India

Status Index

5.88　**# 57**

on 1-10 scale　out of 137

Political Transformation

6.30　**# 50**

Economic Transformation

5.46　**# 65**
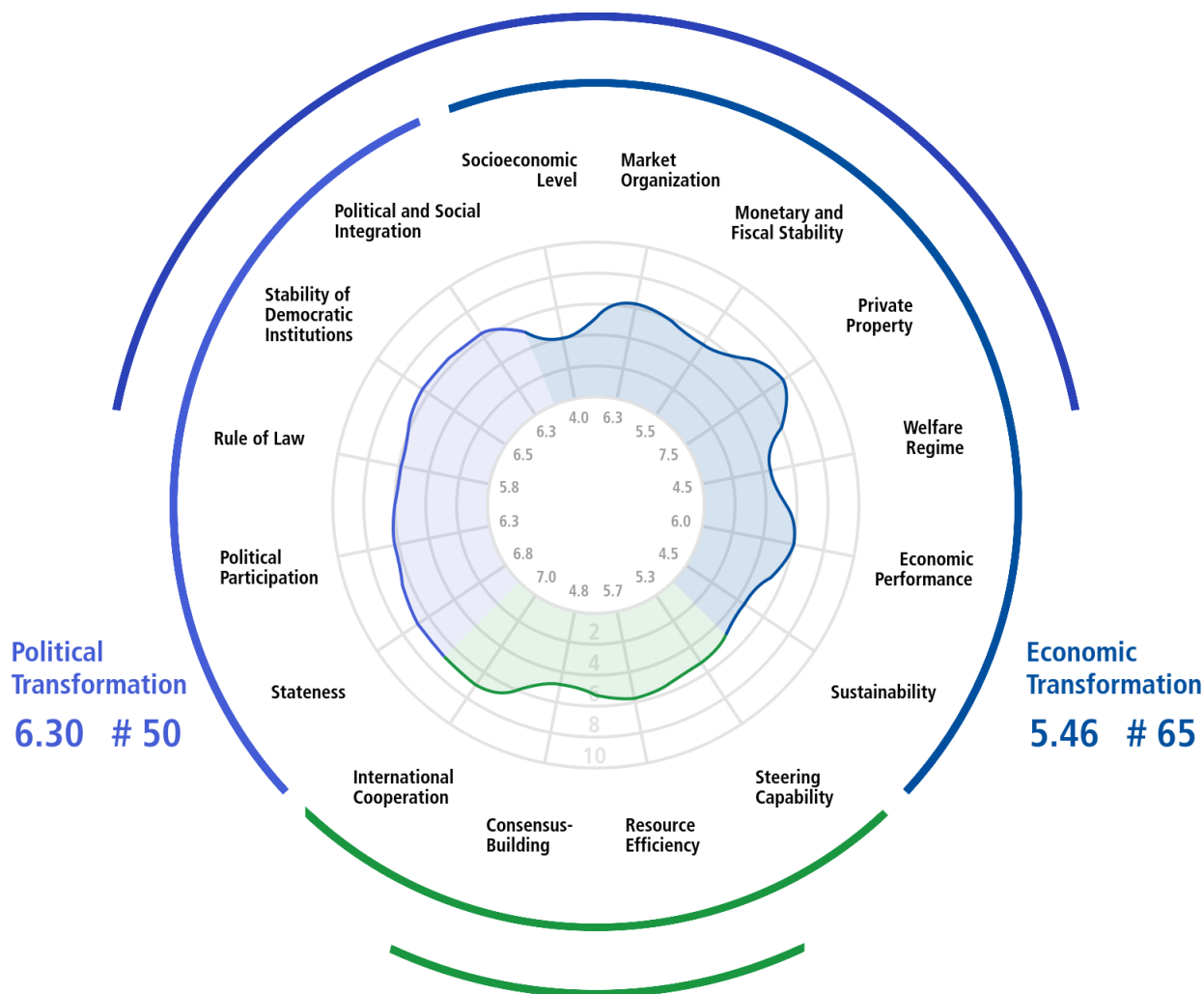
Governance Index

5.15　**# 54**

on 1-10 scale　out of 137

Socioeconomic Level

Market Organization

Political and Social Integration

Monetary and Fiscal Stability

Stability of Democratic Institutions

Private Property

Rule of Law

Welfare Regime

Political Participation

Economic Performance

Stateness

Sustainability

International Cooperation

Steering Capability

Consensus-Building

Resource Efficiency

4.0　6.3
6.3　5.5
6.5　7.5
5.8　4.5
6.3　6.0
6.8　4.5
7.0　5.3
4.8　5.7

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Key Indicators

Population	M	1380.0	HDI		0.645	GDP p.c., PPP	$	6454
Pop. growth[1]	% p.a.	1.0	HDI rank of 189		131	Gini Index		35.7
Life expectancy	years	69.7	UN Education Index		0.555	Poverty[3]	%	61.7
Urban population	%	34.9	Gender inequality[2]		0.488	Aid per capita	$	1.9

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.20 a day at 2011 international prices.

Executive Summary

India is a well-established democracy and has traditionally had a very good record for governance, with elected representatives holding the effective power to govern and no major veto players undermining the democratic credentials of the state. However, during the review period, the government of Prime Minister Narendra Modi of the Hindu-nationalist Bharatiya Janata Party (BJP) contributed to a weakening of democratic institutions and continued on its path toward the transformation of India into a Hindu majoritarian state. This happened against the backdrop of Modi's re-election in 2019, as the BJP won an absolute majority of seats in the lower house of parliament.

Faced with a weakening economy, slowing economic growth and rising unemployment, the government focused on the implementation of its Hindu-nationalist agenda to further mobilize domestic support. A series of measures were introduced that had long been on the agenda of the BJP and organizations like the paramilitary Hindu-nationalist volunteer organization Rashtriya Swayamsevak Sangh (RSS). These included, in August 2019, the removal of the special status of Jammu and Kashmir, the only Muslim-majority state in India, and its division into two union territories controlled by the central government. The already extremely militarized region was totally isolated from the world, all telecommunications were shut down for several months and local politicians were detained.

