

Asia-Pacific Center for Security Studies



June 2004

*Back to the Future:
The Congress Party's Upset Victory
in India's 14th General Elections
Arun R. Swamy*



*Occasional
Paper Series*

Introduction

The outcome of India's 14th General Elections, held in four phases between April 20 and May 10, 2004, was a big surprise to most election-watchers. The incumbent center-right National Democratic Alliance (NDA) led by the Hindu nationalist Bharatiya Janata Party (BJP), had been expected to win comfortably--with some even speculating that the BJP could win a majority of the seats in parliament on its own. Instead, the NDA was soundly defeated by a center-left alliance led by the Indian National Congress or Congress Party. The Congress Party, which dominated Indian politics until the 1990s, had been written off by most observers but edged out the BJP to become the largest party in parliament for the first time since 1996.¹

The result was not a complete surprise as opinion polls did show the tide turning against the NDA. While early polls forecast a landslide victory for the NDA, later ones suggested a narrow victory, and by the end, most exit polls predicted a "hung" parliament with both sides jockeying for support. As it turned out, the Congress-led alliance, which did not have a formal name, won 217 seats to the NDA's 185, with the Congress itself winning 145 seats to the BJP's 138. Although neither alliance won a majority in the 543-seat lower house of parliament (Lok Sabha) the Congress-led alliance was preferred by most of the remaining parties, especially the four-party communist-led Left Front, which won enough seats to guarantee a Congress government.²

Table 1: Summary of Results of 2004 General Elections in India.

	NDA	CONGRESS ALLIANCE	LEFT FRONT	OTHERS
Largest Party	BJP 138	Congress 145	CPI (M) 43	Samajwadi Party 36
Total	185	217	59	86

Source: www.elections-india.com, and Election Commission of India, www.eci.gov.in.

Knowing that the Congress would form the government only created new uncertainty over the next Prime Minister. The Congress Party president is Sonia Gandhi, the Italian-born widow of former Prime Minister Rajiv Gandhi, himself the son and grandson of former prime ministers. Ms. Gandhi had accepted the Congress Party's presidency reluctantly in 1998, seven years after her husband's assassination by Sri Lankan Tamil militants and had always left open the possibility that someone else could serve as prime minister if the Congress returned to power. During the 1999 elections many anti-BJP parties had refused to accept Sonia Gandhi as their leader and in 2004 the BJP campaigned against the idea of a "foreign-born" ruler. After the election, the BJP threatened a nationwide agitation if Ms. Gandhi took office. The victorious Congress-led alliance, which took the name United Progressive Alliance (UPA) after the election, elected Sonia Gandhi as its leader anyway but she surprised the world by declining the prime ministership and nominating former finance minister Manmohan Singh to serve as prime minister instead. The architect of the 1991 economic reforms, Singh is a widely respected economist with no political base who is likely to shape economic policy but defer to Gandhi and other powerful party figures on other issues.

With the prime minister decided for now, the big questions concern the prospects for political stability and policy continuity, especially in the economic and security areas. The prospects for political stability depend on three related factors. The first is whether the Congress party, accustomed to ruling alone, can manage a coalition without alienating its allies. The second is whether Sonia Gandhi and Manmohan Singh can manage the emergence of competing power centers within the Congress Party without sparking factional disputes. Finally, there is the question of how the BJP will respond to being out of office, and in particular whether the hardliners in the party will once again launch political programs that threaten the place of religious minorities in the country. On policy matters, the Congress Party's past record in office provides contradictory signals on both economic and security matters while current cabinet choices suggest greater continuity with the BJP on economic than on foreign policy.

