

## The Mating Game

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**The passing of the trust vote on 22<sup>nd</sup> July marks a watershed moment in Indian politics. The significance of it can be easily lost in the heaving of relief at the UPA coalition's victory. The fact that the Sensex benchmark rallied by 6% the day after the UPA won its lease of life in Parliament, reflects the importance the stock market assigns to stable politics at the Centre.**

Political historians may well look upon this as the moment when the first realignment of political forces perhaps began to have effect. For about 45 years after Independence till 1991, barring exceptions, the Indian polity has been used to mostly Congress Party rule. Even when Kerala and West Bengal started as paradigms of coalition governance in the 1960s and 1970s, it was viewed as an aberration amid a single-party system. The watershed year of 1991 is remembered more as the year of Dr. Manmohan Singh's liberalisation. Equally, it is important for institutionalising coalition governance in the country. Despite its permanence since, coalition governance continues to be viewed with suspicion, indeed fear. It is seen as a synonym for chaos and confusion, for inefficiency, for compromise and cabals. A tortoise-like speed of decision-making and lack of discipline are frequently associated with the very concept of coalitions.

However, the nature and composition of coalitions can differ radically, with significantly different consequences for the actors involved. The UPA coalition (led by the Congress party) and the NDA (led by the right wing BJP) are markedly different from each other. The former with the Congress whose pan-Indian footprint is thus in natural conflict with regional formations in each state, which nevertheless are in coalition with it at the Centre. The BJP on the other hand had little pan-India presence until it tasted power at the Centre and hence faced few contradictions with those regional parties which supported it then. Hence, the controversial, but not entirely incorrect phrase "natural allies at the Centre", may not necessarily hold true in the states, indeed, they may in fact be "natural enemies" in the states.

India has had two broad coalitions and briefly a third front emerged under Mr.Chandrashekhar which was a creation of political expediency more than the will of the people. Now, going into the next General Elections, the first realignment of political forces is beginning to take shape as we shall explain below.

The Samajwadi Party (a casteist party from Uttar Pradesh and the most populous state in India), after fighting against the Congress and being routed by Mayawati's Bahujan Samaj Party (BSP), chose to ally with the Congress in this week's trust vote. The SP is a sworn enemy of the BSP headed by Mayawati, herself a backward caste, whose star is on the ascent after her brilliant victory in the state elections. Uttar Pradesh (UP) is also the state which sends the maximum MPs to Parliament and hence the party which holds sway over UP often plays kingmaker in Delhi. Mayawati is also a foe of the Congress and the BJP. Ironically, it was she who brought down a Vajpayee-led coalition a decade ago and then sallied with him later to rule UP. A marriage which could never last led to them parting ways, yet again. The BJP and BSP have blown hot and cold and have fundamental contradictions (the BJP is seen as pro-Brahmin, upper class right-wing, while the BSP's existence stems from its backward caste origins). As elsewhere, in India too, there are no permanent friends or enemies.

There are other satraps in the states all with varying degrees of regional influence. In West Bengal, there is the firebrand Mamta Banerjee, a renegade Congresswoman whose only problem is seeing eye to eye with Mrs. Sonia Gandhi. In Andhra Pradesh, the Telugu Desam held sway for two terms until four years back under Chandrababu Naidu, the IT Renaissance man. He was dumped by the people for being too elitist. He cannot be wished away too quickly as he remains popular in large parts of the State. Then there is the imposing figure of 'Madam' Jayalalitha in Tamil Nadu, whose loyalties in politics have changed like her resplendent sarees. Then there are smaller regional groups like the Akalis in Punjab, Sharad Pawar in Maharashtra and JMM in Jharkhand who complete the motley crowd that comprises Indian politics. Lest we forget we have Laloo Prasad Yadav, the cowherd politician whose clout in his state of Bihar and his presence in Delhi remains as strong as the lathi his followers wield.

The crucial question now is how quickly and successfully the spin doctors in the Congress and BJP can stitch together pre-poll alliances between these regional cantankerous and mercenary parties and provide the populace two combined electoral fronts to chose from.

In the past, most regional parties have stayed out of pre-poll alliances and then used their seats to first negotiate and jockey themselves into power in exchange for their support. If we allow ourselves to be optimistic and less cynical (and that's a tough ask we agree) and put some faith into the same set of politicians, then we may well be on our way to a historic election in 2009. Let us see how the mating game can enliven Indian politics and besides the obvious voyeuristic value it may hold, it could well change the face of governance in India as we've known it.

