

BRIEFING

# India's 2014 legislative elections: The lack of economic miracles lands the Congress party on the opposition benches

Authors: Elfriede BIERBRAUER, Laurence VANDEWALLE

## Abstract

The EU's relationship with India and the floundering bilateral trade negotiations may be reinvigorated by the results of the country's elections for India's lower house of parliament – the *Lok Sabha* – held between 7 April and 12 May 2014. The landslide victory of the Bharatiya Janata Party (BJP) and its leader, Narendra Modi, came at the expense of the Congress party; after being in power for all but 18 years since the country's independence in 1947, Congress obtained only 44 seats – less than 8 % of the total – in the recent ballot. The new Common People's Party, which performed well in 2013-regional elections in the capital, Delhi, obtained only four seats nationwide.

Modi, a Hindu nationalist who led the state of Gujarat, had been shunned by the EU and the US for many years for his part in the 2002 Gujarat riots. But between the recent elections and his investiture, on 26 May 2014, both transatlantic powers made friendly overtures to the new prime minister.

Negotiations within the BJP and with potential coalition partners are well underway, and the composition of the new Indian government should be known soon. As Modi's election campaign focussed on domestic issues, and in particular on the ailing Indian economy, the BJP-led government's stance on foreign relations – including on cross-border trade and investment and negotiations with the EU on the stalled free trade agreement – will soon crystallise.

This paper is an initiative of the Policy Department, DG EXPO

## **AUTHORS:**

Elfriede BIERBRAUER, Laurence VANDEWALLE  
Directorate-General for External Policies of the Union  
Policy Department  
WIB 06 M 077  
rue Wiertz 60  
B-1047 Brussels

Editorial Assistant: Györgyi MÁCSAI

## **CONTACT:**

Feedback of all kinds is welcome. Please write to:

[elfriede.bierbrauer@europarl.europa.eu](mailto:elfriede.bierbrauer@europarl.europa.eu).

To obtain paper copies, please send a request by e-mail to:

[poldep-expo@europarl.europa.eu](mailto:poldep-expo@europarl.europa.eu).

## **PUBLICATION:**

English-language manuscript completed on 27 May 2014.

© European Union, 2014

*Printed in Belgium*

This paper is available on the intranet site of the Directorate-General for External Policies, in the [Regions and countries](#) or [Policy Areas](#) section.

## **DISCLAIMER:**

Any opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament.

Reproduction and translation, except for commercial purposes, are authorised, provided the source is acknowledged and provided the publisher is given prior notice and supplied with a copy of the publication.

## Table of contents

<b>1</b>	<b>The 16th Indian parliament (the lower chamber, or <i>Lok Sabha</i>)</b>	<b>4</b>
1.1	The composition of the 16th <i>Lok Sabha</i>	5
1.2	Map showing election results	7
<b>2</b>	<b>Factors contributing to the BJP's success</b>	<b>7</b>
<b>3</b>	<b>The main challenges for Modi's new government</b>	<b>9</b>
<b>4</b>	<b>Foreign policy</b>	<b>10</b>
4.1	Relations with the EU and the European Parliament	11
4.2	Outlook	12

