Veto Players and the Deregulation of State-Owned Enterprises: The Case of Telecommunications in India

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Abstract

International forces, microeconomic and macroeconomic factors influence states' decisions about deregulating their state-owned telecommunications sector. But these factors alone do not explain adequately the nature and pace of telecommunications deregulation in a country. By examining India's stop-and-go pattern of telecommunications deregulation for over two decades, this paper argues that the nature and pace of telecommunications deregulation are shaped by a country's structure of government and the strategic interaction between governmental actors and dominant domestic actors like opposition political parties, labor unions, and business groups. Employing insights from the veto-player model, this article explains the effects of the structure of ruling coalitions on India's telecom deregulation policies.

Introduction

With the wide recognition of the critical relevance of telecommunications infrastructure to a country's economic and social development strategy, telecommunications deregulation[1] has become a preferred policy option for many developing countries. With this renewed emphasis on telecommunications deregulation, two critical questions have moved to the forefront of academic and political debate: 1) what forces drive the process of telecommunications deregulation?; and 2) why do some countries succeed in deregulating state-owned telecommunications sector rapidly while others fail? Much of the literature that examines telecommunications deregulation focuses on microeconomic and macroeconomic factors, technological forces, and the role of multilateral lending agencies as major drivers of a country's telecommunications reform policies.[2] This body of literature, however, fails to explain adequately why some countries succeed in deregulating telecommunications sector more rapidly than others?

By examining India's telecommunications deregulation efforts for over two decades (1985-2005), this article argues that the nature and pace of telecommunications deregulation in a country are shaped by the structure of government and the strategic interaction between governmental actors and dominant domestic actors like opposition political parties, labor unions, and business groups. Employing insights from the theory of veto-players,[3] this article first explains the effect of the structure of government on telecommunications policy change. The second section examines the nature and pace of deregulation of state-owned telecom sectors in India during 1985-2005 by discussing the structure of India's ruling coalitions and the nature of government's strategic interaction with the dominant domestic groups. The concluding section discusses some of the implications of the process and outcome of telecommunications deregulation in India.

Veto Players and Telecommunications Policy Changes

Veto-player models explain policy change by focusing on relationships among component actors within the government. A veto player is an individual or collective actor whose agreement is necessary for a policy change.[4] In Parliamentary systems, veto players are the partners in a government coalition. When the government seeks to change a policy, it must propose a change to which all necessary members of the government coalition must agree. Thus, the more partners there are in a government, the more difficult it becomes to enact significant policy changes. In a government coalition composed of multiple parties, the ability of any one party to influence policy rests on its importance to the survival of the coalition. Several empirical findings in other policy areas—such as labor laws, financial reform, and capital control policy—have found that governments with more veto-player parties enact fewer policy changes, including liberalization policies, than governments with fewer veto-player parties.[5] The relative role of veto-players, of course, depends on the type of government in power. Four types of parliamentary governments can be identified, which offer various kinds of opportunities to veto-player parties.[6]

First, in *single party majority governments*, only votes from the governing party are necessary to pass legislation. Hence, only the governing party acts as a veto-player party. Second, in *surplus majority coalitions*, the support of all governing parties is not necessary to pass legislation. At a minimum, a majority can be achieved without the support of the smallest party. Thus, only larger parties are important and can act as veto-player parties. Third, in *minimal winning coalitions*, all participant parties are important because this type of coalition loses its majority if any party drops out. In such a situation, each participating party in the government can effectively become a veto-player party. Fourth, in a *minority government*,

government parties require support of outside parties to pass any legislation. In this type of government, the number of veto-player parties exceeds the number of government parties. The government remains an agent of the parliament and must produce policies that are palatable to a majority of legislators or else it risks losing a vote of confidence.

Applying the veto-player model to telecom policy changes in India, this article argues that in a parliamentary democracy, governments with more veto-player parties enact fewer telecom deregulation policies than governments with fewer veto-player parties. Two other issues are important to consider here. First, veto player parties can take different bargaining positions depending on the salience of policy issues. Those with high salience tend to involve a wide range of domestic players in the policy debate. Conversely, issues with lower salience involve fewer domestic players and generate less attention to policy outcome than the high-salient ones. Consequently, the higher the salience of issues under consideration, the greater the possibility that veto players will take larger bargaining positions and demand more concessions. The lower the salience of issues under consideration, the better the prospect that veto players can take smaller bargaining positions and demand less concessions. Since the policy of privatization of state-owned enterprises, including telecommunications deregulation, always carries high salience, the veto players are more likely to ask for special favors for their constituency as a condition for supporting any policy change. This problem of narrow “win-set” --- the set of choices that will gain majority support among domestic constituencies—available to policy makers[7] will considerably delay the process of policy change in telecommunications sector.

Second, veto players can take different bargaining positions depending on their ideological orientation. For example, veto player parties with a left-wing orientation are more likely to resist the privatization policy initiatives than the veto player parties with a centrist or right-wing orientation. The latter parties are generally more favorable toward market-based reforms and tend to support deregulation of the state-controlled telecommunications sector. Although business is often thought to benefit from deregulation policies, this group does not always welcome the dismantling of domestic protection, state subsidies, and the prospect of multinational corporations entering domestic markets. But generally speaking, the business groups are likely to support the telecommunications deregulation policies as the latter bring efficiency in the telecommunications infrastructure, a necessary condition for profitable and efficient business operations. On the other hand, the major domestic constituency for the left-wing parties is the organized labor, which is most adversely affected by the deregulation of the state-owned enterprises, at least in the short run. The labor union's opposition narrows the left-wing parties' win-set and may contribute to their reluctance for an agreement on privatization policies. Thus, in a coalition government, the greater the significance of ideological distance among veto players, the more difficult it will be to produce agreement for policy change. The above analysis suggests the central argument of this paper: given the high issue saliency of the policy of deregulation of state-owned telecommunication sector, the larger the number of veto players and wider the ideological distance among them, the more difficult and time consuming it becomes to enact telecom deregulation policies in a parliamentary democracy (Figure 1).

Figure 1 goes here

India's Telecommunications Reform, 1947–1994

In the post-independent India, modernization of telecommunications services and technology was not considered by the ruling elites as essential for economic growth and, thus, did not assume a high national priority until the Seventh Five-Year Plan (1985–90). India's telecommunications management was essentially based on the provisions of the Indian Telegraph Act of 1885, according to which the central government continued to provide telecommunications services through the Ministry of Post and Telegraph. When Indira Gandhi-led Congress party returned to power with more than an absolute majority in the Lok Sabha (Table 1) in 1980 after a brief interlude of Janata Dal rule (1977-80), the Indian economy was in urgent need of new economic and technology policy initiatives. In response to India's rapidly deteriorating economic situation in 1980s, caused by declining exports and growing oil import bills as a result of the second oil crisis, the Indira Gandhi administration made two important decisions: to pursue a policy of selective economic liberalization and to obtain a substantial IMF loan. Backed by the pro-reform bureaucrats like K.C. Alexander, L.K. Jha, and Arjun Sengupta, telecommunications modernization became one of the focus areas in these policy initiatives by the Indira Gandhi's administration.[8]