The Congress Party introduced economic reforms in 1991, when Manmohan Singh himself was finance minister but it was also responsible for introducing government controls in the 1950s and 1970s. During its years in the Opposition, the Congress has continued to support economic reforms generally, but criticized the BJP's efforts to privatize state-owned enterprises and weaken stringent labor protections that often deterred foreign investors. More generally the party has expressed concern that the poor, who traditionally vote for the Congress, were not benefiting from economic liberalization. The new finance minister is another well-known reformer, P. Chidambaram, who served as commerce minister when Manmohan Singh was finance minister and then served as finance minister himself.³ Under Singh and Chidambaram, there will be no reversal of reforms that have already taken place, although the new government is unlikely to carry out privatization of profit-making state-owned enterprises, or to be more accommodating to US concerns in trade negotiations. However there is likely to be some reorientation of spending and investment priorities away from defense spending in particular toward social spending and agriculture respectively.

Change is more likely in foreign policy. The Congress is strongly associated with India's traditional foreign policy stance that often put India at odds with U.S. policy. Congress governments helped found the Non-Aligned Movement (NAM), signed a Friendship Treaty with the former Soviet Union, waged the 1971 war that broke Pakistan in two, strongly supported Palestinian claims against Israel, conducted India's first nuclear test and began the country's missile program. While Congress governments also developed warmer relations with the United States in the 1980s and 1990s, and established full diplomatic relations with Israel, the Congress Party, like the Left, has attacked the Vajpayee government's close ties to Israel and its support of US policies in many areas, especially missile defense and the war on terrorism. The party has endorsed the BJP's overtures to Pakistan and, after initial reservations, embraced its decision to develop nuclear weapons. The new Minister of External Affairs (foreign minister), K. Natwar Singh, and the Minister for Defense, Pranab Mukherjee, are associated with India's traditional foreign policy stance. Natwar Singh, a former career diplomat who served as Ambassador to Pakistan, and has been the Congress Party's principal foreign policy spokesman for years, is known to be partial to the old policy of non-alignment and has been a vocal critic of the U.S. role in the war on terrorism.

Explaining the Election Outcome

The reasons for the NDA's defeat are complex. As many commentators have suggested, the ruling alliance's emphasis on issues that appealed to the urban middle class left poorer and rural voters—largely bypassed by India's high economic growth rates—unimpressed. At the same time, the election outcome can be explained by the two parties' relative ability to forge alliances. While the BJP lost a few allies this time, the Congress was able to put together a broad alliance of parties before the election—a strategy that in the past it has been loth to do.

The BJP-led NDA coalition ran on the slogan, "India Shining." This was intended to convey a national feeling of optimism arising from the government's accomplishments in all areas from economic growth to building modern highways and achieving increased international stature. The middle class, who are the BJP's core constituency, take great pride in the greater prominence India has achieved in international politics, India's emergence as a military power, the global success of Indian software professionals and other firms, and even the Indian cricket team which defeated India's traditional rival Pakistan just before the election.

However, most of these issues had little relevance for the majority of Indian voters who remain poor, rural and dependent on agriculture for employment. Indian elections ultimately turn on bread and butter issues and here the BJP was more vulnerable than observers realized. While the BJP was proud of an estimated GDP growth rate of 8-10 % for the current fiscal year, the average growth rate during the BJP's six years in office

was actually slower than that of the previous six years, most of them under a Congress government. It was even lower than the average growth rate of 5.5% achieved by the Congress party in the 1980s. Moreover, agriculture, where over 60% of the population work, has fared poorly these last few years and manufacturing did not do much better, with most growth occurring in the services sector. By the year 2000 almost half of India's output was in the service sector, unlike China's output which was half in manufacturing.

Table 2: Growth Rates of G.D.P. and Major Sectors of Indian Economy, 1992-2003.

	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03
G.D.P.	5.3	6.2	7.8	7.8	7.8	4.8	6.5	6.1	4.4	5.6	4.4
Agriculture	6.1	3.7	5.4	-0.9	9.6	-2.4	6.2	0.3	-0.4	5.7	-3.1
Industry	4.2	6.6	9.3	11.6	7.1	4.3	3.7	4.8	6.6	3.3	6.1
Services	5.4	7.7	8.5	70.5	7.2	9.8	8.4	10.1	5.6	6.8	7.1

Note: Figures at 1993-94 prices, except figures for 1992-94 at 1980-81 prices.