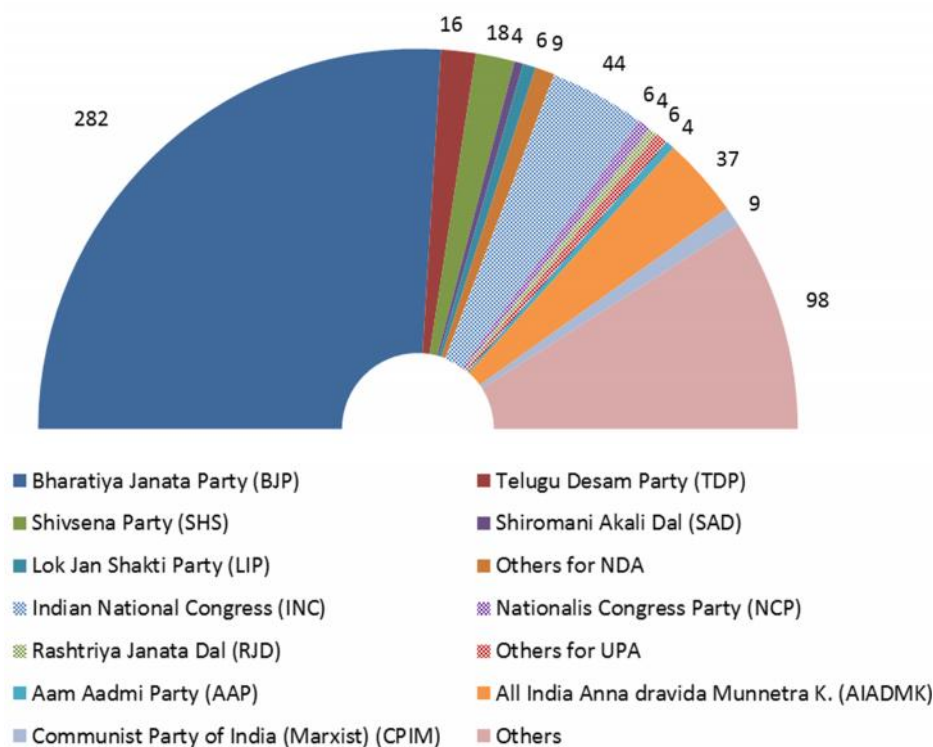
## 1 The 16th Indian parliament (the lower chamber, or Lok Sabha)

Following the landslide victory of Narendra Modi and his Bharatiya Janata Party (BJP), the EU has a chance to gain a greater foothold in the country.

The decisive victory of Narendra Modi, his Bharatiya Janata Party (BJP) and the party's coalition partners in India's 2014 parliamentary elections may signal a chance for the EU to gain a stronger foothold in the world's largest democracy and possibly jump-start negotiations on the foundering trade negotiations. Modi, who was sworn in on 26 May 2014, was long shunned by the EU for stirring up ethnic divisions. But EU Member States had begun in recent years to mend their bridges with the Hindu nationalist, then the chief minister of the state of Gujarat. Modi's campaign for India's 2014 parliamentary elections was based on an economic platform, in which he noted his desire to deepen economic relations with India's partners. This would presumably include the EU, India's top trade partner.

The elections, held from 7 April through 12 May, and their results can only be described with superlatives and dizzying numbers: in the world's largest democracy, with an electorate of 815 million people, 66% of the total electorate – 550 people – cast their vote in one of the 930 000 polling stations for the 1 616 national and regional parties over the course of 5 weeks. For the first time in Indian history, all polling stations were equipped with electronic voting machines. For illiterate voters, political parties identified themselves with symbols next to their names. More than one third of voters pushed the button showing a lotus flower, the symbol of the BJP<sup>1</sup>.

**Figure 1:**  
Distribution of seats in the 16th Lok Sabha



<sup>1</sup> Electoral Commission of India <http://eciresults.nic.in/>

While the Hindu nationalist BJP won an absolute majority of seats, the long-reigning Congress party was crushed.

The results brought a landslide victory – 336 of the 543 seats in the *Lok Sabha*, the parliament's lower house – for the National Democratic Alliance (NDA) and its leading partner, the Hindu nationalist Bharatiya Janata Party (BJP). The BJP, a rightist Hindu nationalist party alone won 282 seats. It is the first time since 1984 that a party other than the Indian National Congress (INC) has gained an absolute majority in the national parliament; the NDA will now control 52 % of the house. The BJP does not, however, have the majority in the upper house, or *Rajya Sabha*, which can block legislation. Even with a majority in the *Lok Sabha*, Modi will need allies.

The governing United Progressive Alliance (UPA), a secular and centre-left group controlled by the Indian National Congress (INC) party and the Nehru-Gandhi dynasty, retained only 59 seats in the *Lok Sabha*, of which 44 were won by the INC, with 19.3 % of the popular vote. This represented a significant decrease from the 206 seats the INC held during the previous legislature. Having dominated Indian politics since 1947, the INC is now faced with its worst election result ever.