In December 2019, the parliament passed the Citizenship Amendment Act, a law that simplifies naturalization procedures for Hindus, Sikhs, Buddhists, Jains, Parsis and Christians fleeing from Afghanistan, Bangladesh and Pakistan, who reached India before December 31, 2014. While the law was brought in with the stated objective of providing protection to those fleeing to India to escape religious prosecution, by excluding Muslims, the law for the first time made religion a criterion for Indian citizenship. In combination with the introduction of the planned National Register for Citizens (NRC), the new law has the potential to strip many Muslims of their Indian citizenship if they are unable to prove that they are legal citizens of India.

Regarding economic reforms, the Indian government has pursued an agenda of economic growth and job creation but has not been able to promote manufacturing nor to attract substantial foreign direct investment (FDI). In particular, India's poor infrastructure continues to hamper economic development. A recent drive toward protectionism (or self-reliance, as it is framed) is mainly directed against China and reflects the growing influence of hardline Hindu nationalists. However, programs like "Make in India" have not been successful. In the meantime, despite a reduction in poverty over the past couple of decades, inequalities within Indian society have grown. The government has been zealous in launching new social programs – or in many cases in re-labeling old ones. In these programs, it has emphasized digitalization and direct cash transfers, even though the advantages of such approaches are not clear.

The COVID-19 pandemic struck when the Indian economy was in a poor shape. The government reacted swiftly, but arguably prematurely, by imposing a strict nationwide lockdown at a time when the infection rate was still extremely low but was ultimately forced to lift restrictions at a time when infections were rising. This led to 10.5 million total confirmed COVID-19 cases and over 150,000 cumulative COVID-19 deaths as of January 2021. In the context of the pandemic, the government further weakened democratic institutions, for example, by suspending parliament for a long time and then rushing through a range of contested reforms, such as the three Farm Laws, which have removed the state guarantees provided to farmers regarding the procurement of their produce, or by further limiting the freedom of the press to report on the pandemic.