Source: Economic Survey of India, various years.

The slow growth in agriculture has contributed to rising levels of unemployment, not just during the BJP's years in power, but ever since reforms were initiated in the early 1990s. To make matters worse for the poor, cuts in social spending and especially food subsidies have meant that even though the poverty rate has dropped many of the poor may be worse off than before. During the NDA years, the government also slowly cut back on price guarantees to farmers and food subsidies to the poor, while increases in the price of electricity charged to farmers, demanded by international financial institutions, led to a backlash in a number of states.⁴ Most notably the NDA was routed in the southern state of Andhra Pradesh where the chief minister, BJP ally Chandrababu Naidu was viewed internationally as a progressive reformer.

During the 2004 election campaign the Congress focused on the need for social investment and the agricultural sector in economic policy. This probably helped the party mobilize its traditional voters among the poor and win support among farmers though it is important to note that in states where the Congress was in power, the farmers' backlash was aimed at the Congress. The second issue the Congress campaign focused on was the choice between a "secular" government and a "communal" or sectarian one represented by the BJP. The Congress manifesto made repeated references to the vicious pogrom carried out against Muslims by Hindus in the state of Gujarat, apparently with active encouragement by the local BJP government. Additionally, the Congress tapped into widespread concerns that the BJP and its non-electoral allies on the Hindu Right were promoting a Hindu agenda by changing school history curricula, agitating for construction of a controversial temple at Ayodhya and pressing for legislation to make religious conversion difficult.⁵

The Congress manifesto devoted considerable space to the discussion of secularism and sectarianism. Post-election surveys by the respected Center for the Study of Developing Societies (CSDS) suggest that the Congress has been able to win back much of its traditional support among minorities.⁶ It is also likely that many parties that refused to ally with the Congress Party in the past were willing to do so in this election out of alarm at the Gujarat carnage and, more generally, a concern that right wing Hindu nationalism represented a threat to long-term social harmony and stability. The search for an alternative to the NDA was billed as a search for a "secular front" and this is how the Congress-led alliance was referred to in much of the press.

However, all these factors can be overstated. Underlying the election result were the complexities of electoral politics in a multi-party, federal political system. Regional patterns, and the formation of alliances among parties were key to the Congress Party's success this time, just as they had been to the NDA's victory in 1999. There were many regions where the NDA improved its performance over the last election. In many of these regions, the Congress party was in power locally, or had been in power until recently. This suggests that voters tended to vote against the party in power locally whatever that party was. The declining ability of

economic growth to generate new jobs is probably one reason that incumbent parties have done so poorly in recent elections.

In the final analysis, the key to the election was the ability of the Congress party to form alliances before the election. In India's electoral system, modeled on Britain, parties need to win individual seats in Parliament by a plurality to be elected to Parliament. However, with many parties competing, it often happens that a party comes in second in every seat in a given region and therefore wins no seats. Small parties can therefore have a disproportionate effect on the election by eating into the vote share of larger parties. Parties can overcome this by forming alliances -- in which the alliance as a whole puts up only one candidate per seat -- as long as they agree on which party's candidate will represent the alliance in any given seat. The NDA's victory in 1999 happened because many of its opponents were competing against one other. In 2004 the reverse was true. While the NDA's vote percentage fell, it was still marginally higher than that of the Congress alliance. However the Congress alliance won many more seats.

Table 3: Vote Shares in 1999, 2004.

	1999	2004
Congress	28.3	26.69
<i>Congress and Allies</i>	33.8	35.82
BJP	23.8	22.16
<i>BJP and Allies (NDA)</i>	40.8	35.91

Source: Alistair McMillan, "Alliances Did the Trick for Congress." *The Hindu* Online, www.hindu.com/elections2004/verdict2004.