As soon as the first results became public on 16 May 2014, the Congress party's leading politicians conceded defeat. They stopped short of blaming the outcome on Congress President Sonia Gandhi and her son, Rahul, Congress vice-president and a star campaigner of the dynastic party. Both had offered to resign, which however, was refused by the party's decision making body. At this stage, the party seems not to have yet drawn programmatic conclusions from the devastating result. Prime Minister Manmohan Singh, who is in his late 70s, had already retired from politics on 15 May 2014.

The newly-formed Aam Aadmi Party (AAP), an offshoot of an anti-corruption movement, won four seats, all in Delhi.

The results obtained by the new Aam Aadmi Party (AAP – the 'Common Man Party'), created in 2012 as an offspring of the anti-corruption movement, were followed carefully by many. The party had won a surprise victory in the 2013 state elections in Delhi, but obtained only four seats in the *Lok Sabha* in the recent ballot. In fact, the AAP obtained 33 % in Delhi, as well as four seats in Punjab. In other constituencies, its results were poor, and the leader of the party, Arvind Kejriwal, lost his seat to Modi in Varanasi. Kejriwal explained his defeat as the result of electors' disappointment with his resignation from the post of chief minister (CM) of Delhi.

## 1.1 The composition of the 16th *Lok Sabha*<sup>2</sup>

The Indian political landscape is diverse, fragmented and almost incomprehensible to outsiders.

The BJP's overwhelming victory in the parliament was obtained with only 31 % of the popular vote. This apparent discrepancy can be attributed to India's first-past-the-post (FPTP) system, which amplifies the victory of the lead party.

Regional parties will be less represented than they were previously. Except for in Tamil Nadu, Orissa and West Bengal, regional parties obtained fewer

---

<sup>2</sup> Based on Gilles Verniers' work.

votes than in previous ballots. In the Hindi heartland, regional parties were defeated.

The new parliament will include 62 female members, which represents a marginal increase from the 59 of the previous legislature.

The number of MPs with a criminal record has also increased. According to the survey conducted by the Indian Association for Democratic Reform<sup>3</sup>, 186 or 34% of newly elected MPs have in their election affidavits disclosed criminal cases against themselves. Out of these, 112 MPs (21 %) have declared serious criminal cases, including those related to murder, attempt to murder, causing communal disharmony, kidnapping, crimes against women, etc. Not a single BJP MP is a Muslim. The new legislature will include a total of 20 Muslim MPs, which is the lowest figure ever. Despite the fact that the country is home to the world's third largest Muslim population, India's largest minority will be almost without a voice in their parliament<sup>4</sup>.

A closer examination of the results in key states reveals the following:

- In Uttar Pradesh (UP), the two Gandhis retained the only two Congress seats, while Chief Minister Akhilesh Yadav and his ruling Samajwadi Party retained only 5 out of 80 seats. The regional Bahujan Samaj Party (BSP) did not win a single seat, despite the charisma of Kumari Mayawati, its Dalit leader, a former school teacher who served four terms as Chief Minister of the state.
- In Bihar, Chief Minister Nitish Kumar experienced the same devastating fate. Kumar is a Congress ally.
- The BJP's strategy was successful in five other states such as, Delhi, Gujarat, Tamil Nadu, Orissa and Rajasthan where parties belonging to the Congress-led alliance did not win a single seat.
- In the country's economic and financial centre, Maharashtra, Congress won only two seats.
- Modi also targeted West Bengal. Adopting anti-Muslim rhetoric, he criticised the arrival of immigrants from Bangladesh. This did not, however, bring him success: West Bengal's political heavyweight, Chief Minister Mamata Banerje (of the All India Trinamool Congress – the AITMC or TMC), maintained her position.