History and Characteristics of Transformation

While representative structures were introduced by the colonial state only bit by bit, the Indian constitution adopted in November of 1949 established the framework for a constitutional democracy. The transition to democracy from colonial rule was marked by the presence of institutional structures of governance put in place by the colonial state and the introduction of republican citizenship, universal suffrage and the rule of law. This tradition was nurtured and expanded in independent India, interrupted only by a brief interlude of the emergency government regime, from 1975 to 1977. Electoral democracy has become the only game in town; even radical political forces abide by its rules and do not try to gain power outside parliamentary boundaries. Elections are free and fair; extra-constitutional veto powers are nonexistent; the military is under strict civilian control. Civil rights are guaranteed, even though with major exceptions in conflict-prone regions. Substantive democracy suffered since independence by limited electoral choice, by the decade-long predominance of the Indian National Congress Party at every political level and by the concomitant mobilization and recruitment of local notables into the party machine. This diminished the access of less-privileged sectors of society to positions of political power and obstructed structural social reforms.

However, India has undergone a dramatic (second) democratic upsurge over the last decades, with the economic empowerment of lower castes following the green revolution and their later integration into the high command of traditional parties and governmental agencies and/or the

launching of new (regional) parties. The necessary byproduct of this development was unstable coalition governments at the center and in some states and a growing tendency to dispense patronage along caste lines. State governments became increasingly autonomous and other institutional veto players (the Supreme and the High Courts, the Election Commission and the president of India) grew to fill political voids.

India's transformation to a full-fledged market economy is more recent. The country followed the path of import substituting and state-led industrialization for decades, leaving considerable space for private enterprises as junior partners of the state. A first, hesitant liberalization came into effect in 1985 and a market-friendly turnaround was propelled by a severe balance of payments crisis in 1990 – 1991. The reforms since the crisis have transformed India into a vibrant and dynamic market economy, even though some sectors are still closed to private enterprise and international investment. India's new economy is driven by a considerable improvement in factor productivity, the rise of world-class enterprises and – recently – by a massive increase of the savings and investment rate. There remain, however, considerable reform deficits, most notably outdated labor regulations, a lack of sustained progress in privatization and the absorption of public resources by non-meritorious subsidies, wage and interest payments to the detriment of public investment in infrastructure and the improvement of health and education services.

After 2004, when a minority government was backed from outside by leftist parties, hardly any progress could be made with regard to the more difficult "second-generation reforms"; however, a range of inclusive social policies were instituted (Education for All, National Rural Health Mission, National Rural Employment Guarantee Scheme, loan waiver for small- and medium-sized farmers), which aimed to make growth more inclusive. After the 2009 elections, the United Progressive Alliance government was nearly paralyzed in its reform efforts, due to its dependence on small coalition partners, and it was unable to convincingly address the increasingly pressing issue of corruption. Ultimately, the widespread dissatisfaction with the United Progressive Alliance (UPA) government and the hope for change and economic reforms led to the electoral defeat of the Congress in the 2014 general election and to a clear victory for the BJP.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

If we conceive of stateness as the state's monopoly on the use of force within its territory, India has only minor problems in this regard. Over the past years, the central government has tightened its control over the country, reinforcing its monopoly on the use of force. Some exceptions remain, including those areas controlled by the Maoist-inspired rebel groups in central India, the Naxalites. The Naxalites are running parallel administrations in some areas under their control. However, during the review period, the number of casualties in this conflict declined (2019: 302; 2020: 239). In some parts of the country's northeastern region, several smaller rebel groups are still operating, but the intensity of these conflicts has also declined in recent years. After the revocation of the special status of Jammu and Kashmir by the Indian government in August 2019, the region was further militarized and tightly controlled by the central government. Overall, therefore, we saw a strengthening of the monopoly of the use of force.

A different instance of limitation to the state's monopoly on the use of force was driven by the activities of Hindu-nationalist vigilante groups formed mostly with the aim of protecting cows, which are sacred to Hindus. Such "cow vigilantism" had been banned by India's Supreme Court in 2017, yet several violent incidents took place during the review period.

The vast majority of the Indian population accepts the Indian nation-state as legitimate. Only in remote areas where the state and its institutions are virtually absent is the legitimacy of the nation-state called into question. These areas are mainly those inhabited by tribal people and characterized by the presence of Naxalites in central India; and some remote areas in the northeast, which are inhabited by small ethnic groups and tribes and are also characterized by the presence of rebel organizations.