Why was the Congress able to form alliances this time? As noted, concern over the Hindu Right's sectarian agenda was one reason. Another was undoubtedly a change in the attitude of the party itself. In the past, the party had felt inhibited from pursuing coalitions aggressively. First, the Congress Party's long history of governing on its own made it reluctant to share power, especially since the party is now "top-heavy" with would-be ministerial and parliamentary candidates. Second, the fact that support for the party was spread wider than that for the BJP meant that it often competed for local power with parties that it needed to ally with at the national level. Paradoxically, the fact that the party had lost power in several states to the BJP in late 2003 helped Congress leaders to realize the need for alliances this time. In several of these states the party lost because smaller parties, sometimes composed of breakaway factions of the Congress itself, ate into the Congress vote share, rather than because votes shifted to the BJP.

What all of these facts highlight, however, is that the stability of the new government will depend crucially on whether the Congress has learned to manage coalitions. This in turn depends on how the party learns to manage the internal power struggles that come with being a democratic party.

Prospects for Stability

The implications of the Congress party's victory for the future of Indian politics are many. The most obvious is that India's long-standing political dynasty, the Nehru-Gandhis, has returned to the center of politics. Sonia Gandhi has won her second term in parliament from the seat once held by her mother-in-law, Indira Gandhi. She is credited with having led the party to victory, and has acquired a martyr's aura for turning down the Prime Minister's office. Her son, Rahul, 33, has been elected to parliament from a seat once represented by his father and uncle, while her daughter Priyanka was an active campaigner. Most importantly Sonia Gandhi remains the president of the party organization, has now also been elected the chair of the parliamentary party, a new position created for her, and is also chair of the UPA steering committee, in which capacity she has been granted virtual cabinet status.

While the Nehru-Gandhi dynasty's return to center-stage is welcomed by many, it is also controversial. Sonia Gandhi's "foreign origins" have added to the distaste of many for dynastic politics and many parties opposed to the BJP were unwilling to support her in 1999. During the election the BJP campaigned against having a foreign-born person becoming Prime Minister while the NDA manifesto alluded to the issue. Several of the Congress Party's allies, too, had opposed Ms. Gandhi's candidacy for the office on the same grounds in 1999. In the negotiations before the 2004 elections these parties forced the Congress Party to agree that the Prime Minister would be chosen by a consensus among the allied parties after the election. As it turned out, however, enough parties were willing to accept Sonia Gandhi as Prime Minister so that she could have taken over had she been willing. Her decision not to accept the office has probably removed a source of potential instability, but the threat of agitations against her continued influence over the government, whether real or imagined, still exists.

This is especially the case as Sonia Gandhi's extra-constitutional role has created two power centers in the Congress for the first time in half a century. In the early 1950s India's first Prime Minister Jawaharlal Nehru established that a Congress Prime Minister would have precedence over the Congress Party president.⁷ When his daughter, Indira Gandhi was prime minister, the Congress party split twice, in 1969 and 1978, partly due to differences between Mrs. Gandhi and party leaders associated with the party president. After the 1978 split, when the Congress was out of power, Mrs. Gandhi took over as president of her faction, the Congress (I) and established a tradition for the Congress (I) president to also serve as its candidate for Prime Minister.⁸ Today not only does Sonia Gandhi retain the post of party president, but as Chairman of the Congress Legislative Party, she has been formally given the right to appoint the party's nominee for Prime Minister. This is unprecedented in the history of parliamentary democracy and demonstrates the continued unwillingness of the Congress Party to trust internal democracy. It bodes poorly for the ability of the party to hold on to dissident factions, especially as Sonia Gandhi herself is generally believed to be heavily dependent on a small "coterie" of advisors for most of her decisions. Much of the Congress Party's decline in the 1990s can be ascribed to the exit of dissident factions headed by leaders with a popular base who felt marginalized by this "coterie" around the party leader. It is notable that the most significant of these have been unwilling to merge their identities back into the Congress even when they ally with it.⁹

