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MAY 2014: GENERAL ELECTIONS IN INDIA, THE WORLD'S LARGEST DEMOCRACY

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MAY 2014: GENERAL ELECTIONS IN INDIA, THE WORLD'S LARGEST DEMOCRACY

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FOREWORD

A general election in all parliamentary constituencies of India will be held between April and May 2014.

The aim is to elect the members of the 16th Lok Sabha, the lower house of the Parliament of India, having the current 15th Lok Sabha to complete its constitutional term on 31 May 2014. In the world's largest democracy (1,2 billion people) some 788 million people are eligible to vote thus attracting media attention on how India will be able to cope with this huge and demanding exercise.

It is interesting to note the coincidence of India parliamentary election with the European Union parliamentary election (also to be held in May 2014): 1/4 of the worldwide population will thus contemporarily decide on the future of the two largest democracies in the world.

What is at stake in India is the credibility of the two main parties, the Indian National Congress (in power for the past decade under the leadership of the Italy-born Sonia Gandhi and her son Rahul) and the Bharatiya Janata Party (with the controversial Hindu nationalist Narendra Modi in charge), both under scrutiny for failure to deliver.

Nevertheless, despite pressing problems such as overpopulation, environmental degradation, ingrained corruption, extensive poverty and the current economic slowdown, an immense youth population, if properly motivated and supported, could still sustain India's future role as a regional power and an emerging global player.

THE LOK SABHA

Members of the Lok Sabha (545 members) are elected by direct election through the system of universal adult suffrage (right of vote not restricted by race, sex, belief, wealth, or social status). There have been fifteen Lok Sabha elected by the people of India so far, with the first Lok Sabha dating back to 1947 (the then elected Prime Minister was Nehru, of the Indian National Congress) and the last one elected in 2009. As a matter of fact the Indian National Congress won a majority of Lok Sabha but lost to the Bharataiya Janata Party in the 6th, 9th, 12th and 13th Lok Sabha.

The Lok Shaba has more powers than the Rajya Sabha (250 members), the upper house of the Parliament of India; in particular, the motion of no confidence against the government can only be introduced and passed in the Lok Shaba, and the budget is presented in the Lok Sabha by the Finance Minister in the name of the President of India.

INDIA'S INTERNATIONAL ROLE

India is one of the largest contributor of troops to the UN peacekeeping missions. Today India has over 8,500 peacekeepers in the field, more than twice as many as the UN's five permanent United Nations Security Council (UNSC) members combined. India is currently the world's tenth largest economy by nominal GDP and third largest by Purchasing Power Parity. Currently, India maintains the world's third largest active armed forces and is one of the eight world nuclear weapon states (although not being party to the Nuclear Non-Proliferation Treaty): a permanent seat for India in the UNSC would probably make the body more representative and democratic.

India's bid for permanent membership of UNSC is backed by four permanent UNSC members: France, Russia, the United Kingdom and United States; China is supporting the candidacy provided that India revokes its support for the Japanese candidacy (besides India, there are currently three other candidates for a permanent seat in the proposed enlarged UNSC: Japan, Brazil and Germany). The reform of the UNSC requires, in any case, the agreement of at least 2/3 of the UN member states and that of all the permanent members of the UNSC enjoying the veto right.

As for its foreign policy, politico-strategic and economic imperatives pushed India in 1992 to launch its "Look East Policy" which was confirmed at the ASEAN-India Summit in December 2012 in New Delhi. Interestingly, the United States as the predominant power in

the Asia Pacific not only strongly supports India's "Look East Policy" but also encourages India to be more assertive, thus radically changing its attitude in the last decade of the 20th century when India was the object of suspicion and strategic distrust from the US. Such change in policy of the US is a consequence of the contemporary politico-strategic dynamics dominating the Asia Pacific landscape in which China is seen with strategic distrust while India, as the other rival Asian power, is viewed as a strategically reliable power with a decisive stake in the stability of East Asia and South East Asia.

