

That Indian politics will be characterized by confusion and drift until the coming election seems certain today. What remains very uncertain is whether a strong and stable government—a government capable of liberalizing labor markets and privatizing public enterprises in order to lift the economy onto a track of sustained high growth, while enduring short-term political costs in doing so—will be formed and last its term. ■