A third issue to watch is the balance between the Congress party and regional parties supporting it. The Congress is not used to sharing power, and it ran into trouble in appointing members of the cabinet from other parties almost immediately. Unlike the BJP, the Congress has adopted no numerical formula to ensure parties proportional representation in the cabinet and, again unlike the BJP, it has not granted any of the four top cabinet posts to another party. (These, by tradition, are Home, Finance, External Affairs, and Defense.) The announcement of the Cabinet was therefore repeatedly delayed as the allies fought over representation. After the cabinet was announced, one major ally that had been well represented refused to join the cabinet until it was given the particular ministries it had been promised earlier. These were ministries the party wanted in order to ensure that certain projects in its home state were carried out. Significantly, the leader of the party blamed the "coterie" surrounding Ms. Gandhi for the failure to follow through on promises.¹⁰ The Congress leadership will have to learn that the party's top-down decision-making structure does not lend itself to alliance management.

The contrast can be overdrawn. The BJP needed the ideological cover that the NDA provided in order to reassure outsiders that the Hindu Right would not dominate. For example, while the BJP issued a Vision Statement in 2004 it did not issue a separate manifesto and the NDA manifesto did not mention some of the more controversial BJP proposals. The Congress has always been a centrist party and is broadly acceptable to most. Secondly, because the Congress has much broader support in parliament it is less vulnerable to pressure from individual parties. Where the first NDA government had a bare majority and the second had around fifty five percent of the lower house, the UPA government probably has the tacit support of nearly two-thirds of the parliament.¹¹ No single party is in a position to bring down the government. Even the entire Left Front could not

deprive the government of a majority without taking some other parties currently supporting the government with it. This is only likely to happen if the BJP appears as an acceptable partner to some of the centrist parties now supporting the Congress.

This raises the issue of the future of the BJP. If Sonia Gandhi had become prime minister it would likely have galvanized the BJP which will instead now be forced to debate whether it lost because it pushed its divisive anti-Muslim agenda to the background, or because hardliners, like those who carried out anti-Muslim riots in the state of Gujarat, alienated moderate voters. At present, it is difficult to project how the internal debate in the party will proceed. One crucial test appears to have been won by the hardliners. This was the attempt by moderates to remove the hardline chief minister of Gujarat, Narendra Modi, who is blamed by many for the anti-Muslim riots of 2002. Modi had spearheaded a campaign in Gujarat focusing on Sonia Gandhi's foreign origins, only to see the Congress win back twelve of the state's twenty-six seats. However the attempt failed even though former prime minister Vajpayee appeared to give it public support. If hardliners win the debate within the BJP, they will alienate many of the smaller parties and strengthen the Congress coalition. However, India could also be in for a spell of violent social conflict that would complicate both economic and foreign policy.

There are two other issues worth mentioning here. The Congress has indicated a desire to do away with the controversial Prevention of Terrorism Act (PoTA) under which state governments have had considerable license to harass their political allies. At the same time, the act is a potential tool against the hardline Hindu organizations so there could be some tension in the government over whether to abolish it, use it or amend it. So far the government has shown every indication of proceeding with plans to revoke the act.

Secondly, of course, one can expect some increase in instability initially in the disputed state of Jammu and Kashmir as militants test the new government. The induction of the new government was accompanied by an increase in militant attacks in Kashmir. The election of a coalition government of the Congress and the new People's Democratic Party did go a long way toward the restoration of confidence in electoral processes in that state. Moreover, where the BJP has refused to consider greater autonomy for Jammu and Kashmir, and has sought to champion the cause of minorities within the disputed region, the Congress and Left Front have been calling for greater autonomy for Jammu and Kashmir and refuse to consider dividing the state further. These facts might make it possible for the Congress to negotiate a settlement with some sections of the insurgency, as long as the latter agree to remain part of India along the lines of settlements reached in India's Northeast. This assumes, of course, that it is possible to separate out Kashmir from India's relations with Pakistan.