Table 1 & 2 go here

On the basis of recommendations of the Sarin Committee, which was formed in 1981 to advise the government on telecom modernization issues, Indira Gandhi signed a contract with Alcatel CIT of France to collaborate with the state-owned Indian Telephone Industries (ITI) to manufacture electronic switches.[9] British telecom also made an offer to collaborate with India on telecom modernization in 1981. But, the offer from Alcatel received the government approval because of its far more attractive terms that included technology transfer, the setting up of a factory to produce 500,000 lines per year, research and development assistance for the Indian Telecommunications Research Center, 200,000 lines of finished equipment, and the French government's offer to provide soft loans to finance the project.[10] But, Indira Gandhi's liberalization policies, including telecommunications modernization, soon faced opposition from the leading opposition parties in the parliament—the Communist Party of India (CPM) and the nationalist Bharatiya Janata Party (BJP). Given her absolute majority in the Parliament, Indira Gandhi could have ignored this opposition. But her administration's efforts to secure an IMF loan and the fear of losing popular support led Indira Gandhi to change her priorities. In order to reinforce her image as a nationalist and people's leader, Indira Gandhi made some highly visible nationalistic policy decisions, such as continuation of bank nationalization and anti monopoly policies. Development of indigenous technology to achieve self-reliance in telecom sector became one of her administration's priority goals. In order to accomplish this, she invited and provided government assistance to Sam Pitroda—the U.S.- based non-resident Indian—to set up the Center for the Development of Telematics (C-DOT) in August 1984 to design and develop indigenous digital telecommunications switches and other technology. However, serious political crisis in Punjab and Assam during 1981-84 and the government's preoccupation to deal with these separatist movements, prevented Indira Gandhi administration from taking any further major telecom reform policy initiatives.

The importance of telecommunications for development gained renewed prominence in the government of Rajiv Gandhi, who became the Prime Minister after Indira Gandhi's assassination in November 1984. Rajiv Gandhi-led Congress party won three-fourths of the total 543 seats in the Lok Sabha in the December 1984 elections. With such a strong majority, Rajiv Gandhi's government was able to control the Parliamentary agenda and take many economic and technology-related initiatives without much problem. In the context of telecommunications reform, Rajiv Gandhi's government gave high priority to the improvement of telecommunications services and technology in the Seventh Five Year Plan (1985-90) and took two major initiatives.[11] First, the government split the Department of Posts and Telegraph into Post and a separate Department of Telecommunications (DOT). The DOT was entrusted with the responsibility to provide domestic long-distance and local telecommunications service in the country except for Delhi and Mumbai (Bombay). In order to provide telephone services in the two metropolitan cities (Delhi and Mumbai), the government created a Public Sector Enterprise called Mahanagar Telephone Nigam Limited (MTNL). The latter was created to accomplish three objectives: to introduce modern market-oriented telecommunications management systems; to provide efficient telecommunications services to meet the growing needs and industrial demands of two metropolitan cities; to establish a corporate model of telecommunications service practices that can be replicated later in other parts of the country. For international long distance communications service, the government created another public sector enterprise called Videsh Sanchar Nigam Limited (VSNL). While the autonomy of VSNL was not an issue, the creation of MTNL generated bureaucratic tension. The DOT bureaucrats opposed the creation and autonomous operation of MTNL from the beginning as the latter had eroded the DOT's power.

Second, the Rajiv Gandhi administration liberalized imports of computer and information technology and allocated more state resources to develop national telecommunications equipment research and development capabilities. In this context, much to the disliking of some of his own party members, Rajiv Gandhi took some personal initiatives to allocate more funds—Rs 36 crore for 36 months—to Sam Pitroda's C-DOT and allowed the center to operate freely without the supervision of the Communications ministry. Further, ignoring bureaucratic opposition, Rajiv Gandhi appointed Sam Pitroda as the Secretary of DOT (which is usually reserved for career bureaucrats) in 1989 and later as the chairman of the newly constituted Telecom Commission to provide recommendations for India's telecom restructuring. While Pitroda's brainchild—C-DOT in Delhi—was relatively successful in designing the indigenous EPABX cable and switch system, his more ambitious efforts to secure autonomy for the Telecom Commission in financial and personnel-recruitment matters failed due to political resistance from Rajiv Gandhi's own Congress party members, the opposition political parties (BJP and CPM in particular), and bureaucrats from finance and human resource ministry.[12]

Rajiv Gandhi's telecommunications reform initiatives lost momentum in 1987 because 1) there was no cohesive support for his liberalization policies within the ruling Congress party and 2) constant rural opposition to his liberalization policies. Rajiv Gandhi's 1984 massive electoral victory was not based on any specific mandate of economic liberalization. The fear of turmoil after Indira Gandhi's assassination and a sympathy wave ensured such huge electoral victory for his party. As a result, several senior Congress party members showed little enthusiasm for Rajiv Gandhi's economic and telecommunications liberalization policies because of their fear that the abandonment of socialist economic policies would cost the party electoral support among India's majority, the rural poor. This fear came true when the Congress Party lost assembly elections in 1987 in the crucial, Hindi-heartland state of Haryana, due to the mobilization of rural groups by the peasant leaders against the party's perceived pro-city and pro-rich policies. This electoral loss forced him to backtrack on his telecom liberalization initiatives. From 1987 to 1989, Rajiv Gandhi administration took no new telecommunications reform initiatives, providing only occasional lip service to telecommunication modernization issues.

In 1989, Rajiv Gandhi's Congress Party lost the national election and a weak National Front coalition came to power at the center. The National Front government was a minimal winning coalition that had at least five veto players with ideological orientations ranging from centrist to left wing (Table1 & 2). There was continuous intra-coalitions leadership struggle and lack of cohesion among the veto player parties, which made it extremely difficult to take any new initiatives on telecom deregulations during 1990-91. The National Front government under the Prime Minister V.P. Singh collapsed within a year and a stopgap Janata Dal government was formed under the leadership of Chandrasekhar. The Chandrasekhhar government also fell within few months because of major policy disagreements among the veto player parties—Janata party, Janata Dal, and Communist parties in particular. During 1990-91, telecom reform issues suffered a set back with the resignation of Sam Pitroda from DOT because of his serious disagreement with the Communications Minister, K.P. Unnikrishnan, who represented one of the veto player parties—Janata Party—in the V.P. Singh administration. After Pitroda's resignation, the National Front government appointed a Telecom Restructuring Committee under the chairmanship of M.B. Athreya to review the previous government's telecom policies and suggest new telecom initiatives.

During 1990–91, India experienced a severe balance-of-payment crisis. When the minority Congress government under P.V. Narasimha Rao was formed in 1991, India's severe balance-of-payment crisis needed urgent attention. Aided by his market-oriented Finance Minister, Manmohan Singh, Prime Minister P.V. Narasimha Rao decided to launch bold structural economic reforms. The intensity of economic crisis and a general awareness among vetoplayer parties about the lack of any alternative to deal with this crisis, made it possible for the Rao-led minority Congress administration to generate blocks of consensus in and outside of the Parliament to support the government's economic reforms.

The Rao-led government embarked on a two-fold strategy to deal with the crisis. First, it secured an IMF loan of $7 billion to avoid the danger of defaulting on its debt repayments. Second, partly under the IMF pressure and partly as an opportunity to restructure India's four decades of inward looking economic strategy, the finance minister Singh orchestrated a new economic policy (NEP) with four principal components: deregulation, privatization, liberalization, and global integration by opening India to international trade and investment. India's new economic policy produced some noticeable results within three years.[13] But by 1994, the government realized that further economic reforms would not succeed without improving India's inefficient telecommunications infrastructure.