Question
Score

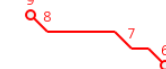Monopoly on the use of force

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State identity

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However, the dominant concept of the Indian state as a secular state has been increasingly called into question by Hindu-nationalist groups. In December 2019, the parliament passed the Citizenship Amendment Act, a law that simplifies naturalization procedures for Hindus, Sikhs, Buddhists, Jains, Parsis, and Christians fleeing from Afghanistan, Bangladesh, and Pakistan and reaching India before 2014. By not including Muslims (e.g., refugees from Bangladesh or Myanmar), the bill reflects the BJP's electoral promise to make India a home for persecuted Hindus – and a more general trend toward a Hindu majoritarian discourse on national identity. For the first time, religion has become a criterion for citizenship in India. In combination with the planned National Register for Citizens (NRC), the new law has the potential of rendering stateless many Muslim citizens if they are unable to meet the identity proof requirements. The BJP aims to use these provisions to eliminate what it considers to be "illegal infiltrators to India."

The Indian constitution stipulates that the state is secular. Formally, neither the legal order nor the political institutions are defined by or derived from religious dogmas. A notable exception is family law, which includes Hindu, Muslim and Christian law. However, the review period saw further intensification of a Hindu majoritarian culture under the leadership of Narendra Modi of the Hindu-nationalist BJP. After the landslide victory of the BJP in the 2019 elections, the secular foundations of the Indian state were further weakened as Hindu-nationalist groups have become emboldened.

The Citizenship Amendment Act has made religion a criterion for extending the protection of citizenship to refugees for the first time since India's independence. The Supreme Court, which had traditionally played an important role in protecting minority rights, has increasingly deferred to the government's wishes. In November 2019, the Supreme Court ruled that a Hindu temple should be re-built at a disputed site in Ayodhya. Under Mughal rule, a mosque had been built on the site, which is considered to be the birthplace of the Hindu deity Rama, where a temple is believed to have existed. The mosque was demolished by a Hindu mob in 1992. The Supreme Court ordered that an alternative piece of land should be given to the Muslim community to rebuild their mosque. With such ruling, the Supreme Court acquiesced to a long-standing demand of Hindu-nationalist groups.

India's administrative and bureaucratic structure stems from the British colonial empire. The state has therefore a differentiated administrative structure, providing jurisdiction, tax authorities and law enforcement. Several difficulties are found in the provision of basic services, especially in rural and remote areas. Here, big deficiencies are apparent, especially in transport infrastructure, as well as the provision of basic services such as water, education and health care. While the Modi government should be commended for putting problems like the practice of open defecation on the agenda or launching campaigns like Swachh Bharat ("clean India"), improvements on the ground have not been substantial. The issue of corruption

No interference of religious dogmas

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Basic administration

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lingers on. Several initiatives of the Modi government are aimed at reducing corruption and increasing bureaucratic efficiency. On these issues, the Modi government over the past few years has achieved some progress as per the World Bank's Doing Business ranking (with India ranking 63 out of 190 countries in 2020; 77 out of 190 countries in 2019; 100 out of 190 countries in 2018; and 130 out of 190 countries in 2017). Due to the COVID-19 pandemic, services have been severely disrupted, including routine health care services and transportation (e.g., train services were suspended for a seven-week period in spring 2020).

2 | Political Participation

Elections in India have been free and fair for nearly seven decades since independence, with only a temporary interruption in the 1970s. Universal suffrage by secret ballot is ensured, a large number of political parties are able to run and political posts are filled according to the outcomes of elections. Parliamentary elections in India are a huge exercise. The general election of 2019 was the largest democratic exercise in the world, with over 900 million people eligible to vote and voter turnout surpassing 67% (including the highest participation of female voters in Indian history).

Free and fair elections

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Elections are conducted by the independent Election Commission of India (ECI) whose members are appointed by the president and can be removed from office by parliament. Since the late 1990s, the ECI has undertaken several efforts to improve the electoral process, including, among other initiatives, the introduction of electronic voting machines, the digitalization of electoral rolls, and the mandatory disclosure of income, assets and criminal background, if any, by all candidates at the time of filing nomination papers.

