



## **India's Upcoming Parliamentary Elections: A Congressional Briefing**

*Implications For India's Economy, Prospects For Reduced Tension with Pakistan, and U.S. Policy*

Date: Tuesday, March 30<sup>th</sup> 2004

Venue: Room 2255, Rayburn House Building, Capitol Hill

Sponsor: Congressman Rush Holt (D, NJ-12)

Co-Sponsor: Young India Inc. & Congressional Caucus on India and Indian-Americans

Speakers:

- [Dr. Arvind Panagariya](#), Professor of Economics and Jagdish Bhagwati Chair of Indian Political Economy, Columbia University
- [Dr. George Perkovich](#), Vice President for studies at the Carnegie Endowment for International Peace
- [Mr. Rohit Tripathi](#), President, Young India Inc.

Congressman Rush Holt (D, NJ-12) hosted a Congressional briefing on the upcoming [Indian elections](#) (4-phases, April 20-May 10) on March 30<sup>th</sup>, 2004. The briefing was aimed at raising awareness about the various issues dominating the political climate in India. It also hoped to provide a forum for discussing policy implications within South Asia and on Indo-US relations.

Congressman Holt opened the briefing with the hope that it would help us “make sense” of the very complicated issues that exist today in India in particular and South Asia at large. The Congressman mentioned the interesting developments that had taken place in India over the last few years. The economic emergence of India, the evolution of India-Pakistan relations and the internal societal changes that India had seen all were currents shaping India and the region. He said, “I think this is a useful time to look at the implications of these various currents for the upcoming parliamentary elections.” The Congressman then welcomed the audience and shared his sense of anticipation of hearing the panelists talk about topics with clear bilateral and global import. The briefing got underway with the Congressman formally introducing the three speakers.

Dr. Arvind Panagariya, a world-renowned expert on Indian economic affairs in particular and macroeconomic issues such as trade in general, was the first speaker. Dr. Panagariya, Jagdish Bhagwati Professor of Indian Political Economy & Professor of Economics at Columbia University, spoke about the recent improvements in India's economic indicators. He shared with the audience his ideas of where India is headed in the macro-economic sense.

The professor from Columbia University started by sharing a historical perspective to enable the audience to see where India was today in relative terms. In order to show the economic evolution of India Dr. Panagariya pointed out that the first 30 years (1950-80) after independence saw an average of 3.5% GDP growth per year. Since 1980 the average GDP growth rate has been near 5.5% per year. It was 8% this last fiscal year. Dr. Panagariya credited the policy of economic liberalization for this



increase in growth rates. He said that the systematic liberalization in 1991 that was preceded by ad-hoc reforms dating back to 1985 had led to a dramatic impact on the economic health of India. These reforms had also lowered the rates of poverty as well. He claimed that if the reform process went on the way it has so far India could sustain a growth rate of 6% per year. An 8% per year growth in GDP too is within reach if additional reforms are put in place. Dr.Panagariya provided some academic insight by enlightening the audience with the fact that an 8-9% growth rate would mean a doubling of the per capita income in a decade's time.

India's growth pattern has been "unique". Dr.Panagariya made this point by contrasting India's growth pattern with those of other Asian nations. He added that as manufacturing in particular and industry in general had been the backbone of the East Asian economic emergence in India it has been the service sector that has provided the visible economic boost. The numbers speak for themselves - industrial output is 50% of China's GDP as opposed to only 25% for India. Till the Indian example came along an increased percentage of industrial output in GDP was considered an essential indicator for rapid economic growth. Dr.Panagariya had a few words of caution for India's future policy-makers. He said, "India is on the path of sustained economic growth but its policy makers will face some challenges." These challenges, he said, include the creation of high productivity jobs. Indian economy is expanding in the service sector, which does not generate high-wage jobs except on a very small scale in the IT/BPO sectors. It in this context, that he also emphasized the urgent need for education reform.