Several international and domestic factors served as the basis for launching India's new telecommunications policies in May 1994. First, following India's 1991 economic crisis, the IMF, and the World Bank increased pressure on the government to initiate deregulation in the telecommunications sector. Second, the relative success of economic growth with improved telecommunications infrastructure in Malaysia, China, Brazil, Mexico and South Africa convinced Indian policy-makers that India's desire for international competitiveness and access to world markets would remain unfulfilled without rapid telecommunications modernization. Third, since the mid-1980s, India's three apex business associations—Federation of Indian Chambers of Commerce and Industry (FICCI), Associated Chambers of Commerce and Industry (ASSOCHAM), and Confederation of Indian Industry (CII)—along with Indian software companies have been putting pressure on the government for telecommunications reform to improve India's investment and export climate.[14] Fourth, since the mid-1980s, the demand of India's middle class for telephones has been growing. By 1994, India's waiting list remained as large as one-fourth of the installed base of 8 million lines; less than one-fifth of all villages were covered by telephone services, and the DOT's success rate in meeting its annual targets remained inadequate—41% in rural areas and 51% in urban areas.[15] Given India's poor state of telecommunications infrastructure with one of the lowest telephone densities in the developing world (Tables 3 and 4), it was necessary for new telecom reform initiatives to meet the growing demands. Finally, a transformation in the strength of the Congress party by 1994 made it possible for the Rao government to enact the telecom deregulation policies. By actively encouraging defection from smaller parties, Prime Minister Rao succeeded in converting the plurality secured by his Congress party in 1991 to a majority of 266 seats in early 1993. Following series of by-elections in May 1994, his Congress party's majority was further increased to 283 seats, making the Congress party the major veto player (Table 1).

Tables 3& 4 go here

National Telecommunications Policy, 1994

India's national telecommunications policy in 1994 (NTP-94) under the Rao-led Congress administration sought to bring changes in three important areas: ownership; service; and regulation. The nature and pace of these changes reflect the Rao government's calculations of political consequences and electoral cost.

From the beginning, the Rao government ruled out complete private ownership of the telecommunications sector as a viable policy option for three political reasons. First, there was strong opposition from nearly half a million highly unionized DOT employees to the government's telecom deregulation initiatives. Given Narasimha Rao's experience of the collapse of Rajiv Gandhi's liberalization policies during 1985-89 due to labor opposition (Rao was the senior Human Resources Minister in Rajiv Gandhi's cabinet), any effort to deregulate the state-owned telecom sector without taking the labor opposition into consideration would have been a strategic mistake. Second, consistent opposition from two leading opposition parties—Bharatiya Janata Party (BJP) and the Communist Party of India (Marxist) and indications of growing public support for the BJP's nationalist and the communist party's anti-multinational corporation platform made it difficult for the government to hand over a public utility sector such as telecommunications to private management completely. Third, lack of support from its own senior socialist-leanings Congress party members to telecom deregulation contributed to the government's cautious approach. Given this situation, the Rao government decided to introduce a duopolistic market ownership structure, in which private companies would be allowed to get license and operate in competition with the government-owned DOT to provide basic telephone services. The government also enacted a policy for setting up joint ventures between domestic and foreign companies in telecommunications sector. Three factors contributed to the government's decision for a joint-venture strategy: (1) lack of adequate experience and expertise of Indian companies in telecom sector; (2) attractiveness of the telecommunications sector for foreign direct investment; and (3) prospects of technology transfer.[16]

The government, however, decided to allow foreign firms only 49 percent ownership, thus reducing their position to minority partner in the joint venture. This decision was an outcome of the government's compromises with different interest groups. First, DOT bureaucrats along with the Communications Minister Sukh Ram from the Congress party opposed any move to allow more than 49 percent stake for foreign investors on the ground of national security. Second, a powerful industrial group called the "Bombay Club" started opposing the entry of multinational companies into India and lobbied intensely to restrict foreign participation. This group's resistance strengthened the Bharatiya Janata Party's *swadeshi* platform. Third, the BJP and communist parties opposed majority share for foreign companies. In order to reduce its political vulnerability and to neutralize political opposition, the Rao administration decided to limit foreign ownership to a minority position.

Contrary to the advice of the World Bank and ITU, the Rao government decided to liberalize local services first rather than the more lucrative long-distance and international services.[17] By doing this, Rao's Congress government was able to demonstrate that it was not selling out profitable services to private and foreign investors, thus neutralizing the opposition from some of its own members as well as the BJP and CPI(M). At the same time, in order to avoid the risk of alienating private capital, the government pledged to open up the more attractive long-distance and international services after five years.

The government decided to divide the country into 20 telecommunications circles for basic telephone services and 18 circles for mobile cellular services. Based on revenue potential, these circles were divided into three categories: A—high revenue; B—moderate revenue; and C—low revenue. A duopolistic market structure was introduced in each of the circles by allowing only one private company to operate in competition with government-owned DOT to provide basic telephone services. For cellular services, two private operators would be licensed in each circle. Licenses would be granted initially for 15 years, and could be extended for an additional 10 years.

The Rao government's decision for a "circle strategy" was taken to placate the socialist members of his own Congress party who opposed telecom privatization policies and to generate support from opposition parties. The other political objective of this strategy was to prevent private telecom operators from concentrating only on states with good market potential (such as Maharashtra, Gujrat, and Delhi) and neglecting economically poor, but politically significant, states like Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh. These four states control about 50 percent of the total seats in the Indian Parliament. Thus, by adopting the “circle strategy,” the government sought to avoid electoral backlash against the Congress Party in these states. Initially, bidders for A category circles were also required to bid for B and C categories circles. But strong lobbying by potential bidders and the official fear that this requirement would scare away a large number of investors, forced the government to change this plan in December 1994 into allowing bidders to bid independently for the circles of their choice.

The government, however, had to repeatedly extend the bidding deadlines in early 1995 due to opposition from labor groups. In May 1995, the employees of the state-owned equipment manufacturer, Indian Telephone Industries (ITI), filed a successful petition with the Guwahati High Court to order a stay on the bidding process. The main reason why the ITI union filed this case with the Guwahati High Court rather than the High Court in Karnataka, in which the ITI headquarter is located, was that the former appeared more sympathetic to the workers’ union than the latter. As expected, the Guwahati High Court gave a stay order on the tender for basic services. But the Supreme Court lifted this stay order by responding favorably to an appeal by the central government. The labor strike was settled on June 23, 1995, the last day for bidding, on the assurance of the government that the interests of the telecom employees and the rural areas would be protected in any telecom service arrangement.

The results of the bidding clearly belied the government’s expectations. While a higher number of bids went to the lucrative markets, some circles, such as the Jammu and Kashmir, received no bids for either basic or cellular services. The Andaman and Nicobar Island circle received no bids for cellular services. In basic fixed services, the Reliance-Nynex groups had bid for all 20 circles, and Himachal Futuristic Communications Ltd (an Indian-Israeli-Thai group), located in the home state of communications minister, had bid very high in 9 circles. The Himachal Futuristic firm, valued at Rs. 2.5 billion, was initially awarded lucrative licenses for nine circles for Rs. 85.9 billion (more than three fourths of the total bid amounts at that time). [18] Realizing that it was beyond the firm's financial capacity, the government decided to award licenses for only three circles to the firm and invite fresh bids for the remaining six circles later in January 1996. This angered many bidders and the opposition parties, which brought charges of corruption against the government in the national parliament.