While polling procedures are generally considered to be transparent and impartial, the electoral process is vitiated by the role of money and the numbers of candidates with criminal records. According to the election watchdog Association for Democratic Reforms, about 19% of the contestants declared criminal charges against them in election affidavits. While money continues to play a significant role in influencing voter choices, the introduction of electoral bonds by the central government in 2018 to enable anonymous donations to political parties facilitated the influence of prohibiting corporate capital on the electoral process and consequently on policymaking. The ruling BJP secured 61% of its total electoral funding through electoral bonds.

Compared to previous general elections, in its conduct of the 2019 general election, the ECI was more reluctant to provide a level playing field to all parties, particularly given its uneven response to the use of propaganda and "hate speech" by the ruling party. While it fulfilled its obligations by prohibiting the screening of a movie based on the life of Narendra Modi, it did not prevent the BJP from instrumentalizing the military in its electoral campaign by showing images of soldiers killed in a Pakistan-sponsored attack in Kashmir.

Due to the COVID-19 pandemic, some local elections were postponed in India. The first major election to be held during the pandemic was the Bihar legislative assembly election in October–November 2020. Several measures were introduced to mitigate the risk of contagion, including increasing the number of polling stations and counting halls, as well as an extension to the number of groups allowed to cast a postal ballot. Voter turnout was ultimately similar to the previous election. However, large rallies were held, raising fears that the spread of the coronavirus would be exacerbated.

Democratically elected political representatives have the effective power to govern in India. The Indian military has never exceeded its competencies and has always remained under strict civilian control – unlike with other countries in the region. External actors are unable to manipulate domestic politics in India, given the state's strong performance and the high value it attaches to the principles of sovereignty and non-interference. The numerous insurgent groups active in different parts of the country are small and were further weakened during the period under review. During the review period, however, Hindu-nationalist organizations further consolidated their veto powers and ability to undermine democratic procedures by retaining prerogatives that cannot be touched by democratically elected representatives.
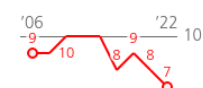
Effective power to govern

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The Indian constitution guarantees the freedom to assemble peacefully, even though the state can impose restrictions in the interest of public order or to preserve the sovereignty and integrity of India. In practice, the right to demonstrate is mostly guaranteed. Given the low degree of internal democracy in political parties, demonstrations are frequently used by civil society as a tool to forward demands to the government. Yet, Hindu-nationalist groups further expanded the general climate of intimidation over the country.

Association / assembly rights

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Moreover, the review period saw a continuation of a worrying trend involving suppression of protest or arbitrary detentions. In particular, ahead of the abolition of the special autonomy of Jammu and Kashmir in August 2019, all local politicians were placed under house arrest. In the following months, assembly rights were severely curtailed in the region. Moreover, the government made use of COVID-19 restrictions to undermine assembly rights all over the country. In particular, long-running protests against the controversial Citizenship Amendment Act were dispersed by police bulldozers in Delhi's Shaheen Bagh neighborhood in March 2020. Overall, given the COVID-19 challenge, the ban on large gatherings was a necessary measure. Yet, particularly the first strict phase of the lockdown from March 25 to April 14, 2020, did not meet the requirements of necessity or proportionality given the relatively low infection rates at that time. As of January 2021, indoor gatherings of up to 200 people and all outdoor gatherings were allowed with health protocols in place, yet "large gatherings" were banned.

The legal formation of interest groups is easy. This has led to the emergence of a large number of NGOs operating in a range of fields, from the promotion of women's and minority rights to ecological and social issues. While most of these NGOs are
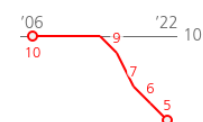
fragmented, only weakly institutionalized and often dependent on political parties, they actively contribute to a thriving civil society. Over the past years, however, increasing numbers of NGOs have been denied permission to accept foreign funding under the Foreign Contribution Regulation Act (FCRA). Under the BJP-led government, a crackdown on foreign NGOs took place. For example, the government began harassing Amnesty International in 2018 and, in September 2020, froze the financial accounts of the organization, preventing Amnesty International from operating in India.