Talking more on the IT sector, which has come to be seen as India's most visible strength, Dr.Panagariya said that it was still only a small part of the Indian economy. Out of an economy of about \$600 billion the IT sector accounted for \$10-12 billion. Dr.Panagariya took this opportunity to allay some fears that had been finding resonance amongst the media and politicians – IT outsourcing. He pointed out that the Indian IT industry was too small to pose any serious employment threat to US workers. He said he saw a "lot of complementarity" in the IT sector. The banking, insurance and telecommunications sectors too provide US corporations great opportunities in India. This economic engagement will lead to creation of jobs in both countries.

Drawing attention to some of the important trends in India Dr.Panagariya talked of the great demographic transition that is underway. He said that by 2020 about a quarter of India's population (approx. 300 million) would be in the 20-35 years range. This would mean a major push in the savings rate. Dr.Panagariya expounded on what still needs to be done in India. Infra-structural development like in the areas of transportation, reformed labor laws and other policy-initiatives can help India achieve more for its people. He contended that India was still a protected economy with some of the highest tariff rates in the world.

In closing, Dr.Panagariya highlighted how the US and India were coming closer on international trade issues. In Doha India had pitched for a "Narrow Round" of negotiations. The US Trade Representative Ambassador Robert B. Zoellick has now come around to support such a narrow agenda centered on trade liberalization. The prospects for future cooperation are definitely good.



Dr. George Perkovich, an expert on South Asian security issues, was the next speaker. Vice President for Studies at the Carnegie Endowment for International Peace, he contextualized the event in the broader geopolitical issues, especially the nuclear stand-off with Pakistan and the ongoing War against terrorism.

Dr. Perkovich said the upcoming elections could be seen or used as a referendum on Prime Minister Vajpayee's peace initiative with Pakistan. He acknowledged that even though relations with Pakistan may not be a primary or even a secondary matter concerning voters, a vote for the BJP-coalition could be perceived as the electorate's OK of the diplomatic course the Vajpayee government has recently charted. That is, Vajpayee and his government could and should take re-election as evidence that the public does not strongly oppose the peace initiative, and therefore the government should feel encouraged to continue it. He said that if the voters are to be unhappy with the diplomatic moves they will let the BJP feel that sentiment electorally.

Dr. Perkovich saw the current thaw in Indo-Pak relations persisting at least to the extent that the chances of major conflict will be decreased for a significant period. He pointed out how the two-sides have evolved to the point that they keep each other informed of weapons-testing and other defense related matters that have a direct bearing on the other side. Such cooperation is the basis for hope that potentialities of nuclear mishaps will be further diminished.

Dr. Perkovich also talked about the dilemma that befalls US policy-makers. He added that an even-handed approach to India and Pakistan is not much liked by either country. India wants to be treated as an emerging power whereas Pakistan believes that it should have a closer relationship with the US given its support in the war against Al-Qa'ida and other terrorist outfits.

From a military standpoint Dr. Perkovich pointed out the asymmetry in conventional abilities between India and Pakistan. He said that since Pakistan was weaker on that front if it had difficulty procuring more arms of that type it could end up relying more on its nuclear option. That is a dangerous possibility. Yet, it would not improve things for the U.S. to supply Pakistan with advanced conventional weapons to offset India, unless and until Pakistan publicly accepted the rough territorial status quo in Kashmir and India and Pakistan normalized their relationship. In that context, the risk of using U.S. –supplied weapons for offensive purposes would be greatly reduced.

Dr. Perkovich shared with the audience the great opportunity India had to become a great example of a pluralistic democracy. Acknowledging that Indian pluralism was ancient he said that if today India is able to live in peace with its Muslim minority then that would send a great message to the world. Making an indirect reference to the debate of can Muslims be part of pluralistic democratic societies



he said that India could provide this new global consciousness with an example to be emulated. At the same time he cautioned that if the hawkish right-wing Hindu forces got more powerful and polarized India, it could exacerbate tensions in India and the rest of the world. He hopes and believes that this latter scenario will not materialize.

Mr.Tripathi began his election analysis by duly noting the fact that Indian politics had been more or less driven by coalition politics since 1989. The results of these elections too do not promise anything radically different than the same coalition building that has characterized the last 5 elections. He said it seems the more important question today was which political party was going to make the “200” mark (see [fact sheet](#)). The possibility of a single party winning a simple majority on its own is virtually non-existent.