In cellular services, 32 tenders were received, out of which 13 were from North America and 10 from Europe. Two opposition parties – BJP and CPI (M) – and some socialist leaning members of the Congress party opposed concentration of licenses in the hands of foreign consortia. This opposition, coupled with the fear of potential loss of the support of labor, rural groups, and campaign contributions from domestic business groups in the forthcoming 1996 Parliamentary election, led the Congress government to introduce four important changes in August of 1995: 1) no single company could receive a license for more than two A circles in cellular services; 2) no single company could receive a license for more than three A and B circles in basic services; 3) 10 percent of all new lines be installed in rural areas; 3% of the bidding weight was assigned to the use of indigenous equipment.[19]

When the telecom policies were announced during 1994-95, there was a lurking fear among private operators that telecom deregulation might not be sufficiently free of government interference in the absence of an autonomous regulatory body. As a result of intense lobbying from both domestic and foreign investors as well as the World Bank, the Congress government introduced a legislation to set up a three-member Telecom Regulatory Authority of India (TRAI) in May 1995. The head of TRAI would be a current or former judge of the Supreme Court or a chief justice of the High Court, who would be assisted by two other members of Additional Secretaries' rank to the Government (a high rank just below the top rank of Secretary in Indian bureaucratic hierarchy). To reassure critics that TRAI would function independently, the government announced that TRAI's decision could only be challenged in the Supreme Court and state High courts. However, the government's refusal to make TRAI an autonomous statutory body like the Election Commission or Finance Commission reinforced the fear among opposition political parties and business communities about government interference in TRAI's decision-making process. The TRAI Bill failed to pass in the Parliament due to lack of Congress majority and strong resistance from opposition political parties. This was a critical set back and the Rao government failed to take any new initiatives regarding this issue because of the following developments: Congress party's loss of election in 1995 in three crucial states—Maharashtra, Gujrat, and Rajasthan; intra-party leadership struggle leading to a split in the Congress party; the opposition party's refusal to withdraw corruption charges against the Communications Minister Sukh Ram; and the bleak prospects of Congress electoral victory in the forthcoming national elections in 1996.

After the 1996 election, a new United Front (UF) government—a minimal winning coalition of thirteen political parties with a wide spectrum of ideological orientations—centrist, leftist, and socialist—was formed under the leadership of Deve Gowda with the outside support of the Congress party (Table 1). From the beginning, the veto players in the UF government were divided in their support for the passage of the TRAI Bill and giving telecom reform any priority consideration. While the centrist Janata Dal, DMK, and Telgu Desam were supportive of the passage of the TRAI bill, leftist CPI(M), Communist Party of India, and Samajwadi Party opposed this. Although not a partner in the UF government, the Congress party with its 140 seats in the Lok Sabha was one of the major veto players during 1996-98 and pretty much controlled the life line of the UF government. The Congress party made the passage of the TRAI bill as one of its important legislative agendas for two reasons: it would signal the continuation and legitimacy of Congress party-initiated telecom reform policies; and it would deflect the corruption charges against the former Congress party's Prime Minister Rao and Communications Minister Ram leveled by the UF coalition partners. Despite opposition from the leftist parties, the TRAI Bill was passed in March 1997 with the Congress party support. However, Prime Minister Deve Gowda refused to withdraw charges of corruption against Mr. Rao and Ram. He was forced to quit as the Prime Minister due to withdrawal of the Congress party's support. I.K. Gujral of the Janata Dal took over as the Prime Minister when Congress agreed to support him. But, like his predecessor, Mr. Gujral refused to stop the investigation of corruption charges against Mr. Rao and Ram. Consequently, the Congress withdrew its support and the UF government collapsed in December 1997.

The election of March 1998 produced another hung parliament with no party gaining clear majority. A new National Democratic Alliance (NDA) government, which was a minimal winning coalition of fifteen political parties, was formed at the center under the leadership of the BJP stalwart, A.B. Vajpayee. But the existence of a large number of veto players with divergent ideological orientations—leftist, centrist, socialists, and nationalists—prevented the NDA government from taking any decisive steps for the implementation of telecom reform policies (Table1 & 2). The nature of ideological contradictions, continuous fight for cabinet positions among the coalition partners, and withdrawal of support of Trinamool Congress party from the NDA coalition led to the collapse of BJP-led government within a year.

New Telecommunications Reform Policies, 1999–2005

In the 1999 election, the BJP-led National Democratic Alliance (NDA) of 22 political parties under the leadership of A. B. Vajpayee came to power at the center. The immediate challenge for this minimal winning NDA coalition was to resolve two major issues in the telecoms sector—the power struggle between the DOT and TRAI; and the non-payment of required license fees by the Indian private telecom service operators. In response to these problems, the NDA government launched a new telecommunications policy in March 1999 (NTP-99).[20] The nature and pace of changes in NTP-99 and subsequent policy changes are the results of political compromises between the veto players in the government.

Privatization of State-Owned Companies

Since 1996, private telecom operators have been lobbying the government to separate DOT's policy-making functions from its service-providing functions. In October 1999, the NDA government decided to split DOT into two agencies—DOT as policymaker; and the Department of Telecommunications Services (DTS) as the service provider. Another major policy by the NDA government to corporatize DTS by October 1, 2000 faced strong opposition from the Communist parties in the Parliament and telecom labor unions. Led by the National Federation of Telecom Employees (NFTE) and the Federation of National Telecom Organization (FNTO), about 325,000 telecom workers went on an indefinite strike on September 6, 2000 to protest against the corporatization of DTS. The strike paralyzed India's much-vaunted information technology industry, which put considerable pressure on the government to resolve the issue immediately. With the direct intervention of Prime Minister Vajpayee and his promise to provide telecom workers with guarantees of job security, pension rights, and regularization of DTS parttime workers, the strike was called off and DTS was transformed into a state-owned company called Bharat Sanchar Nigam Limited (BSNL) on October 1, 2000.[21]

On the issue of domestic long-distance telephony, where joint partnership between domestic and foreign companies was allowed on a 49:51 equity share basis, the DOT made a new proposal on August 9, 2000 to raise the foreign equity ceiling from 49 percent to 74 percent. But the proposal was put off indefinitely because of strong opposition from the socialist leaning communications minister Ram Vilas Paswan from Lok Shakti party in the NDA coalition and protectionist fraction of the BJP. The pro-reform leaders in the NDA coalition found Mr. Paswan's worldview contradictory to the government's reform agenda and lobbied the Prime Minister to replace him. In 2001, Mr. Paswan was replaced by the pro-reform BJP leader Pramod Mahajan as the communications minister. With Mahajan's initiatives, the debate on foreign equity limit continued among the NDA coalition partners during 2001-2003. In a cabinet reshuffle on February 2003, Pramod Mahajan was dropped as the communications minister because of his alleged involvement in a murder case and the well-known pro-reform disinvestment minister Arun Shourie was given the additional portfolio of communications and informations technology. With Shourie's initiatives, a six-member Group of Ministers (GOM) was created by the NDA government in September 2003 to address the equity issues and recommend other reforms in the telecom sector. Headed by the Finance Minister, Jaswant Singh, the GOM featured the most powerful ministers in government: defense minister George Fernandes (Samata Party), law minister Arun Jaitly (BJP), disinvestment minister Arun Shourie (BJP), external affairs minister Yashwant Sinha (BJP), and information and broadcasting minister Ravi Shankar Prasad (BJP). On the basis of the GOM recommendations, the DOT proposed to raise the foreign equity cap from 49 percent to 74 percent on December 24, 2003.