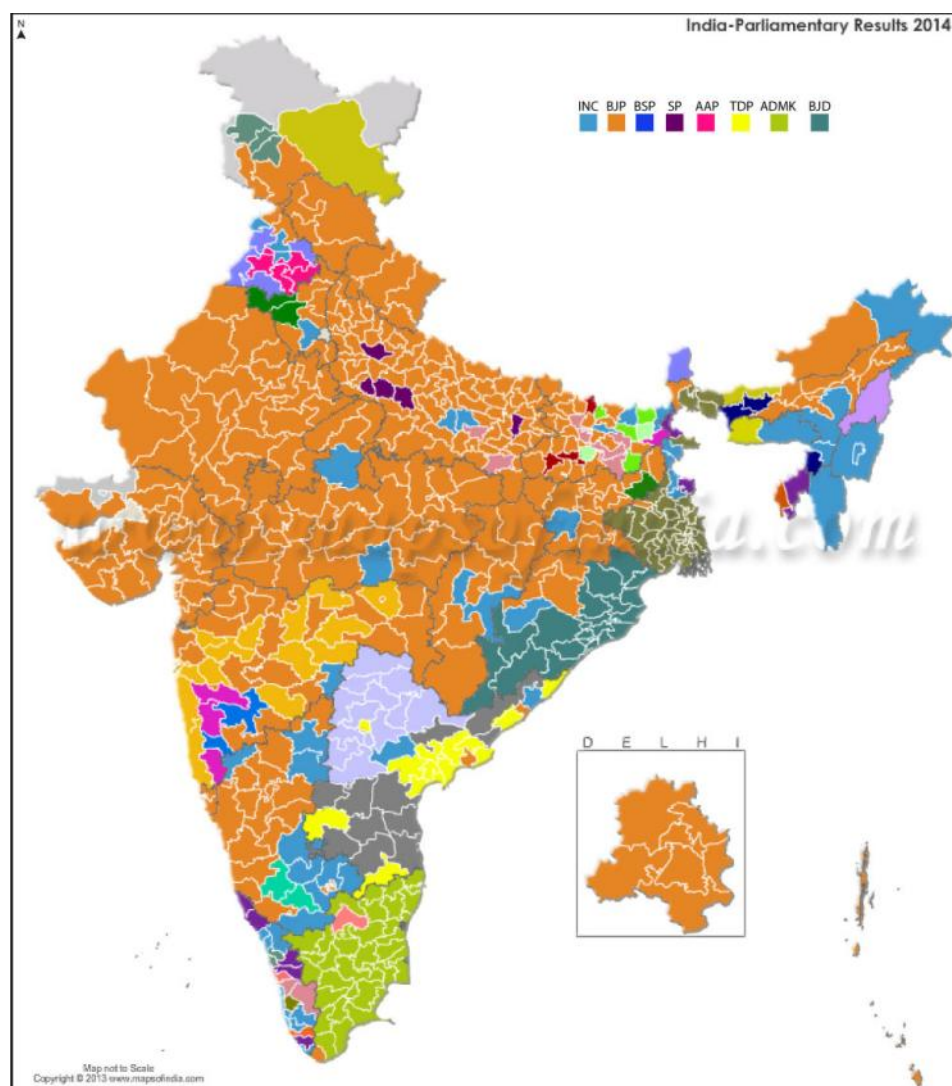
Modi's campaign strategy paid off in most states, although regional political forces outside Hindu strongholds managed to resist.

---

<sup>3</sup> Lok Sabha 2014 Crimo-meter <http://loksabha.adrindia.org/lok-sabha/winner-crimo-meter>

<sup>4</sup> According to Pew Research's 2012 Global Religious Landscape, 176 190 million Muslims live in India, making 14,4% of the population of the country

## 1.2 Map showing election results



Source: [www.mapsofindia.com](http://www.mapsofindia.com)

## 2 Factors contributing to the BJP's success

A decisive factor for the BJP's success was the support of India's leading industrialists.

Modi ran his campaign on the back of a declining Indian economy. His vision of an 'Indian dream' resonated well, and he promised economic prosperity for all Indians, in particular for those 800 million poor living in slums and makeshift houses. His plans for economic reform were supported by leading industrialists, including the country's richest citizen, billionaire Mukesh Ambani, CEO of Reliance Industries. Ambani recently attracted international attention when he finally moved into his 27-floor home in Bombay (Mumbai), with spectacular views that included the Dharavi slum, home to more than a million people.

Modi's election campaign included no gestures towards India's Muslim minority other than Modi's denial that he had been personally involved in the 2002 communal violence that had rocked his home state, Gujarat.

Modi insisted that he was committed to all sectors of society, particularly young people, women and the poor. Emphasising the economy, he argued the election represented a poll 'for or against the Gujarat economic model of development'.