INDIA'S OVERALL PERFORMANCE

Based on a recent World Bank Report India's progress in economic and human development has been one of the most significant global achievements: between 2005 and 2010, India GDP increased from 1.8 to 2.7 percent, and 53 million people were lifted out of poverty. India is home to globally recognized companies in pharmaceuticals, steel, and space technologies, and the country is a leader in the use of information technology (IT). Life expectancy has more than doubled from 31 years in 1947 to 65 years in 2012, and adult literacy more than quadrupled from 18 percent in 1951 to 74 percent in 2011.

Unfortunately, with the current economic growth at ten-year low, the rupee down, capital outflows, collapsing corporate profits, and account deficit (the value of imports - oil, in particular - exceeding that of exports), India is in desperate needs of reforms which the government is not expected to pass before May 2014.

India has a massive potential, but a persistently mediocre performance with the country suffering from corruption, poor infrastructure and protectionism combined with the current declining consumer confidence. Supply and policy obstacles have seen growth decelerate and investment and industrial output fall, with the stasis compounded by weak global demand.

Many global companies, considering India for both their services and manufacturing supply chain, are willing to expand in the nation but an unfriendly business environment and uncertainty are holding them back from investing. Labor cost is the most attractive asset, while business investment, Foreign Direct Investment (FDI) regulations and taxation policy are key challenges.

This is why, in most cases, investment has been deferred until after the parliamentary election, so investors can assess the path of economic policy and reforms under the new government.

THE POLITICAL PANORAMA

In December 2013, less than six months ahead of general elections, 5 of the 28 India's states went to vote. The centre-left Indian National Congress, which has ruled India for the majority of its post-independence history, was heavily defeated in 4 of the 5 states: the most dramatic result was in Delhi, where the Congress Party almost disappeared while a brand new party, the Aam Aadmi Party (AAP) or "Party of the Common Man" won the election and formed the new government in Delhi. These results do not favor Congress' prospects and point to a clear dissatisfaction with the federal government between corruption scandals, slowing economic growth and perceived weakness in foreign policy. The AAP success in Delhi points, instead, to the potential rise of a third front in Indian politics: the AAP platform of transparency and accountability has a large audience in the middle class, youth and dissatisfied lower caste communities.

The final struggle will likely still involve the two main political parties: the India National Congress (and its coalition, the United Progressive Alliance) and the Bharatiya Janata Party (and its coalition, the National Democratic Alliance). Nevertheless, the surprise could come from the AAP which has promised radical reforms of India's corrupt political system. People (in particular young people) want a responsive government able to fight corruption and to deliver: the success of AAP has sparked enthusiasm among many urban Indians willing to provide donations and to volunteer for the conduct of the next parliamentary competition. These future voters, rich and poor, are united in the quest for a radical change of the dire state of India's public infrastructure and services: they are against bureaucracy, officialdom highhandedness and cynicism.

AAP, distancing from both main coalitions could ride the anti-establishment mood and form the core of a new non-Congress, non-BJP coalition government with regional parties. Few analysts realistically expect such an outcome, but many believe the AAP could affect the results in enough of India's urban parliamentary constituencies so as to undermine the ability of the two main coalitions to form a stable government.

Anyway, to succeed at national level a political party needs to have a strong cadre, strong leaders and a strong organizational structure, all of which requires time and money. At the national level it will not be enough to portray AAP as anti-establishment and committed to root corruption. It will be necessary to go beyond mere rhetoric and spell out AAP views on how to handle the economy, inflation and price rise; to define its take on foreign policy, how to deal with Pakistan and US, how to address terrorism, separatism, agriculture, education, job creation, and women rights.

The incumbent Congress Party and the opposition BJP, seriously worried about the unprecedented success of the AAP, have spelled out their visions and ideas.

The real political enemy for BJP is the AAP: the fear is that AAP anti-corruption policy can win over a sizeable section of the BJP traditional vote bank, impressed by the AAP sense of idealism. And if AAP manages to get 20 to 30 seats across India, it could heavily damage BJP's prospects of crossing the 272 mark out of the 545 seats in parliament. On the opposite

front, if the Congress is able to form a greater coalition of secular parties, the task of the right-wing BJP becomes even more challenging.