But the cabinet rejected the proposal because of lack of support from at least five vetoplayer parties -- Shiv Sena, Samajwadi Party, Akali Dal, Biju Janata Dal, and Bahujan Samaj party. [22] Influenced by the intense lobbying of two leading domestic telecom operators—Reliance InfoCom and Bharat Sanchar Nigam Limited – some BJP members also opposed any increase in foreign equity.[23]

Despite consistent demands from domestic business groups for immediate privatization of the state-owned Videsh Sanchar Nigam Limited (VSNL), the NDA government moved slowly on this issue. After considerable debate, in which the protectionist fraction of the BJP party and two socialist-leaning veto player parties in the NDA coalition—Samajwadi and Samata party—opposed any rapid privatization of the profitable VSNL, the NDA coalition partners agreed on a compromise of five-year-timeline for the privatization of VSNL by 2004. This five year- long timeline was opposed by domestic and international investors. More importantly, India's growing budgetary deficits and a report from the Disinvestment Minister Arun Shourie that outlined the relative attractiveness of the privatization of long distance telecommunications services for private investment convinced the NDA coalition partners to advance the privatization date of VSNL from 2004 to April 2002.

Before ending the ten-year monopoly of VSNL on long distance international telecommunications services, the NDA government decided to reduce its stake from 53 percent to 26 percent. The stake sales of VSNL attracted six domestic bidders, out of which three subsequently withdrew their applications.[24] India's slow pace of privatization suddenly appeared to have caught speed when the TATA group was awarded a 25 percent stake in VSNL within six months of the government's announcement. [25] The quick timetable of the VSNL stake sale was possible because of two reasons. First, the government's efforts to privatize the state-owned Air

India during 2001–2002 failed when the final bidding by a joint partnership between TATA group and Singapore Airlines was opposed by the socialist-leaning partners and the Shiv Sena group in the NDA ruling coalitions. Following this, the government's plans for privatization in other state-owned companies like Hindustan Zinc, Paradeep Phosphates, Indian Petro-Chemicals, Maruti, and National Fertilizers were delayed. In addition, the government's much touted privatization of Hindustan Petroleum and Bharat Petroleum was shelved for an indefinite period due to opposition from the Petroleum Minister Ram Naik from BJP. In a seminar jointly organized by the American Chamber of Commerce in India and the Confederation of Indian Industry in New Delhi in January 2002, both foreign and domestic investors warned that the cabinet split on privatization was damaging international confidence in India's commitment to economic reform and could deter further investment in the country. Following this, the government was looking for a test case for a quicker and more transparent privatization program to send the signal to domestic and foreign investors about India's changing competitive business environment. The VSNL privatization was considered as the centerpiece of the government's serious sell-off drive. Second, following a sharp fall in tax revenue during 2001–2002 fiscal year, the government's fiscal deficit was expected to exceed 12 percent of its GDP. The planned sale of 25 percent of VSNL, which would raise about 40 billion rupees, was critical to the government's efforts to contain the country's burgeoning fiscal deficit.

Competition in Services

Responding to a long-standing demand of domestic business groups, the NDA government decided to open DOT-controlled national long-distance telecommunications services to private competition beginning January 1, 2000. In addition, the government also decided to offer a bail-out package to allow private operators to get out from their onerous license fee payments and switch to a new regime of revenue sharing under the New Telecom Policy-99. This was a major policy change, which was possible because of strong support of several prominent leaders and their respective political parties from both inside and outside of the government. Beni Prasad Verma from the socialist Samajwadi party in the NDA coalition and former communications minister in the United Front government, who earlier opposed any concession to private operators, changed his position and offered strong support to the government's move to shift the existing operators to the new revenue sharing arrangement. He dismissed the campaign against the private operators as the machinations of Reliance Telecom, which had bid an incredibly low license fee of Rs10.6bn (US $250.6m) for the entire country.[26] Raising the MNC bogey card, the leader of the Communist Party of India (Marxist) in the Parliament, Somnath Chaterjee, supported the government's bail-out package for the Indian private telecom operators. The Congress party, led by its former finance minister, Pranab Mukherjee, offered its support for this policy change. The one party who had refused to support the bail-out was the Minister of Communications in the NDA government—Jagmohan Malhotra from BJP. With the intervention of Prime Minister Vajpayee, Jagmohan was removed from the Communications Ministry and shifted to the Ministry of Urban Development. The Prime Minister's Office (PMO) took over the communications portfolio to implement this policy change.[27]

In the area of cellular services, the NDA government decided to allow cellular mobile service providers (CMSPs) to carry their own long-distance traffic within their own service areas without any need for additional licenses. In order to ensure DOT's control over telecommunications services, interconnectivity between CMSPs of different circles was not permitted. This traffic had to go through DOT's lines. In providing licenses to the new entrants, DOT took a protectionist stand by asking CMSPs to pass all international traffic only through the government-owned national long-distance company BSNL. In addition, given the rapid and potential for explosive growth in cellular service areas (Table 5), some BJP members, led by the Communication Minister Jagmohan demanded the inclusion of government-owned companies in the competition to capture cellular market share. Supported by other ruling coalition members, the NDA government decided to allow the state-owned companies MTNL and BSNL to compete as a third cellular operator in addition to two private operators in each circle of service area.

Table 5 goes here

In order to achieve a target of teledensity of seven by 2005, fifteen by the year 2010, and the government's goal of universal access, DOT suggested introducing wireless local loop (WLL) technology in 1999. Unlike the widely used Global System for Mobile (GSM) communication technology world over, the WLL technology does not require a nation-wide network of telecommunications infrastructure and allows only limited mobility with hand-sets. The WLL technology was indigenously developed by India and is claimed to bring down the cost of per line telephone connection from Rs 40,000 to Rs 10,000.[28] Led by the Bharti Tel group and its politically influential leader Sunil Mittal, who was a well-known supporter of the Congress party, the Cellular Operators Association (COA) strongly opposed the DOT's suggestions.[29] According to COA, basic service providers (BSPs) with WLL technology would adversely affect the cellular operators' business because the latter pay higher fees for entry and revenue share than the former. However, challenging the contention of COA, the new Information Technology and Communications Minister Pramod Mahajan from BJP with strong backing from the Prime Minister's Office lobbied successfully for support from other NDA coalition partners for the use of WLL technology.[30] On January 8, 2001, the government's efforts bore fruitful results when TRAI recommended favorably for the use of WLL technology to facilitate the government's universal service obligation in providing telephone service for all villages in India.