### **Who is Narendra Modi?**

*Also known as NaMo, Narendra Modi was born in 1950 and rose to become chief minister (CM) of the state of Gujarat. Modi is often described as a Hindu nationalist as he has been a member since childhood of the controversial right-wing nationalist movement, Rashtriya Swayamsevak Sangh (RSS), founded in 1925 against British rule, dedicated to independence and the protection of Hindu political, cultural, and religious interest,*

While campaigning, the charismatic 'NaMo' reminded listeners of his humble background as a tea seller. Arguing that this allowed him to understand the grievances of India's poor, he set himself in stark contrast to the Gandhis. The difference was also one of style: Modi's professional and obviously efficient mode of campaigning vs. Rahul Gandhi's dull and rather amateurish approach.

Modi proved himself a better campaigner than the Congress party's Rahul Gandhi.

But Modi proved Gandhi's superior on a number of other levels as well. He led a modern campaign, effectively involving India's social media, press, television channels and road shows, as well as door-to-door visits by thousands of volunteers. Modi proved a talented strategic thinker and focussed on Congress' stronghold states. These included notably Uttar Pradesh, the most populous state and home to a large Dalit<sup>5</sup> community, where both Sonia and Rahul Gandhi have their constituencies. Here, Modi again insisted on his humble origins.

The Congress-led government paid the price for its political inactivity, which had contributed to the country's economic slow-down.

Rahul Gandhi, for his part, proved unable to convince voters that he could lead the country, eradicate corruption or re-launch economic growth. Traditional Congress voters – the poor, on the one hand, and India's educated middle class, on the other hand – noted that a decade of Congress rule had failed to combat corruption and nepotism or enact major policy measures. None of former Prime Minister Singh's announcements of economic reform had come to fruition. Instead, the country's gross domestic product (GDP) growth halved, dropping to a mere 4.6 % in 2013. Inflation, which burdened the poor disproportionately, climbed to between 7 and 10 % annually<sup>6</sup>. The principal achievement attributed to Sonia Gandhi was the National Food Security programme, the world's largest subsidised food grain scheme, adopted by the parliament on 3 September 2013. With a volume of EUR 3 billion, this programme aimed to provide heavily subsidised grain to more than 800 million people. Yet this achievement did not translate into electoral success, and Singh's government apparently failed to address voters' concerns

Although the incoming prime minister could form a government with BJP-

---

<sup>5</sup> The caste of the Dalit is also known as the untouchables

<sup>6</sup> Le Monde, En Inde, la relance de l'économie sera le premier défi du gouvernement Modi, 18/19 May 2014



Following the elections, Modi immediately embarked on talks with possible coalition partners and allies.

members only, he entered talks with potential coalition members right away. Those he approached included senior members of the controversial right-wing Rashtriya Swayamsevak Sangh (RSS) movement, as well as former BJP minister Arun Jaitley and Varun Gandhi, son of the former BJP minister Maneka Gandhi and Rahul Gandhi's cousin. Modi also lost no time in cementing relations with the leader of the third-largest party in the *Lok Sabha*, the All India Anna Dravida Munnetra Kazhagam (AIADMK), and its general secretary, Jayalalitha Jayaram. In the southern state of Tamil Nadu, BJP and AIADMK candidates together took 33 of 39 *Lok Sabha* seats. Given the importance of the upper house, which the BJP does not control, Modi must work to build such alliances.

### 3 The main challenges for Modi's new government

The challenges for the new government are manifold, and include:

creating jobs for new entrants to the labour market,

securing income for the country's farmers, and

improving ailing infrastructure.

Indians expect Modi's government to apply his 'Gujarat method' to the country as a whole, while critics worry that his policies favour large corporations over the common people.

The challenges ahead for the new BJP government are enormous. First of all, India needs millions of new jobs, especially for the 10 to 15 million young people entering the labour market every year. While campaigning, Modi repeatedly pointed out that 65 % of India's population are below the age of 35. What should also be noted is that a high percentage of the Indian workforce is employed by the informal sector. The government will therefore have to facilitate the job creation in the organised sector. To achieve this, the industrial sector must be rebuilt and labour laws reformed. Modi's campaign time and again pointed to his achievements in Gujarat, whose economic growth outpaced that of other parts of India during his 10 years at the helm.

