

From the Desk of...

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Adit Jain, speaker and advisor on India, provides his assessment of the political landscape as India goes to the polls and comments on what we can really expect from the world's largest democracy.

As India heads for parliamentary elections political analysts are generally in agreement that no political party has taken to the campaign trail as a front runner. Indian elections are not about economic and social agendas as much as they are about fixing alliances and brokering seat-sharing arrangements with allies. In any event, most political alliances remain limited only to the election process and are hardly ever a guarantee for backing at a later date.

The fall of support towards national parties – specifically the Congress and BJP – has led to a situation where regional politicians exert disproportionate influence and make irrational demands. A future coalition government is therefore liable to be wobbly. For any sort of political stability that will warrant effective governance, anchor parties need at least 180 seats in a House of 543. The way things are at present, neither the Congress nor the BJP will attain such levels. What makes the task of predication all the more fuzzy is the fact that since 2007, six out of 11 incumbent governments have actually managed re-election, compared with 8 out of 31 in the preceding five years. This complicates the process of analysis as incumbency can no longer be easily discounted. There are really four possibilities that would emerge in the aftermath of the election process.

First, a Congress-led government with rehabilitated support of the Left Front. Despite their recent quarrels, this continues to be a strong possibility

especially if the BJP performs better than expected – but not well enough to form a government with its loyal allies. The Left must realise that their only route to power and influence is to prop-up a Congress government that is malleable and vulnerable.

Second, a Congress-led government, independent of communist support. This possibility will play out only if the Congress were to secure about 180 seats in Parliament – the likelihood of which currently seems remote.

Third, a BJP-led National Democratic Alliance administration – possible only if the BJP were to scramble the sacrosanct 180 number, the odds of which are at best marginal. Finally, the scenario of a cobbled-together coalition called the 'third front' comprised of Left parties, BSP, TDP, TRS, and AIADMK and anyone else prepared to switch support in exchange for lucrative cabinet berths. The manner in which the final equations will play out would be consequent upon the number of seats that various political parties are able to claim in what is surely going to be a terribly fractured Parliament. The fact remains that regional parties now lay claim to over 50% of the popular vote, a ratio which has been steadily rising for the last 30 years.

None of this can be construed as good news for business and the economy.

Manmohan Singh's administration will not be remembered for meaningful achievements. Corruption levels and mis-governance surpassed levels beyond India's already generous benchmarks. Some cabinet ministers, specifically from regional parties, exercised absolute latitude in doing what they pleased with total disregard for ethics and national interest. The implementation of several publicised schemes was dismal to say the least. Of the 38 million rural households registered under the rural employment scheme, only 6% got the hundred days of guaranteed employment. The National Highways project completion fell from 81% of targets in 2004-5 to 17% in 2007-8. Equally significant, the targets set by the 11th plan to increase power generation capacity by 90,000 MW are well and truly beyond realisation with only 10,000 MW having been added in the first two years. Leakages continue in the public distribution system – all adding to Dr Singh's well established reputation for weakness and feeble performance.

Be that as it may, the fact is that his government lasted its full terms and full markets to Dr Singh on this score. This brought an element of stability that, despite the lack of administrative support, allowed

The bigger downside risks facing India have more to do with internal political imperatives than much larger developments in the global economy. A recovery process will require competence in the government's response to the economic crisis

the economy to grow and business to prosper. Political instability will, on the other hand, wreck the economy, especially in these awkward times of a slump in the business and credit cycles. During the unstable years of VP Singh and Chandra Shekhar (1990-1991) GDP growth collapsed, as it did again in the aftermath of the Deve Gowda and IK Gujral administrations in the mid-90s. An unstable coalition cobbled together by a group of regional politicians with nothing in common, will send tremors through the financial markets. Asset prices will collapse and India's rating – presently perched precariously – will be hurriedly lowered further by international agencies. This will affect capital inflows and the rupee will consequently come under another round of a severe bear hammering in the foreign exchange markets.

The fiscal deficit has ballooned out of proportion through liberal spending programmes over the past four years. This needs to be reined in before it cripples India's longer term future.

All of this calls for decisive leadership which in the present political jumble seems so very hard to find.

About Adit Jain and The Insight Bureau

Adit Jain is based in New Delhi and is a highly respected commentator on the Indian economy and political development and provides strategic advice to businesses investing and operating in India. He is the CEO of IMA India, which provides research and advisory services and which brings together the chief executives of over 200 MNC companies in New Delhi, Mumbai and Bangalore regularly throughout the year. Mr Jain is part of The Insight Bureau's resource network that provides confidential, in-house briefings to senior executives, a service that helps to achieve a better understanding of the world in which businesses operate around the world and therefore ultimately to enable companies to make better business decisions. Mr Jain also speaks at, and chairs, business dialogue at major business conferences in India and around the world.

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