However, two other recommendations of TRAI—increase the license fee of BSPs, and imposition of restrictions on limited mobility operators with WLL service—faced opposition from the government. Reliance Infocomm, which invested a large sum of money in WLL phones, strongly opposed these recommendations of TRAI. With strong support from the government and the use of Code Division Multiple Access (CDMA) technology, Reliance InfoComm was able to increase its market share substantially in the rapidly growing cellular markets by offering WLL-based phones at an incredibly cheaper rate.[31] Under consistent pressure from COA, which was supported by the opposition Congress party and two premier business organizations, the Federation of Indian Chambers of Commerce and Industry and the Confederation of Indian Industry, the government finally decided in October 2003 to introduce a unified license regime that would remove the license fee differences between the GSM-based cellular mobile services and basic telephone services with WLL-based mobile services. Additionally, on December 24, 2003, the government announced a cut of two percentage points in the revenue share paid by the cellular operators to the government. With this announcement, COA agreed to withdraw their Supreme Court case against the government and decided to support the government's unified license regime.[32]

Regulatory Reform

Since its formation in 1997, the TRAI has challenged many decisions of the DOT, leading to a turf war between the two institutions. The DOT bureaucracy has consistently criticized the decisions of TRAI as being driven by the well-organized and vociferous lobby of private phone service operators. Supported by the DOT's bureaucracy and the nationalist forces in the NDA ruling coalitions, the NTP-99 retained the DOT's powers as a policymaker and issuer of licenses and provided TRAI with only advisory power on issues of tariffs and licensing. However, under sustained pressure from opposition parties led by the Congress party and domestic telecom operators to strengthen TRAI, the NDA government established a committee called the Group on Telecom and Information Technology Convergence (GTC) under the chairmanship of the Finance Minister Yashwant Sinha. On December 13, 1999, Mr. Sinha appointed Arun Jaitley, the Law Minister and a BJP stalwart as the head of a subgroup, comprising members from three parties – Samajwadi, Samata, and Telgu Desam, to recommend amendments to the existing TRAI Act. The main task of this subgroup was to redefine TRAI's dispute-settling power. After a month-long deliberation on a BJP-sponsored proposal for dividing TRAI's authority, during which the subgroup received inputs from opposition parties, business groups, and labor unions, the subgroup recommended split of TRAI into two agencies.[33] First, a new TRAI was created with only recommendatory power and no adjudicatory or dispute-settling power. The term of the new TRAI was reduced to three years and, unlike the old TRAI, the chairperson of the new TRAI was no longer required to be a serving or retired judge. Second, a new agency called Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT) was created to adjudicate disputes on telecom-related issues. Decisions of TDSAT could only be challenged in the Supreme Court. The creation of a new adjudicatory institution was initially opposed by the Congress and Communist parties as the BJP's efforts to weaken the regulatory authority. In March 2000, the Parliament amended the TRAI Act, incorporating all these recommendations, when the Congress dropped its opposition. The emergence of such a dual structure of regulatory authority has led to consistent delays in enacting and implementing telecom regulatory reform policies.

Further policy change

In the May 2004 national election, the BJP-led NDA coalition lost and a new Congress-led twelve party United Progressive Alliance (UPA) government came to power at the center. The UPA coalition is a minority government as it depends on the outside support of the two communist parties (CPI and CPI-M) and other regional parties to pass legislation in the Parliament. Besides the Congress party, the major veto players in the UPA government are Communist Party of India (Marxist), Communist Party of India (CPI), Rashtriya Janata Dal, and DMK (Table 1). Under the leadership of reform-minded Prime Minister Manmohan Singh, who was one of the chief architects of India's first major telecom reform policy in 1994, and his finance minister Palaniappan Chidambaram, the UPA government made telecom deregulation as a top priority. One of the immediate goals of the UPA administration was to raise the foreign equity limit to 74% in all telecommunications services. The basic objectives of raising the equity limit are twofold: to attract more foreign investment in telecom sectors that need about US$20bn over the next five years for expansion; and to send a positive signal for reform in other sectors. The exit of many major foreign telecom players from India since 1996 seems to reflect a crisis of confidence in India's telecom investment climate (Table 6). In order to overcome this, the UPA government decided to raise the foreign equity limit after a considerable debate among its coalition partners that lasted for over six months.

This new foreign-equity limit policy, however, comes with several conditions. First, at least 26% of any telecom company must be held by resident Indians all the time. Second, the majority of directors of a board, including the chairman, managing director, chief executive, chief technical officer and chief financial officer, of the telecom service company must be resident Indians. The licensor, Department of Telecommunications, will be empowered to scrutinize these appointments and notify any key position to be held by resident Indians. Third, operators are restricted from sharing information with outside agencies about their subscribers and network design. Fourth, no company will be allowed to send outside India details of infrastructure and network diagram except to telecoms-equipment suppliers and manufacturers who undertake installation and commissioning of the infrastructure. Also, no company will provide any remote access to any equipment manufacturer or any other agency outside the country for any maintenance or repairs.[34]

The terms laid out for new foreign-equity limit policy, which have been criticized as restrictive in scope by private investors, is the result of political compromises among the veto players in the ruling UPA coalitions. The above conditions are imposed to placate the two leftist parties, CPI and CPI (M), which support the UPA government from outside and had opposed any increase in foreign equity limit.

Conclusion

This study illustrates that in a parliamentary democracy like India, the structure of ruling coalitions and the nature of government’s strategic interaction with dominant interest groups influence the choices that policymakers make with respect to deregulation of state-dominated telecom sectors. Severe macroeconomic crisis can create opportunity for policymakers to launch reform in the telecom sectors. But once telecom reform is adopted as an official policy, the pace and viability of its implementation is largely shaped by the structure of governmental decision-making. As evident in this study, the delicate act of balancing the contradictory demands of various veto-player parties and interest groups in a coalition government has led to a stop-and-go pattern of reform in the telecommunications sector in India.

This analysis supports Tsebelis's contention that in a parliamentary democracy, governments with many veto-player parties, separated by ideological distance, will have less control over parliamentary agenda because such governments will have difficulty in passing through parliament significant pieces of legislation required for agenda control.[35] In such a situation, two developments are inevitable: first, significant pieces of parliamentary legislation, and deregulation policies in particular, can only be incremental; second, a series of nonpolitical actors such as bureaucrats and judges will have more influence on deregulation policies.

The findings of this analysis are also consistent with models of two-level games, which posit that states' policy preferences are shaped by the dynamic interaction between governmental actors and domestic players at the domestic level, but the effects of domestic level variables are themselves contingent on the constraints and opportunities imposed by the international system and foreign players.[36] The present study extends this argument by showing the effects of the structure of governmental decision-making and domestic veto-players on policy outcomes as more consequential than suggested by the two-level game model.

Notes

1. In this paper, deregulation is defined as a public policy process that allows the forces of supply and demand to operate free of government interference. Deregulation typically results in the reduction of government's role as an owner and manager of business enterprises, in the interest of private investors. See Judith Mariscal, *Unfinished Business: Telecommunications Reform in Mexico* (Westport: Praeger, 2002), p.1.

2. Brian Levy & Pablo T. Spiller, *Regulations, Institutions and Commitment: Comparative Studies of Telecommunications* (Cambridge: Cambridge University Press, 1996); Ravi Ramamurti, *Privatization of Infrastructure* (Washington, D.C.: Brookings Institute Press, 1993).

3. George Tsebelis, "Veto Players and Law Production in Parliamentary Democracies: An Empirical Analysis," *American Political Science Review* 93:3 (September 1999), pp. 591–608.

