

What Indians expect from a tried and tested Cabinet

By S. NARAYAN

IMPORTANT Cabinet portfolios were announced by Indian Prime Minister Manmohan Singh last Saturday. He seems to have relied on old and trusted faces. Several ministers were given their old portfolios – a confirmation of his confidence in them and an indication of policy continuity.

It is now possible to look back at the elections: Which issues dominated the campaign and which are likely to influence the government in the future?

It is clear that India's civil nuclear agreement with the United States, on which Dr Singh risked so much, had little or no impact on the election outcomes. Neither did the stock markets nor the meltdown in real estate prices. A close

analysis of the results would also show no clear swing away from regional parties as was originally supposed: They have more or less maintained their vote shares, though they were not as successful in terms of the number of seats they won.

The increase in the Congress' vote share can be attributed to three factors.

Firstly, its National Rural Employment Guarantee (NREG) programme and the waiver of agricultural loans had a positive impact on rural voters. There were reports of voters gleefully bringing along their loan waiver letters to election rallies. This favourable response will encourage more social welfare schemes, an expansion of the NREG programme as well as subsidies for rice and wheat for the poor. The Prime Minister has already indicated that these would be fairly high on

his agenda.

However, he needs to be conscious of fiscal deficits. He also has to keep a keen watch over inflationary pressures. The Indian voter does not like the prices of his day-to-day consumables to increase.

Secondly, there was concern over internal security. The Mumbai terrorist attacks rattled the electorate, as did the Maoist threats. The strident tone of the Bharatiya Janata Party (BJP) did not appeal to voters who will now look to the Congress-led government to manage these threats. The flip side of this is that any worsening of the internal security situation will have a negative impact on the government.

Thirdly, the Congress' significant gains in urban areas – including New Delhi, Mumbai, Chennai and Hyderabad – in-

dicating that the urban middle class expects its lot to improve. The urban voter is looking for better infrastructure, better access to health and education, uninterrupted electricity and water supplies as well as better transportation facilities. The government will have to focus on the development of infrastructure to satisfy these demands. Perhaps urban voters feel that a stable government is more likely to deliver the goods than an amalgam of parties with different ideologies.

Reform, whether of the financial sector or the real economy, does not appear to have swayed voters one way or the other. In fact, there was the unstated belief that economic reforms progressed much faster during the BJP-led government of 1999-2004 than in the last Congress-led government of 2004-09. Though not a major vote puller, this issue is at the top of the agenda for economists and international businesses as well as the corporate sector.

The government has re-affirmed its intentions to pursue a reform agenda. Indeed, it would be easier to pursue a reform agenda than to painstakingly build infrastructure and improve security. It is clear, however, that most Congress politicians would be less concerned about for-

eign direct investments in insurance than they would be with social-sector initiatives. There will be constant trade-offs between pro-market and pro-poor policies, with the latter probably winning most of the debates.

The government will have to balance these varying expectations. There might be initiatives in infrastructure through private-public partnerships; the government might divest its shares in public sector banks without giving up control; the defence and security budget might be expanded; the economy might expand on the back of domestic capital formation. However, there will probably be very little for multinational corporations.

The new government is in place sooner than most people would have anticipated before the elections. But five years is a short time for any party trying to govern India. For the Congress and its allies, the clock has already started ticking.

The writer is head of research and visiting senior research fellow at the Institute of South Asian Studies, National University of Singapore. He was an economic adviser to former Indian prime minister Atal Bihari Vajpayee. This is the third in a series on the Indian elections that ISAS has produced for this newspaper.