India's Vajpayee tries to form coalition. By Chaitanya Kalbag

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NEW DELHI, March 16 (Reuters) - The leader of India's Hindu-dominated Bharatiya Janata Party (BJP) embarks on Monday on the difficult task of cobbling together a cabinet coalition to head a shaky minority government.

BJP supporters celebrated late into the night with sweets and fireworks after President Kocheril Narayanan asked BJP leader Atal Behari Vajpayee, 71, a moderate Hindu politician, to form India's next government by March 19.

But several opposition leaders warned they would do their best to topple Vajpayee in the vote of confidence that he must face within 10 days of taking over as prime minister.

Vajpayee struck a conciliatory note in a statement, saying: "The results of the recent general election have not given a clear majority to anybody. But this flaw in the verdict can be overcome if parties set aside confrontationist politics and become participants in the noble task of nation-building."

India's financial markets were likely to surge on Monday in response to Vajpayee's mandate. The bellwether Bombay share index fell back on Thursday, the last trading day before a long weekend, on nervousness over political uncertainties.

The BJP was expected to unveil a "National Agenda" on Tuesday to try to find common ground between demands made by its disparate allies.

Most of the new coalition's members appear to agree on the need to "reform the reforms" that were launched in 1991 and ended decades of socialist controls on India's economy.

M.J. Akbar, editor of the Asian Age newspaper, said India had a "terrible caste system of government" and all eyes would be on who was awarded the plum "Brahmin" ministries of finance, home (interior), foreign affairs and defence.

"The BJP has not only to find space for allies who need a proper assessment of their esteem, but also accommodate their own leaders," Akbar wrote.

Columnist Tavleen Singh wrote in India Today magazine that the BJP's "Hindu-first" rhetoric had yielded little more than "foolish tirades against globalisation and the World Trade Organisation. Inevitably, the BJP has failed so far to articulate its own agenda for change."

The BJP's Hindu message appeared to have already suffered its first hefty dose of dilution when Vajpayee promised a "new era of cooperation, conciliation and consensus."

"To ensure that the nation as a whole does not suffer, governance must not only continue uninterrupted, but it must be good governance," he said in his statement. "We and our allies are committed that India gets good governance."

Narayanan revealed the arithmetic that led him to ask Vajpayee to form a government, 12 days after almost all general election results had been declared and pointed to a hung parliament.

He said the BJP had the support of 264 deputies in the 539-seat lower house but the declared neutrality of 12 MPs from the southern Telugu Desam Party, a key partner in the previous United Front coalition government, meant its backing crossed the halfway mark.

The BJP received an early taste of the perils ahead when one reluctant ally, Jayaram Jayalalitha, who controls 27 deputies, held the process of government-making in suspense for three days while waiting for her demands to be met.

Some analysts were not sanguine about the prospect that the 1998 elections would be the last in India this millennium.

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"The next government of India will only be as strong as its weakest link," wrote Akbar. "The talk is less about the brave new world promised within ten years in the BJP manifesto, and more about when the next elections will be held."

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