The BJP’s Winning Streak Continues

Richard Rossow

On October 19, the Election Commission of India released the results of two state elections held on October 15—for Maharashtra (115 million people) and Haryana (25 million people). In line with most exit polls, the Bharatiya Janata Party (BJP) won a majority in Haryana and a plurality in Maharashtra. More importantly, assuming the BJP can pull together a coalition in Maharashtra, this marks the first time that the BJP will take control of both states.

These election results put an end to speculation that the Modi government’s honeymoon period is over—a storyline that first emerged after the BJP did poorly in recent by-elections for a few open seats across India in September.

Though the BJP will be able to form the government on its own in Haryana, in Maharashtra, it will have to rely on outside support from either the Shiv Sena or Nationalist Congress Party (NCP), two key regional players.

<table>
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<tr>
<th>State</th>
<th>2009 Election Results</th>
<th>2014 Election Results</th>
<th>Change</th>
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<tbody>
<tr>
<td></td>
<td>Congress</td>
<td>NCP</td>
<td>BJP</td>
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<tr>
<td>Maharashtra</td>
<td>82</td>
<td>62</td>
<td>46</td>
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<tr>
<td>Haryana</td>
<td>40</td>
<td>31</td>
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Impact

Winning these states will help the BJP move forward with its economic agenda in three critical ways:

- **Executing Projects:** The main thrust of Prime Minister Modi’s economic agenda has been on “building stuff” such as economic corridors, industrial parks, and smart cities. Implementation of such projects depends greatly on state governments. Having control of a larger number of states, particularly industrialized states such as Maharashtra and Haryana (which have the first and sixth-largest industrial bases of any states in India) will help with implementation. This is particularly true in the case of the Delhi-Mumbai Industrial Corridor (DMIC), as we noted in a recent video presentation.
• **Controlling the Rajya Sabha:** As we reported in August, the BJP only holds a small portion of seats in the upper house of Parliament, or Rajya Sabha. Members of the Rajya Sabha are chosen by state legislatures, so winning state elections is critical to the BJP’s chances of increasing its numbers in the upper house of Parliament.

• **Constitutional Amendments:** Constitutional amendments require approval by both houses of Parliament, as well as by a majority of states. With these two wins, the BJP will now control seven state legislatures, making this process slightly easier.

This election may also fully sever the BJP’s relationship with its most trusted coalition ally, the Shiv Sena in Maharashtra. The Shiv Sena is the sixth-largest party in the Lok Sabha with 18 seats (3 percent of the total) and holds 3 seats in the Rajya Sabha (1.2 percent of the total). The Shiv Sena’s Anant Geete holds a key cabinet portfolio, the Ministry of Heavy Industries and Public Enterprises. Ahead of the release of the state election results, Minister Geete stated that he plans to remain in the cabinet despite the fact the BJP and Shiv Sena contested the Maharashtra election separately. However, this could change depending on how the state government's formation plays out in the coming days.

Losing the Shiv Sena as a coalition ally may not appear terribly significant today, as the BJP will maintain a majority in the Lok Sabha. But this development could be important in the future for tight votes in the Rajya Sabha. It might also be seen as a sign of “things to come” for other BJP coalition allies—such as the Telegu Desam Party (TDP) in Andhra Pradesh, the Lok Janshakti Party (LJP) in Bihar, and the Shiromani Akali Dal (SAD) in Punjab—in the event the BJP decides to rewrite existing rules for cooperation.

### Applying the Mandate

Once it became apparent that the BJP was on track to win these state elections, the Modi government wasted no time in initiating a few important reforms. In recent days, the government:

- **Reduced Subsidies on Hydrocarbons:** On October 18, the cabinet approved a decision to fully decontrol diesel prices and also to revise the model for subsidizing natural gas, which includes a subsidy reduction.

- **Monetizing Hydrocarbon Discoveries:** Also on October 18, the cabinet amended the policy framework around monetizing hydrocarbon discoveries. The new rules focus on implementation issues such as extending timelines to resolve numerous disputes between producers and the government.

- **Simplifying Industrial Licensing, Especially Defense:** On October 20, the government issued Press Note 9 (2014) allowing three-year industrial licenses to be extended to seven years. Via the same Press Note, the government eased the rules around defense production.

- **Ordinance on 204 Coal Blocks:** Last month, India’s Supreme Court cancelled 214 of the 218 coal development blocks allocated since 1993 on the belief that these blocks were not issued transparently. This decision reignited concerns regarding coal availability. This week, the cabinet and president of India cleared an Ordinance (a temporary law that must be affirmed by Parliament) to move forward with the reallocation and management of these coal blocks. The government wants to hold fresh auctions in “4 to 5 months.”
It remains to be seen if these reforms, in total, will be sufficient to please those seeking much larger changes. They will, however, provide the government with more fiscal space leading up to the 2015–2016 budget and may help ease the hydrocarbon import bill if production increases under a less-controlled regulatory structure.

**What to Watch For**

While exact dates have not been announced, there are likely to be more state elections in the next three months. The terms of both the Jammu & Kashmir and Jharkhand legislatures expire in January. Delhi has also been without a functioning government since the December 2013 election resulted in a hung assembly. In May's Lok Sabha elections, the BJP won at least half of the seats in all three states—12 of 14 seats in Jharkhand, 7 of 7 seats in Delhi, and 3 of 6 seats in Jammu & Kashmir.

After these states go to the polls, there may not be another state election for almost a year, with the term of the state legislature in Bihar expiring only in October 2015. This means the Modi government will have its longest period of time to focus on its reform agenda without worrying about the near-term political implications of certain controversial issues such as the World Trade Organization’s Trade Facilitation Agreement.

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