Implications for Economic and Foreign Policy

Manmohan Singh's eventual selection as prime minister reassured the markets as he had been the architect of economic reforms during the Congress government of 1991-96. However, he soon made it clear that he agreed with the Left on slowing down the BJP's plans to privatize state-owned business. Rhetorically, the Congress has endorsed the Left's plans not to sell profit-making state-owned firms. In practice it is more likely that they will focus on retaining a controlling stake in firms in "core" sectors of the economy – oil and gas, airlines -- while keeping open the option of selling shares in these firms. At the same time there will be no reversal of liberalization, as there is a broad consensus on this and the government will be able to find other allies if they lose the support of the communists.

However, the Congress government will also clearly shift fiscal priorities. Manmohan Singh has promised to reduce the fiscal deficit and to widen the tax net. One hopeful indication is the government's success in getting most states to implement a much-delayed Value Added Tax (VAT) from April 2005 replacing the many user fees and excise taxes states currently use. Chidambaram has also indicated that, unlike the NDA

which put a priority on reducing taxes on the middle class, he will lower tax rates only as part of a simplification package that eliminates deductions. If these measures, both stalled in the past go through, they will go a long way toward removing barriers to trade between the states and improving the fiscal performance of state and national governments.

In addition, the government has promised to increase investment in agriculture, and in social spending. The Congress is likely to implement a nationwide school lunch program and has already committed itself to guaranteeing 100 days of work a year to all laborers. Both are policies that have won Congress state governments considerable popularity, and are championed by Sonia Gandhi. They are therefore almost certain to be implemented. This will put pressure on an already strained budget. Some of the shortfall will be met through increased tax revenues but there will also have to be cuts in defense spending. This means some of the BJP's ambitious military modernization plans will be put on hold.

This shift would be consistent with the contrast in the priorities expressed by the Congress and NDA manifestos. As noted above, the main issue the Congress ran on, other than the economy, was "secularism." By contrast, the BJP, apart from economic issues, tended to emphasize defense and national security. To give some indication, the Congress manifesto mentioned the words "secular" or "secularism" five times, while the NDA manifesto, which was twice as long, mentioned them only once. Similarly the Congress manifesto mentioned the words "communal" or "communalism" nine times, the NDA manifesto only once.¹² By contrast the NDA manifesto mentioned the word "defense" six times to the Congress manifesto's one, and contained two detailed discussions on "National Security" and "India and the World," where the Congress satisfied itself with a brief and general discussion on "Defence, National Security and Foreign Policy."

As the differences in manifestoes indicate, the main change in the area of foreign policy is likely to be a shift in priorities rather than a sharp change in direction, with one exception, and that is the Middle East. At the top of the list will be a shift away from the warmer relations that India has been developing with Israel. While this change, like others undertaken by the BJP such as India's Look East policy, was actually begun under Congress Prime Minister Narasimha Rao, it has come into increasing discredit owing both to Indian discomfort with the Sharon government's posture toward Palestinian and the unpopularity in India of the war in Iraq.

More generally, the BJP is seen as having abandoned India's traditional policy of maintaining close ties with Arab states, especially the more radical and secular ones like Saddam Hussein's Iraq, out of an ideological aversion to Islam. Restoring those ties is seen as an important signal to Indian Muslims that a government that they are comfortable with has returned to power. In addition, building better ties to the Middle East is again viewed as important for the country's energy security, a topic explicitly addressed in the UPA's Common Minimum Programme. For these reasons, it is quite possible that the UPA government will reduce military cooperation with Israel and become a more vocal critic of the Sharon government. Restoring ties to the Middle East is likely to be put at least on par with building ties to Southeast Asia.

There may be some changes in emphasis in relations with the US. The Congress party opposed sending Indian troops to Iraq, and insisted that the Indian parliament condemn the US invasion. The new appointees in key foreign policy positions are consistent with this shift in priorities. The new Minister of External Affairs, K. Natwar Singh, the new National Security Advisor, J.N. Dixit and one other cabinet member, Mani Shankar Aiyar are all former foreign service officers. Significantly, all have had experience serving in Pakistan – Natwar Singh and Dixit as ambassadors – and all are vocal critics of U.S. policies in recent years. At the same time, because all are foreign policy professionals, it is likely that these changes will be incremental and cosmetic. There will likely be no major new initiatives taken in U.S.-India relations, but it is unlikely there will be any significant rupture either. India's foreign policy establishment, centered on the Indian Foreign Service (I.F.S.) will remain in charge of overall foreign policy.

