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Articles include:

ASIA / ASIE

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Sri Lanka: *Government defeats LTTE*

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India: *Congress party receives a strengthened mandate and a second five-year term*

The Indian National Congress party (Congress) has emerged from the month-long parliamentary electoral process with a reinforced mandate. The Congress-led United Progressive Alliance (UPA) coalition's victory was not overly surprising; however, the margin of its victory was astonishing. The UPA secured 261 of the 543 seats available in the lower house of Parliament. The opposition coalition, led by the Bharatiya Janata Party (BJP), finished a distant second with 158 seats.

PRAD's View: The biggest surprise within the election results is not necessarily the success of Congress, but more the stumbling of several of the more prominent regional parties that contested the polls. In the lead-up to the elections, there were plenty of predictions that the virtually uncontested reign of the national parties (i.e. Congress and BJP) had come to an end and that the country's political future lay with the plethora of regional parties, if not as kings then at least as king-makers. While certain of these did succeed in increasing their parliamentary seat-count, the majority of seats that changed hands went to Congress, a party which has experienced increased success in each of the last three parliamentary elections.

The message from the Indian voter is one of general support for Congress and for the policy direction the party has chosen over the past five years. Broadly speaking, Congress is a party with members of varied political stripes, led by an economist with a reformist bent (Prime Minister Singh) that has sometimes been faced with restricted room to manoeuvre due to alliances with various parties with differing outlooks and diverse constituencies. The next government will be formed by a coalition of parties led by Congress, but the party's dependence on external forces has lessened due to the degree of its own success.

The strength of Congress' mandate will likely ensure its uninterrupted rule over the next five years. In combination with its UPA partners, it is only eleven seats short of a majority – seats that have already been offered from several smaller parties. This situation is very different from the previous parliament when it required significant support from outside the coalition.

A second expectation is that the re-elected UPA government, that no longer relies on India's main leftist parties for support, will now be in a position to push through further economic and investment reforms, many of which will provide opportunities for foreign investors. The promise of such reform was reflected in the 17% gain experienced by the Bombay Stock Exchange on the first day of trading this week. The reform agenda is likely to be moved forward, but probably at a gradual pace,



particularly given the present state of the global economy as well due to the diversity of views on these issues, even within the Congress party itself. (P. Whelan)



Sri Lanka: Government defeats LTTE

The Government of Sri Lanka declared victory over the Liberation Tigers of Tamil Eelam (LTTE) this week, ending a civil war that lasted nearly three decades. The government has recaptured all of the formerly LTTE-held territory in the north-east of Sri Lanka and killed almost the entire LTTE leadership, including leader Velupillai Prabhakaran. The LTTE appears to have conceded military defeat.

PRAD's View: The victory has come with significant humanitarian, political, and economic costs. Both the government's and the LTTE's general disregard for the protection of civilians during the conflict resulted in civilian deaths and displacement, which accelerated during the conflict's final stages to nearly 7,000 killed and 13,000 injured since January and over 250,000 displaced in total. Though the military defeat of the LTTE has increased the Sri Lankan government's popularity among majority Sinhalese Sri Lankans, the international community has criticized the government for its part in precipitating the humanitarian crisis. As a result, Sri Lanka's international reputation and its relations with donors have deteriorated substantially. The government's radical increase in defence spending has, moreover, compounded Sri Lanka's economic problems.

The military defeat of the LTTE presents Sri Lanka with an unprecedented opportunity: to foster a sustainable peace, the Sri Lankan government must now complement its military success with efforts on the political front to address the grievances of the Tamil population that fuelled the insurgency. President Mahinda Rajapakse is emphasizing national unity, but to prevent the resurgence of a new Tamil separatist threat, the government will need to accommodate Tamils into the political system by devolving its authority. With the elimination of the LTTE opening up space for the development of moderate Tamil representation, this is possible now more than ever.

The war's end also marks an opportunity for Sri Lanka to salvage its weakened relations with the donor community. Sri Lanka's negotiations with the IMF for an assistance package, which had seemingly been stalled by the conflict, may now be able to move forward, affording the country the financial assistance it requires to partially stabilize its economic situation. Though the LTTE has now been defeated, the government's high military spending is unlikely to be significantly curtailed, as it must now secure its territorial gains and provide security against revenge attacks from any remaining rebels. Given the desperate post-conflict situation in Sri Lanka, and the international attention it has received, an IMF assistance package will probably be agreed upon shortly, which may lead to further donor assistance.

The end of the civil war presents Sri Lanka with unprecedented potential for peace, but given the hard-line strategy pursued to date by the Rajapakse government has largely alienated Tamils, the government's commitment to addressing the roots causes of the conflict remains questionable. (N. De Silva)

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