Post the SP aligning with the Congress, if the Congress – SP combine and fight together in UP, they can hope to wrest some crucial seats from the BSP and the BJP, rather than split the vote four-ways. If they get a few more smaller parties like the Janata Dal factions to join in, then UP could indeed become closer to call than it appears today.

In West Bengal, the Left parties are sure to lose on their previous tally as they stand isolated. Local issues have also done them considerable harm in recent times. If Mamta Banerjee and her cohorts are promised inducements for her support, then the Congress can well make deep inroads into the Communists' turf.

The BJP on the other hand must get cozy with Jayalalitha and Mayawati making it the most flagrant coalition to keep a lid on, what with Mr. Advani having to keep his own firebrands within the BJP like Sushma Swaraj and Uma Bharti in check. Jayalalitha could prove easier to sway but Mayawati may prove to be bete noire yet again for all, playing the same odious role the Left played this time around. She could chose to stay out of either Coalition and then throw her weight later, behind the one she sees as being politically convenient to her interests in UP.

The BJP must also win the votes of the Akalis in Punjab and cajole the Shiv Sena in Maharashtra to stick with them. Naidu in Andhra Pradesh is a tricky one but he must realise that he can't be a sworn enemy of the Congress in his state and go to bed with them in Delhi. He realises he must take sides if only for his own political survival in his state and be relevant in national politics. He has been championing the creation of a third front, with the Left parties, and if this were to happen, it would throw our entire hypothesis into disarray and there can be little room for optimism going into Elections 2009.

This completes much of the picture and would set us up for a straight fight between two coalitions. It would do away with the huge overhanging uncertainty of post-poll alliances, mercenary politics and chaotic coalition rule thereafter. The benefits would be obvious.

- 👑 The coalition can then set out to put the election manifesto to work without too many internal conflicts and contradictions.
- 👑 Economic reform may proceed at an accelerated pace.
- 👑 Greater fiscal discipline can be achieved in terms of curbing and cutting back on subsidies if there was greater political support.

The benefits cannot and should not be under-estimated because to be fair, there is much that the Congress and BJP parties would have achieved individually or with stronger and more co-operative partners than they have. Much of the sloth in policy making in the last ten years has been on account of a lack of political consensus and Government's own inability to take bold economic measures for fear of its own political survival. De-regulation of several industries and setting up of regulatory structures instead of central ministries can all be achieved if there is political will and consensus. These can have a magnifying beneficial impact on India's fiscal balances over a five year period.

In equity markets, foreign investors will be quick to recognise the obvious benefits of having a two party coalition alignment contesting the polls. Both the UPA and the NADA have their versions of reforms which aim to achieve a common goal, but use slightly different means. To investors in the long term growth opportunity in India, this matters little as long as progress is visibly achieved. Markets don't like protracted uncertainties. A two-coalition straight fight will make it easier and quicker for equity markets to price in a victory for one and defeat for another ahead of the actual results.

However, right now there is still some attempt to cobble together a 'Third Front' by some regional minnows that may appear to have a disproportionately loud voice relative to their support bases in the country. Should they refuse to tag on to either of the two coalitions and contest individually in their states and lose, some of them might as well consider this to be the end of their political careers. If they win, they add to the nuisance value. This bunch cannot form a Government on their own since they simply won't get to the magical 51% majority on their own. Neither the Congress nor the BJP will support a motley bunch knowing they could crack under their own contradictions and they could be held responsible as being party to that volatile and instable concoction.

The next nine months will pass away quickly. But loyalties change likewise too in politics. It's a place one can afford to be as cynical or optimistic as one chooses. We chose to be optimistic after carefully appreciating each party's locus standi today and what it could mean for them to fight as a group or to go it alone. The picture can change quite dramatically in this period as the pressure to 'mate' mounts closer to the date elections are announced.

Once the financial markets finish celebrating the lease of life of the UPA Government, they will hunker down to sifting grubby economic data, worrying over corporate earnings growth, inflation, oil and all that's wrong with the world. Amidst this, the foreplay which has started among political parties will take the shape of more obvious overtures and mating games. Get set to be enthralled.