These adjustments are likely to mean few changes in the substance of policy. In his public statements including his first major press conference, Natwar Singh, who authored numerous opinion pieces critical of U.S. policy while the Congress was out of power, has been at pains to emphasize continuity in Indian foreign policy.¹³ At the same time, however, there has been a shift in tone that suggests first, that India will resume some of the rhetorical positions of the past and, second, that the focus will be on building ties with neighbors, not on cultivating better U.S.-India relations. Cooperation on missile defense or even on military matters generally are not likely to be as important for this government as for the last.

However there have also been some indications of differences of opinion between the Congress and its Left Front allies on this question. This was signaled in the changes made to the Common Minimum Programme (CMP) released by the UPA. The CMP is intended as a document governing the coalition's priorities. In a passage indicating policies toward the United States, the first draft read "The UPA government will maintain the independence of India's foreign policy stance on all regional and global issues even as it pursues closer strategic and economic engagement with the USA." However, the final draft, at the insistence of the Left, was changed to read as follows:

Even as it pursues closer engagement and relations with the USA, the UPA government will maintain the independence of India's foreign policy position on all regional and global issues. The UPA is committed to deepening ties with Russia and Europe as well.¹⁴

In terms of relations with Pakistan and China there is likely to be little change. The UPA government has placed considerable emphasis on improving ties and trade with China and these ties will likely continue to improve slowly, but with wariness on both sides. Without a breakthrough on the border issue there is likely to be no significant shift, but it is likely that this border dispute will remain a dormant one. The Congress will continue with talks scheduled with Pakistan, and will attempt to bring them to a successful conclusion but is no more likely to make significant concessions to Pakistan on the disputed province of Kashmir than would have the BJP. The signals coming out of Delhi suggest that while there is willingness to move toward ratifying the status quo, there is also recognition that Pakistan is unlikely to accept this. The Indian effort is therefore likely to focus on trying to get movement on other issues, most notably trade.

Interestingly, Natwar Singh caused a controversy by drawing a parallel between the India-China relationship and the India-Pakistan one, a parallel that Pakistani President Pervez Musharraf rejected. He also surprised observers by speculating on developing a common nuclear doctrine with Pakistan and China, a statement that he then had to retract. Musharraf, for his part, has sought to bypass the Indian government by calling on former Prime Minister Vajpayee to get involved in negotiations and inviting Sonia Gandhi to visit Pakistan. However it is virtually certain that no Indian government would go beyond ratifying the status quo and highly unlikely Musharraf will agree to progress in other areas without movement on Kashmir. The best hope for progress lies in the proposed building of a gas pipeline from Iran to India through Pakistan. The prospect of this occurring remains poor but talk of it has revived again.

Conclusion

The Congress Party's return to power is unusual more because it is leading a coalition than because the party won. The policies pursued by the new cabinet are likely to be broadly in line with those pursued by the governments of the last thirteen years. One barometer of expectations, the stock market, is settling down. The market has fluctuated wildly since the elections began, dropping sharply at predictions of a hung parliament, reviving at the prospect of a stable Congress government, then falling sharply for several days when it seemed that a Congress government led by Sonia Gandhi would be beholden to the Left and face violent opposition from the Right. Manmohan Singh's selection as Prime Minister and Chidambaram's as Finance Minister led to

sharp rallies. The market seems now to be settling into a slow but steady pattern of recovering lost value, as the new government takes Indian politics and economic and foreign policy forward to a familiar past. There will be changes but they will be marginal and incremental, reflecting the essentially centrist and pragmatist nature of the Congress party. On economic policy the new government will go slower on privatization, will increase spending on social welfare programs and will try to tighten the tax net to generate revenue. Cuts are likely in projected defense spending, as the government steps back from the BJP's ambitious global agenda. India may take a more active role in helping Sri Lanka and Nepal resolve their domestic insurgencies and reestablishing traditional ties with Islamic countries in the Middle East and with Russia. Military cooperation with the United States and with Israel are likely to take a lower priority, but the new government will avoid major ruptures in policy and try to build on the improvement in India-U.S. ties in other areas.