Freedom of expression in India is guaranteed by the constitution. A large number of national and local newspapers and television channels contribute to the dissemination of information and to the diffusion of a plurality of opinions on many issues. Yet, particularly on matters related to foreign policy, most journalists tend to conform to official government positions and to practice a high degree of self-censorship. While, as opposed to 2018, no journalists were murdered in 2019, the security situation of journalists did not improve much. Journalists were the target of harassment by the police, as well as by criminal groups and corrupt politicians. After the landslide victory of the BJP in the 2019 elections, the efforts of Hindu-nationalist groups to silence their critics and vilify them as "anti-national" were further strengthened. In many cases, (especially female) journalists have been victims of "troll armies" that promote the Hindutva doctrine through online hate campaigns.

The situation in Kashmir is particularly worrying. After the revocation of the autonomous status of Jammu and Kashmir in August 2019, the central government suspended all communications for several months, making it impossible to report on the region and thereby impeding the spread of reliable information on the local situation. Internet blockades have repeatedly been enforced since 2019. As a result of this deteriorating situation, in the Press Freedom Index by Reporters without Borders, India ranked 142 out of 180 countries in 2020 (down from 138 out of 180 in 2018).

The COVID-19 pandemic has further worsened the situation. Journalists who have critically reported on the government's handling of the pandemic (e.g., on the fate of migrant laborers affected by the lockdown) have been persecuted and charged with sedition. Moreover, the BJP-led government petitioned the Supreme Court to prohibit any publication of COVID-19-related information without previous government clearance. While the court denied the petition, it directed the media to "refer to and publish the official version of the developments." Yet, in the context of the pandemic, some state governments such as that of Maharashtra prohibited the publication of information about COVID-19 without previous clearance, with the declared aim of avoiding the spread of misinformation.

Freedom of
expression

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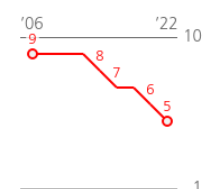
3 | Rule of Law

The horizontal separation of powers is constitutionally guaranteed through a system of checks and balances. It is also mostly implemented. However, after the confirmation of the BJP-led government in the 2019 elections, with the BJP holding an absolute majority, the executive has been further strengthened. The judiciary has historically played a major role in the consolidation of Indian democracy. Yet, during the review period, the traditionally independent Supreme Court repeatedly bowed to the will of the Hindu-nationalist government on a range of issues, from free speech to the right of access for women to the Sabarimala Temple in Kerala to the fate of the religious site of Ayodhya. At the federal level, the legislative's control over the executive is hampered by structural factors such as short parliamentary session periods. Moreover, the workings of parliament are also hampered by the frequent interruptions of sessions and walkouts by opposition parties.

During the review period, the government took advantage of the COVID-19 pandemic to rush through a series of controversial reforms. The parliament was suspended due to the pandemic from March until September 2020. In September, the parliament was re-convened for a compressed 18-day session. In particular, controversial laws reforming agricultural markets were pushed through the Upper House, where the BJP lacks a majority, in a chaotic oral vote, without being sent to the joint select committee. Furthermore, a controversial labor reform law was passed within two hours, almost without debate.

As far as the vertical separation of powers is concerned, the autonomy of state governments in the federal system is guaranteed in the fields envisaged by the constitution. The system of fiscal federalism strengthens the autonomy of the union states by providing for transfers from the central government to state governments. However, the federal states have been weakened during the pandemic due to limited financial transfers from the central government. Representative bodies at the local level have a certain degree of administrative autonomy and allow for political representation down to the village level.

During the COVID-19 pandemic, a state of emergency was not declared, as a state of emergency can only be declared in the case of external aggression or armed rebellion. The strict lockdown imposed in March 2020 was facilitated by the Epidemic Diseases Act, 1897 and the Disaster Management Act, 2005. The National Disaster Management Authority (NDMA) issued guidelines on social distancing on March 24, which defined the pandemic as a "disaster." Overall, the central government resorted to Article 256 of the constitution, which gives it the right to issue directions on how to implement laws passed by parliament. The lockdown measures were time-bound and were gradually withdrawn. While initially they did not meet the criteria of necessity and proportionality (they were too harsh for the then low virus incidence