The hope of BJP is that AAP is a one-time phenomenon, unable to maintain political momentum and transform itself from an activist outfit to a governing body, confining its range of action to Delhi and some very limited urban centers. If this happens, the AAP (with its leader, Arvind Kejriwal) will likely face an existential crisis, thus giving a real chance of success to Modi, the BJP's controversial, brilliant and outspoken leader willing to part away from the Nehruvian model of secular politics (1).

But, how are the Congress Party, BJP and AAP preparing for the polls? What's their electoral strategy?

The AAP is implementing its populist agenda at a furious pace by fighting corruption, by struggling against the entrenched public sector bureaucracies, by transferring the jurisdiction of the Delhi police under his government's control, and by fighting against violent crime, especially sexual assault against women.

The party is also attempting (online, offline and by telephone) to register 10 million volunteers across India for accepting candidates as opposed to other parties' appointment-based system.

By positioning itself to the right of the Congress Party and to the left of the BJP, the AAP has attracted the median voter, a trend worrying the two mainstream national parties, well aware of the strong anti-establishment feeling in the population and trying their best to capitalise on it by offering their own populist measures.

And while the Congress Party is leaving behind a chequered economic legacy, the BJP is outlining its economic and social vision (including the creation of 100 “smart cities” and bullet trains to ferry people between them). At the same time, the BJP strategy is to counter the rise of the AAP by painting the party as unexperienced and by taking the fight to the AAP's backyard by highlighting and expanding its missteps (as if the BJP had successfully performed in its previous mandates).

CONSIDERATIONS

In India, the race for elections is heating up. The country faces many issues and, with 17% of the global population, how it resolves them could affect the future direction of humanity, or could even be an inspiration for it.

India is where tradition is struggling with a specific form of modernity, defined by powerful transnational corporations, with thousand-year old social and cultural traditions being uprooted by redefining the individual in relation to the collective, how people should live and what they should aspire to be like. This is the cultural impact of globalization, an acceptance that inequalities are necessary and beneficial and that tradition can be put aside in the name of progress. As a consequence, in India successive governments have already placed part of the agriculture in the hands of powerful Western agribusiness with the

destruction of localized rural economies, water resource depletion and chemical contamination.

Anyway, while the major political parties still rely on caste and religion to get votes, the India's politicized youngsters, who will soon be voting for the first time, want jobs and education, and say they will vote for parties making those promises. The reality is that there will be about 150 million first time voters and they will not buy into the rhetoric of old style politics. In particular, the AAP has young professionals and students in their cadres, eager to make politics more people-friendly and willing to follow Arvind Kejriwal, seen as their idol. Kejriwal has resorted smartly to social media (Facebook, Twitter, Google, LinkedIn) to reach its audience (also non-resident Indians) bringing a breath of fresh air to the political scene in the country and, like President Obama, has enthused the youth to vote. As a matter of fact, five factors are likely to decide the 2014 polls.

1. Leadership: the election is being projected more as a presidential contest where individual faces take prominence over the party.
2. Youth. Modi and Kejriwal have attracted the youth because of their anti-status quo stand while the Congress has been forced to bring Rahul Gandhi in the front despite the leader mediocre performance in politics so far.
3. Corruption. The common people of India have grown a strong distaste of the corruption rampant in the high offices of the polity.
4. Economy. Whoever comes to power will have a hard task in rectifying the situation and drive the economy towards an improved goal.
5. Regional parties. The rise of regional parties have coincided with unprecedented economic development in some states, making the political forces in those regions more weighty and powerful (2).

CONCLUSIONS

Notwithstanding the economic potential of its vast population, expected to be the world's largest by the middle of the next decade, India self-confidence has been shaken. The current recession, after two decades of rapid economic growth and surging international trade, threatens to heavily affect India performance and burden both its domestic policy and its global strategic goals. The incumbent government has made the fundamental error of assuming that growth was an autopilot and failed to address serious structural problems. The need for economic dynamism is not just a prerequisite for bringing prosperity to India's poor, but also a strategic asset seen worldwide as a prime indicator of its capacity to shape regional and global events.