4. Tsebelis, "Veto Players and Law Production," p. 593.

5. Andrew MacIntyre, *The Power of Institutions: Political Architecture and Governance* (Ithaca, NY: Cornell University Press, 2002); Scott L. Kastner & Chad Rector, "International Regimes, Domestic Veto-Players, and Capital Control Policy Stability," *International Studies Quarterly* 47:1 (March 2003), pp. 1-22.

6. Kastner and Rector, pp. 12-13.

7. Robert Putnam, "Diplomacy and Domestic Politics: The Logic of Two-level Games," *International Organization*, 42:3 (Summer 1988), p. 437.

8. Atul Kohli, *Democracy and Discontent: India's Growing Crisis of Governability* (Cambridge: Cambridge University Press, 1990), pp. 313-15.

9. Sunil Mani, "Technology Acquisition and Development: Case of Telecom Switching Equipment," *Economic and Political Weekly*, November 25, 1989, p. 23.

10. Stephen McDowell, *Globalization, Liberalization and Policy Change: A Political Economy of India's Communications Sector* (Houndmills, UK: Macmillan), p. 130.

11. M. B. Athreya, "India's Telecommunications Policy: A Paradigm Shift," *Telecommunications Policy* 20:1 (1996), pp. 11–22; T. H. Chowdary, "Politics and Economics of Telecom Liberalization in India," *Telecommunications Policy* 22:1 (1998), pp. 9-20.

12. Interview with DOT official, New Delhi, July 18, 2003.

13. Montek S. Ahluwalia, "Economic Reforms in India Since 1991: Has Gradualism Worked?" *Journal of Economic Perspectives* 16:3 (2002), pp. 67–88; Kaushik Basu, *India's Emerging Economy: Performance and Prospects in the 1990s and Beyond* (Cambridge, Massachusetts: The MIT press, 2004).

14. Interviews with Ravi Viswanathan, Head of Telecom practices of Tata Consultancy Services, Chennai, December 29, 2002; S. V. Subramanya, Education and Training Director of Infosys, in Bangalore, December 30, 2002.

15. National Telecommunications Policy, 1994 (Ministry of Communications, Government of India, New Delhi), p.7.

16. Interview with the Ministry of Communications official, New Delhi, July 19, 2002.

17. Nikhil Sinha, "The Political Economy of India's Telecommunications Reforms," *Telecommunications Policy* 20:1 (1996), pp. 23–38.

18. With a total of 81 offers across the three categories, 42 bids were made for A circles, 29 for B circles, and 10 for C circles. See B. P. Singh, "Basic Services: Clever Moves and Clear Goals," *Voice and Data* (November 1995); J.P. Singh, *Leapfrogging Development: The Political Economy of Telecommunications Restructuring* (Albany: State University of New York Press, 1999) p.188.

19. Rafiq Dossani, *Telecommunications Reform in India* (London: Quorum Books, 2002), pp. 43-46.

20. *National Telecommunications Policy*, Ministry of Communications, Government of India, New Delhi (March 30, 1999).

21. See Angus Donald, "India Says Strike-Hit Telecoms Services Restored," *Financial Times* (September 22, 2000).

22. Prabha Jagannathan and Manoj Gairola, "Telecom FDI Cap Raise Hits Roadblock," *The Economic Times* (August 4, 2001).

23. Economist Intelligence Unit, *Business India Intelligence* (January 11, 2004), pp. 1–19.

24. The six applicants were Videocon, Reliance Industries, Tata Group, Birla Group, Bharati Singtel Group, and BPL Communications. Subsequently, the Birla Group, Bharati Singtel Group, and Videocon withdrew their applications. See Rajni Gupta, "Telecommunications Liberalization: Critical Role of Legal and Regulatory Regime," *Economic and Political Weekly* (April 27, 2002), pp. 1668–1675.

25. The government's previous attempt to privatize BALCO, a state aluminum smelter, took long five years to accomplish because of opposition within the ruling BJP coalitions, Congress-led opposition parties, and labor groups.

26. Economist Intelligence Unit, *Business India Intelligence* (July, 1999), p. 1.

27. Interview with Communications Ministry official at New Delhi, December 12, 2004.

28. Gupta, "Telecommunications Liberalization," p. 1674.

29. Sunil Mittal was awarded the first commercial license to operate cellular services (Air Tel) in lucrative Delhi circle in 1995 because of his close connection with the Congress party and

friendship with then Prime Minister Rao and minister of communications Rajesh Pilot in the Congress government.

30. See Mr. Pramod Mahajan's interview in *Deccan Herald*, September 30, 2002.

31. Reliance Infocomm, the most aggressive of the mobile WLL operators, launched its "Monsoon Hungama" package in July 2003 with an upfront fee of only Rs.501. Five million subscribers signed up within three months. Neil McCartney, "India Telecom Regulation: Unified License Plan Puts Cellular Sector in a Spin," *Financial Times* (November 12, 2003).

32. Economist Intelligence Unit, *Business India Intelligence* (February, 2004), pp. 1–2.

33. The Telecom Regulatory Authority of India (Amendment) Ordinance, 2000.

34. Department of Telecommunications, January 2005, http://www.dotindia.com/plans/planindex.htm.

35. Tsebelis, "Veto Players and Law Production."

36. Putnam, "Diplomacy and Domestic Politics," pp. 427–460; Helen V. Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations* (Princeton, NJ: Princeton University Press, 1997).

Figure 1. Telecom Deregulation Outcome

		Number of Vetoplayers Large	Small
Ideological Distance	Wide	Deregulation unsuccessful	Deregulation may be delayed, but possible
	Narrow	Stop-and-Go	Deregulation successful

Table 1. Veto Player Parties and Ideological Orientation

Ruling Coalitions	**Veto Player Parties**	**Number and % of Total Seats in Lok Sabha**	**Ideological Orientation**
Indira Gandhi-led administration (1980-84)	1. Congress I	351 (65%)	Centrist
Rajiv Gandhi-led administration (1985-90)	1. Congress I	412 (76%)	Centrist
V.P. Singh-led National Front administration (1989-90)	1. Janata Dal 2. Janata Party 3. Communist Party of India (Marxists) 4. Communist Party of India 5. Regional Parties	141(26%) 86 (16%) 32 (5.9%) 12 (2.2%) 31 (5.7%)	Centrist Centrist Left-wing Left-wing Centrist and Socialists
Chandra Sekhar-led Janata Dal administration (1990-91)	Same as above	Same as above	Same as above
P.N. Rao-led Congress I minority administration (1991-93)	1. Congress I 2. Janata Dal 3. Communist Party of India (Marxist) 4. Telgu Desam 5. Bharatiya Janata Party	226 (42%) 55 (10%) 35 (6.4%) 14 (2.6%) 123 (22.6%)	Centrist Centrist Left-wing Centrist Nationalist, centrist
P.N. Rao-led Congress I administration (1993-96)	1. Congress I	283 (52.1%)	Centrist
Deve Gowda-led United Front administration (1996-97)	1. Janata Dal 2. Communist Party of India (Marxist) 3. Tamil Maanila Congress 4. Dravida Munnetra Kazhagam (DMK) 5. Samajwadi Party 6. Telgu Desam 7. Communist party of India 8. Asom Gana Parishad (AGP) 9. Congress I	45 (8.2%) 32 (6%) 19 (3.4%) 16 (3%) 17 (3.1%) 16 (3%) 12 (2.2%) 5 (0.9%) 140 (26%)	Centrist Left-wing Centrist Centrist Centrist Socialist Centrist Left-wing Socialist Centrist
I.K. Gujral-led United Front administration (1997-98)	Same as above	Same as above	Same as above
A.B. Vajpayee-led National Democratic Alliance administration (1998-99)	1. Bharatiya Janata Party 2. Samajwadi Party 3. AIADMK 4. Telgu Desam 4. Shiromani Akali Dal 5. Samata Party 6. Shiv Sena 7. Lok Shakti 8. Tamil Maanila Congress 9. Trinamool Congress 10. Biju Janata Dal	178 (32.7%) 21 (3.8%) 18 (3.3%) 12 (2.2%) 8 (1.4%) 12 (2.2%) 6 (1.1%) 3 (0.55%) 7 (1.28%) 7 (1.28%) 9 (1.6%)	Nationalist & centrist Socialist Centrist Centrist Religious Socialist Hindu fundamentalist Socialist Centrist Centrist Centrist

(cont.)