Arun R. Swamy has been a member of the East-West Center's research staff since June 2000. Prior to that he taught comparative politics and international relations at Pomona College, Oberlin College and Wagner College. Dr. Swamy holds a Ph.D in political science from the University of California (Berkeley), an M.A. in Economics from the New School for Social Research and a B.A. in political science from Williams College. His Ph.D dissertation showed, using India as a case study, that the approach political parties take toward distributive issues determines whether democracy will survive in poor countries. His research interests focus on democratization, ethnic conflict and regional security issues in Asia, especially South Asia. He has published on all these topics.

Endnotes

¹ The Indian National Congress was founded in 1885, led India's independence movement and governed India during 1947-77, 1980-89 and 1991-96.

² Elections were actually only held for 539 seats. Special elections have since been held to fill the remaining seats and were mostly won by Congress party allies.

³ Chidambaram resigned as Commerce Minister taking responsibility for a stock market insider trading scandal, and later left the Congress Party over unrelated differences with the party leadership. He was finance minister during the 1996-98 interregnum between the Congress and BJP governments.

⁴ India uses government purchases of grains to provide farmers price support and the poor with price subsidies. The BJP cut back on this practice, partly to favor traders who are usually BJP supporters.

⁵ The issue of conversion affects Christians more than Muslims. While an outright ban on conversion would be unconstitutional, some states have bans on conversions "induced" by material gain.

⁶ These reports can be found on the Hindu Online, www.hindu.com/elections2004/verdict2004.

⁷ Nehru fought and won an internal battle with then Congress president Purushottam Das Tandon over this issue.

⁸ Indira Gandhi became Prime Minister in 1966 after her father's successor, Lal Bahadur Shastri, died. The 1978 split occurred after Mrs. Gandhi lost the 1977 elections to the Janata Party and was therefore no longer prime minister, leaving the party president as the party leader.

⁹ The Nationalist Congress Party (NCP), was formed in 1999 by Sharad Pawar who declared his refusal to support a foreign-born prime minister. The NCP is now allied with the parent Congress both in the state of Maharashtra and nationally, while Sharad Pawar is the new minister for food and agriculture, a powerful post.

¹⁰ The party in question, the *Dravida Munnetra Kazhagam* (D.M.K.) is a regional party in the southern state of Tamil Nadu that switched from the NDA to the Congress. The D.M.K./Congress coalition swept Tamil Nadu's 39 seats partly because of dissatisfaction with the BJP's new regional ally.

¹¹ This includes a number of parties that are neither part of the government nor part of the UPA, including the Samajwadi Party (36 seats) and the Bahujan Samaj Party (19 seats).

¹² The manifestos are available online and can all be accessed at www.indian-elections.com. The NDA manifesto was 17,315 words, the Congress manifesto was 8,354.

¹³ The text of the press conference can be found on "I Want to Put an End to This Controversy." June 1, 2004. Outlook Web Edition. www.outlookindia.com.

¹⁴ "Consensus Made Possible." May 27 2004, Outlook, Web Edition. www.outlookindia.com. This story contains the full text of both the draft CMP and the final version.



The views expressed in this publication are those of the author(s) and do not necessarily reflect the official policy or position of APCSS, USCINCPAC, the U.S. Department of Defense, or the U.S. Government.

The Asia-Pacific Studies series presents research and analysis by security specialists and contributes to the Asia-Pacific Center for Security Studies' (APCSS) mission to enhance the region's security discourse. The general editor of the series is Lt. Gen. (retd.) H.C. Stackpole, President of the APCSS.