For the country's agricultural sector, which is the main source of income for more than 600 million people, Modi promised guaranteed revenues.

A notable impediment to economic development in India has been the lack of adequate infrastructure. As early as 1998, the previous BJP government announced plans to extend and modernise the country's road system. A 'Golden Quadrilateral' project aimed to create a highway network connecting many of the major industrial, agricultural and cultural centres of India. Yet the project was never implemented. During the 2014 election campaign, BJP politicians again committed to improve transport infrastructure and to build one hundred new cities. The ailing energy sector, responsible for frequent electricity shortages, will also have to be improved.

Another focus for Modi will be red tape and corruption, which he insisted he had reduced in Gujarat. The new prime minister is expected to apply many of the same policies he used in his home state for the whole country. In hope of a change of government, foreign investors have transferred almost USD 16 billion to the Indian bond market over the last six months. Yet the question remains whether the new government will be able to enact its promised economic miracle.

Critics of Modi and the Gujarat example argue that his policy was not without an economic downside: Gujarat's debt has reached a new high. Modi's plans to undertake huge infrastructure works without raising taxes (he warned against 'tax terrorism' during his campaign) suggests that, even with private

sector participation, the government will need to borrow.

Another form of criticism launched at Modi's Gujarat model argues that it favoured a few industrialists and not the general public. Several Indian NGOs openly campaigned against Modi because they feared that he would privilege big business. Critics have noted that the child mortality rate in Gujarat has remained higher than in other parts of India, and that the state's human development index is poor.

Modi will need the cooperation of the Upper House and the chief ministers of the federal states to implement reforms.

As mentioned above, the new prime minister needs allies to pass new policy measures. In addition to members of the upper house, Modi will have to get the chief ministers of the federal states on board to push through bold reforms. At least one policy project that has been under discussion for more than 20 years – the introduction of a nationwide VAT system and the abolition of customs duties for inter-states sales – will also require coordination with the states. One of the allies Modi will need to manage this is the recently-appointed governor of the largely independent Indian Central Bank, Raghuram Rajan. Since taking office, Rajan has kept interest rates high in an attempt to curb inflation. However, this could prove problematic for Modi: if Rajan pursues this policy, he might strangle businesses' investment plans of and demotivate private individuals seeking loans.

Even in concerted action with all allies and coalition partners, the new government will not bring dramatic changes in a short period. In the past, Indian political plans often became entangled in opaque administrative procedures, including corrupt practises, financial difficulties and other Indian forms of quicksand. Modi's policies will have to avoid the fate of so many measures in India – dying once they have been announced. Implementation will not be easy.

## 4 Foreign policy

The future foreign policy of the BJP-led government remains an open question.

As the 2014 election campaign was largely dominated by domestic politics; Modi's plans for international policy remain largely unknown. The new prime minister, who placed economic development high on his campaign agenda, is committed to intensifying cross-border economic exchange. He might well be inclined to energise India's international relations, although he is likely to express this with a nationalist slant. That said, much of his harsh campaign rhetoric – particularly that directed at Muslim countries – will likely be tamed once in office.

A first step towards dynamising India's international relations could involve upping India's involvement in the South Asian Association for Regional Cooperation (SAARC). Modi has already invited all South Asian heads of states, including Pakistan's President Nawaz Sharif, to his swearing-in ceremony. The invitation seems significant, given the BJP's relatively antagonistic position towards Pakistan. Since the 2008 Mumbai attacks, relations between the neighbours (both nuclear powers) have been cold. Modi has also expressed his wish to deepen relations with Israel, despite the fact that fossil-energy-hungry India has developed relatively good relations

to Iran. The role of India in Afghanistan (where elections are also taking place) after the departure of the NATO-led International Security Assistance Force (ISAF) will provide a test case for the ability of India's new leadership to protect its interests in South Asia.

Modi, who has visited China on four occasions, is said to admire that country's economic performance. The political relation may not prove simple: Beijing has been vigorously expanding its power in India's traditional zones of influence, such as the Indian Ocean, as well as in neighbouring Himalayan countries, such as Nepal and Bhutan. Furthermore a border conflict has divided the two giant nations since 1962, when China won the Sino-Indian war. During Modi's campaign, in February 2014, the politician travelled near the disputed area and called on Beijing to give up its territorial ambitions.