For the past few years India has enjoyed a dynamic new relationship with the US, an expanded trade and strategic competition with China, a growing say in Asian security, an increased network of economic agreements with Japan, Korea and ASEAN, the negotiation of pacts with the EU and Canada, and the establishment of ties with the BRICS countries. In each of these areas, India's economic slowdown will act as a drag on its strategic objectives. Political paralysis ahead of the election is casting a shadow over the market. Domestic businesses are frustrated by India's inertia and foreign companies are putting their plans for India on hold. To restart the economic growth the new government will need to cut public borrowing, reduce the current account deficit and tackle inflation. The bottom line is: India remains an attractive long term prospect but in the short term it seems vulnerable to market pressure.

The country desperately needs a leader, with a good mix of energy and experience, who personify enthusiasm, morality, and diligence. The youth of modern India are aware of the problems facing the country and the world at large: given a chance they would be ready to change the political condition of the country for better. Indian democracy is finally coming of age and voters have tasted their power to overthrow established models (3). The parties manifesto focus should be on good governance, economic and business growth, corruption-free environment and empowerment of masses, thus allowing the economy to pick up again. This year elections will have a deep cultural impact. The battle is between two mindsets: on one side is inertia, hubris and old political style; on the other is idealism, innovation and energy. The clash between the two will change the thinking at political, business and cultural level.

Surveys made by Reuters, Bloomberg and India Today at the beginning of February show that not even a single party would be in a position to form a government without making a major alliance. In the best case scenario the political context for economic reform might improve following the elections, but the more likely outcome is that India's policymaking becomes even more difficult as the poll is likely to return a more fractious and divided parliament, generating a weak ruling coalition.

It is, in fact, unlikely that the incoming government will have the clear majority needed to pass any drastic, growth-stimulating reforms. A federal government, made up of regional parties, with their own diverse agendas, is likely to be fragile, putting at risk Asia's third largest economy. Even if the regional groups do not join to form a government, their increased strength would give them a crucial say in deciding the fate of economic policy changes, centered on certain regions or communities and unlikely to pursue the bold reforms needed to kick-start India's economy, thus causing a prolonged weak and patchy policy making.

In such a context, the role played by first-time voters, increasingly media conscious and willing to engage in political and social endeavours, is going to be the X-factor in determining the outcome of the elections. How politicians reach out and cater the needs of this diverse set of young Indians is key to the political future of India, with the possibility of

fresh and innovative equations to be worked out.

The outcome of such huge exercise and the various post-election scenarios are closely watched by international rating agencies and foreign (institutional and private) investors, reflecting the increasing demand for political surveys to predict who will form the next government.

Election fever is picking up in India: hopefully, the final outcome will allow for a stable political environment based on effective democracy and, by resorting to India's intellectual and technical strengths, instrumental in restarting the economy.

(1) Secularism in India means equal treatment of all religions by the state. In a non-secular state religion becomes central and citizenship becomes secondary. BJP maintains that as Pakistan after partition chose to be an Islamic nation, similarly India has the right to become a Hindu Rastra (militant Hindu nationalism) nation.

Unfortunately, cases of religious violence, targeting in particular Muslims and Christians, are already occurring in India. In a country founded on the principles of secularism there is a growing fear over what the re-emergence of religious tensions could cause, in particular with the possibility of the BJP to adopt a polarizing election strategy of dividing communities to win votes.

(2) India economy slowed in 2013, but one of the main reasons the economy hasn't come to a standstill is that growth in some of India's 28 states continues to rise at unprecedented levels. In the once impoverished state of Bihar, for instance, the economy grew at 14% in 2012-2013, in Madhya Pradesh 10% and Odisha 9.14%. These states were never India's engines for growth.

Economic power translates to political clout and as the central government is becoming weaker, the states are becoming stronger. This shift is so substantial that regional parties can now dictate national and international policies. How these regional parties fare and which coalitions they choose to join will have a massive influence on the national elections.

(3) Anyway, in the far-flung centres away from Delhi the local establishment, comprising police, bureaucracy, local media and other influences, will resist any attempt to disrupt the equilibrium they live in. As for the government sector, India is known to be one of the most overstaffed bureaucracies in the world: furthermore, transactions with government agencies often require some amount of bribe. Stealing and skimming services, such as electricity, is common. Changing such a trend and mindset will not be an easy task.