Mr.Tripathi presented the following scenarios:

- **BJP breaks the 200/543 barrier**

If the BJP passed the 200 mark on its own that could radically change the coalition building process and greatly affect the governance thereafter. The coalition compulsions that had restrained the more hawkish elements of the party would be free. Given the prospects of most regional/state parties maintaining their national representation levels the biggest loser in this situation will be the Indian National Congress (Congress Party). However, if the Congress maintains triple-digit strength its relevance will be maintained. Diminished but not extinguished. No doubt it will be further marginalized in the political discourse.

- **BJP goes beyond 200/543 and the Indian National Congress (Congress Party, currently 114) falls below a 100/543**

Mr.Tripathi said that such an electoral outcome would mean a “seismic shift” in Indian politics. It would lead to a situation where the battle would be between ideology and no-ideology. He added that such a development would lead to a “political monopolization” in the wake of no real national challenger to the BJP.

- **BJP falls short of 200/543 and the Congress (currently 114) remains between 100/543 and 150/543**

Mr.Tripathi believed this could be the most likely outcome. Such an outcome in Mr.Tripathi’s views would further cement coalition politics as the political reality of modern Indian politics. In his opinion this outcome could lead to a few interesting developments. One could be that the non-BJP left/left-of-center forces may consolidate to make a new front. Another unmistakable outcome of this scenario would be the increased role of regional/state parties in national politics. They will be kingmakers and their support will be greatly coveted. Given this position of power, these regional/state parties could have shifting loyalties to extract maximum political advantage. That would mean more transient coalitions and more political uncertainty. As far as the Congress Party is concerned, Mr.Tripathi said that this scenario could lead to serious Congress introspection.



Another scenario that Mr.Tripathi did not directly address during the briefing was the one in which the BJP stays close to its current tally of 182/543 but the Congress goes below 100/543. Such a scenario according to Mr.Tripathi would create an unprecedented and historical void in the political space of India. He believes that a lack of mainstream political diversity will definitively hurt Indian democracy. In closing his electoral analysis Mr.Tripathi made special attention of the social impact of these elections. He singled out the BJP as a “cultural” force and the only party with a definitive sociological. He said that there were no other national parties with well-defined social goals and the strategy to achieve them.

Moving the audience’s attention from the elections at hand to the debates that will fill up the political space thereafter, Mr.Tripathi said, “India is on the cusp of a major developmental surge.” He emphasized the fact that the policies emanating from the next government will have a fundamental impact on the direction of India’s economic and democratic development. Policy initiatives as the inter-linking of rivers, dams, education and other issue that have generated passionate rhetoric will shape the destiny of India for a long time to come. As India will take on these development issues in these globalized times the internal path it chooses will have a major impact on how it approaches international relations as well. Most pronounced will be its participation within multilateral institutions like the WTO.

Mr.Tripathi stressed the need for US policy-makers to not only know and understand the actions of the Indian government but also to realize the rationale behind those policies. According to Mr.Tripathi that rationale will be the reaction to the aspirations of common Indians and how these are shaping the political agenda. An increased knowledge and understanding of internal political factors will greatly enhance the ability of US policy-makers to formulate effective and mutually beneficial ventures. Issues like intellectual property, outsourcing, weapons proliferation and others will be better dealt with if policy-makers approach these matters with this heightened political sense.

Mr.Tripathi wrapped up his remarks with the hope that Young India will be able to engage with policy-makers and their staffs on the Hill on issues that indeed affect India but are not exclusive to it. He said in a global economy US educationists should look at what educationists in India are doing and vice-versa. Providing affordable health-care is an enormous challenge to both democracies. Mr.Tripathi acknowledged the cultural and institutional differences that exist between India and the United States yet he believes a great deal of common-ground too is available for the two nations to wage struggles for the betterment of their own people and others in the world. Mr.Tripathi concluded by saying, “Hopefully we can define a new paradigm for international cooperation.”

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Congressman Rush Holt ‘s Office (D, NJ-12) \*\*