A.B. Vajpayee-led National Front administration (1999-2004)	1. Bharatiya Janata Party 2. Samajwadi Party 3. AIADMK 4. Telgu Desam 4. Shiromani Akali Dal 5. Samata Party 6. Shiv Sena 7. Lok Shakti 8. Tamil Maanila Congress 9. Trinamool Congress 10. Biju Janata Dal 11. Bahujan Samaj Party	181 (33.3%) 20 (3.68%) 18 (3.3%) 12 (2.2%) 8 (1.4%) 13 (2.39%) 6 (1.1%) 3 (0.55%) 3 (0.55%) 7 (1.28%) 9 (1.6%) 5 (0.9%)	Nationalist, centrist Socialist Centrist Centrist Religious Socialist Hindu fundamentalist Socialist Centrist Centrist Centrist Socialist
Manmohan Singh-led United Progressive Alliance administration	1. Congress I 2. Rashtriya Janata Dal 3. Dravida Munnetra Kazhagam 4. Nationalist Congress Party 5. Communist Party of India (Marxist) 6. Communist Party of India 7. Jharkhand Mukti Morcha 8. Revolutionary Socialist Party	145 (27%) 21 (3.8%) 16 (2.9%) 9 (1.6%) 43 (7.9%) 10 (1.8%) 5 (0.9%) 3 (0.55%)	Centrist Socialist Centrist Centrist Left-wing Left-wing Socialist Left-wing

Source: A. S. Banks, T. Muller, W. Overstreet (1992, 1997, 1999, 2000–02). *Political Handbook of the World* (New York: Binghamton University); Election Commission of India, 2004 (http://www.eci.gov.in/DataBase/DataBase_fs.htm).

Table 2. Government Structure, Number of Veto-Player Parties and Telecom Policy Preference in India, 1980–2005

Chief-of-Government	Nature of Government	% of Total Seats by Ruling Party in Lok Sabha	Number of Veto-Player Parties	Telecom Policy Preference
I. Gandhi (1980–84)	Single majority	67% (Congress I)	1 Veto-player party	Accept selective deregulation
R. Gandhi (1984–89)	Single majority	76% (Congress I)	1 Veto-player party	Accept deregulation, later abandoned
V. P. Singh (1989–90)	Minimal winning coalition	33.3% (Janata Dal)	> 4 Veto-player parties	Indifference
Chandra Sekhar (1990–91)	Minimal winning coalition	**	**	Indifference
P. N. Rao (1991–93)	Minority	42.5% (Congress I)	> 5 Veto-player parties	Accept deregulation, then stop-and-go
P.N. Rao (1993-95)	Single majority	52.1% (Congress I)	1 Veto-player party	Accept deregulation
D. Gowda (1996–97)	Minimal winning coalition	32% (United Front)	> 7 Veto-player parties	Stop-and-Go
I. K. Gujral (1997–98)	Minimal winning coalition	**	**	Stop-and-Go
A. B. Vajpayee (1998–99)	Minimal winning coalition	33% (BJP)**	> 9 Veto-player parties	Stop-and-Go
A. B. Vajpayee (1999–2004)	Minimal winning coalition	34% (BJP)**	> 10 Veto-player parties	Stop-and-Go
Manmohan Singh (2004---)	Minority	27% (Congress I)	> 7 Veto-player parties	Stop-and-Go

*Prime Ministers who did not face the election, but were elected by the ruling parties to form the government.
**Resigned or subsequently lost vote of confidence in the Lok Sabha.

Sources: David Butler, Ashok Lahiri, & Prannoy Roy, *India Decides: Elections: 1952–1992* (New Delhi: Living Media, 1991); A. S. Banks, T. Muller, W. Overstreet (1992, 1997, 1999, 2000–02). *Political Handbook of the World* (New York: Binghamton University); Election Commission of India, 2004 (http://www.eci.gov.in/DataBase/DataBase_fs.htm).

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Table 3. Population, GDP per Capita, and Telecommunications Growth

Year	Population (millions)	GDP per capita (USD)	Direct Exchange Lines (millions)	Telephone Density per 100 inhabitants
1951	361	--	0.16	0.04
1961	439	--	0.33	0.08
1971	548	120	0.98	0.18
1981	687	260	2.15	0.31
1991	850	330	5.07	0.60
1995	929	340	9.80	1.07
1998	980	434	17.80	1.85
1999	998	455	21.59	2.2
2000	1016	460	26.51	2.66
2001	1033	460	34.26	3.2
2002	1027	550	39.13	3.43
2003	1057	570	40.62	4.63
2004	1064	611	42.58	7.0

Source: ITU-D Country Database: Country Data, 2003-04; *DOT Annual Report 2002-2003; 2004-2005*.

Table 4. Comparative Teledensity (Telephones per 100 Persons)

Countries	1994	1997	2001	2003
Brazil	9.09	7.69	18.18	21.78
China	1.30	1.61	11.17	20.92
India	0.76	0.89	3.2	4.63
Indonesia	0.88	0.92	3.14	3.59
Malaysia	11.24	12.66	19.92	18.16
Mexico	13.16	9.09	12.47	13.77
South Africa	13.18	9.12	11.35	10.76

Source: *The World Almanac and Book of Facts 1996, 1997, 2001, 2004;* ITU-D Country Database: Country Data, 2004 (http://www.itu.int/itudoc/itu-t/com3/focus/72404.html).

Table 5. Mobile-Phone Subscribers in India

Year	No. of Mobile-Phone Subscribers (millions)
1998	0.88
1999	1.20
2000	1.88
2001	3.58
2002	8.50
2003	13.0
2004	44.5

Source: Telecom Regulatory Authority of India, New Delhi, 2005.

Table 6. Foreign Companies' Exit from Mobile, Basic Services in India since 1996

Company	**Country**
AT&T Wireless	US
Bell Atlantic	US
Bell Canada	Canada
Bezeq	Israel
BT	UK
Century Telephone	US
First Pacific	Hong Kong
France Telecom	France
Hughes Network Services	US
Shinawatra	Thailand
Swisscom	Switzerland
Telecom Italia	Italy
Telia	Sweden
Telstra	Australia
Vodafone	UK

Source: Business India Intelligence, February 9, 2005, Vol. XII, No. 3, p. 2.