India membership in the group of BRICS countries – which also include China – is likely to matter to Modi. His first official trip abroad is expected to be to the BRICS summit in Brazil in July 2014.

Modi's relations with the EU and the US have been fraught ever since 2002, when several hundred Muslims were killed by an infuriated Hindu mob in Gujarat. Both the US and the EU blamed Modi, and he was subsequently denied a visa to the US. While India's supreme court later cleared him of any personal responsibility for the events, his administration was criticised for not preventing the massacre, and he was blamed for having stirred up anti-Muslim feelings. Following his most recent election victory, however, US President Barack Obama, EU Commission President José Manuel Barroso and other European leaders congratulated Modi and conveyed invitations to their countries. In September 2014, Modi is likely to visit the US to address the United Nations General Assembly.

#### 4.1 Relations with the EU and the European Parliament

The EU is India's largest trading partner, and India is a strategic partner of the EU.

During his campaign, Modi briefly mentioned that he would be interested in deepening economic relations with India's partners. In the coming weeks, the composition of the government should give indications on how India will, in fact, deal with issues such as cross-border trade and investment, including the negotiations on the free trade agreement (FTA) with the EU, which have been stalled for years. The human rights clause has been one of the contentious issues in the negotiations, even though the EU and India engage in a thematic dialogue on human rights. There are compelling reasons for jump-starting the FTA negotiations: the EU is India's largest trading partner, and India has been a strategic partner of the EU since 2004.

Both partners are committed to multilateralism and to guaranteeing the UN's central role. India and the EU have a number of successful student and academic exchanges. Yet despite these convergences, it is widely acknowledged that the EU lacks visibility in India.

The last EU-India summit – the 13<sup>th</sup> – took place in 2013, and the 14<sup>th</sup> may be held at the end of 2014. The two also meet also in the Asia-Europe Meetings;

the 11th of which was held in Delhi in 2013.

The Parliament-to-parliament relations are acceptable but there is space for a deeper dialogue.

Although there have been no inter-parliamentary meetings in recent years, a delegation of the EP's Committee on International Trade held talks in Delhi, Pune and Mumbai from 29 to 31 October 2013. MEPs met also with members of the Standing Committee on Commerce of the Indian parliament. Exchanges between the European and the Indian Parliament's staff – including policy hubs and reciprocal visits – have complemented the political exchanges. It is likely that all these forms of contacts will continue with the 16th *Lok Sabha*.

The EP has adopted a few resolutions on India, in particular on violence against women and on caste discrimination<sup>7</sup>. In the future, the EP might also keep an eye on the human rights situation in the world's largest democracy, and in particular religious freedom.

The Indian parliament has no competence in foreign policy but it plays an essential role in domestic issues which are of interest to the EU.

Despite the fact that the Indian parliament has no competence in foreign policy – even in relation to trade and investment agreements – the country's parliament could contribute to re-launching the stalled negotiations on the EU-India FTA. Many issues that have been left open in these negotiations depend on reform projects awaiting decisions by the *Lok Sabha*. These include further opening India's insurance and banking sector, as well as reforming the country's intellectual property right protection, especially in the pharmaceutical sector.

## 4.2 Outlook

Despite the numerous common points between the EU and India, relations between the two are largely underexploited.

Despite the numerous common points between the EU and India, relations between the two are largely underexploited. At first glance, it might seem unlikely that a Hindu nationalist party – the BJP – could instil the bilateral relation with new energy. However, Prime Minister Modi is clearly committed to commerce, and the EU is India's largest trade partner.

For the EU, the change of guard in Delhi provides an opportunity to strengthen the Union's presence in India. European experience in urbanisation, green technology and renewable energies might be put to good use in India. Negotiations for the FTA may well enter a new phase. And with luck and effort, it may even be possible to revive political relations between Brussels and New Delhi.

---

<sup>7</sup> See EP resolution of 13 December 2012 on caste discrimination in India (2012/2909(RSP)) <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2012-512>, and EP resolution of 17 January 2013 on violence against women in India (2013/2512(RSP)) <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2013-0031&language=EN>