Separation of
powers

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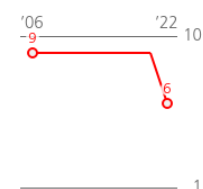
rate), they later did. The measures were not discriminatory as such, but the sudden lockdown had the unintended effect of leaving millions of migrant workers in the cities without an income or a home. Given the interruption of train and bus services, millions of workers, often with their families, walked home to their villages, sometimes hundreds of miles away.
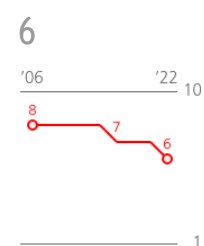
The Indian judiciary is institutionally differentiated and largely independent from the legislative and executive branches. Yet, during the review period, the Supreme Court repeatedly ruled in favor of the BJP-led government or refused to take a clear stand in a number of cases closely related to the government's Hindu-nationalist agenda. For example, it refused to take a clear position on the internet shutdown in Kashmir in May 2020 and instead asked for advice from the executive-led Special Review Committee. In the case of the contested religious site at Ayodhya, the Supreme Court ruled that the area should be given to the Hindu community to rebuild a temple, thereby bowing to a long-standing demand of Hindu nationalists. The Indian judiciary's main problem is its limited functional operability, which is mainly due to understaffing. This has led to massive delays in the hearing of cases. The COVID-19 crisis further worsened the existing backlog of 30 million court cases. Around two-thirds of India's prisoners are awaiting trial.

Independent judiciary

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The rule of law in India has been massively undermined by political corruption. Officeholders who engage in corruption often slip through political, legal or procedural loopholes and are not effectively persecuted. Corruption continues to be prevalent particularly in sectors such as the police, the judiciary, in public services and in public procurement. Corruption is prevalent at all levels and continues to affect citizens in many of their interactions with institutions.

Prosecution of office abuse
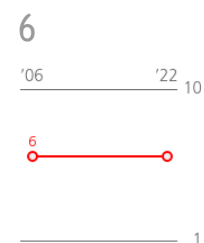
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A massive anti-corruption movement that started in 2011 has generated an entirely new awareness among the population, which for the first time openly challenges the widespread culture of corruption and has led to increasingly adverse publicity for politicians involved in corruption cases. Prime Minister Modi made the fight against corruption and "black money" one of the key topics on his populist agenda, especially during his first term in office, but measures like the so-called demonetization from November 2016 did not yield any substantial results.

More than five years after the Lokpal and Lokayuktas Act, which envisaged the creation of anti-corruption authorities at the national and state levels, a national anti-corruption authority, called Lokpal, was formed in March 2019. This happened only after repeated delays, including a government failure to comply with a 2017 ruling of the Supreme Court that required it to start the process of making appointments. Ultimately, the Lokpal was formed only after a contempt petition was filed in the Supreme Court. All this shows that the government, despite its anti-corruption rhetoric, has not achieved genuine progress in fighting corruption. Moreover, the committee created to appoint the Lokpal had a clear government bias.

De jure, civil rights are guaranteed in India. A major exception is areas where emergency laws are in force. The Armed Forces (Special Powers) Act allows Indian security forces to search the homes of and arrest suspects without a warrant, to shoot suspects on sight, and to destroy buildings believed to house militants or weapons. The act has been the object of much controversy in India given the background of abuses by the security forces. The act remains in force in Jammu and Kashmir, as well as in Assam, Nagaland, Manipur and parts of Arunachal Pradesh.

Instances of extrajudicial killings, custodial deaths, including torture and rape during custody, have also been reported. In general, underprivileged groups are particularly affected by the limited enforcement of protection laws and by the extremely slow working of the judicial system. De facto, disadvantaged social groups do not enjoy equal access to justice.

Discrimination and violence against women remain major issues in India. India's performance in the Global Gender Gap Index worsened in 2020, with India ranked 112th. Sexual violence continues to be an endemic problem. Domestic violence and killings related to disputes over dowries (so-called "dowry deaths") have persisted. Furthermore, ethnic discrimination remains widespread in India, despite protections for all minority groups. Discrimination based on religious affiliation has worryingly increased, as extremist Hindu groups close to the BJP consolidate their influence.

COVID-19-related restrictions involved limitations to freedom of movement and access to justice. These limitations did not meet all requirements of necessity and proportionality, as they were introduced too early. The right to privacy was partially affected by COVID-19 measures as some states like Kerala introduced intrusive measures to enforce quarantine (e.g., individuals were required to send geo-tagged selfies every hour from their homes). The Indian government's COVID-19 alert app, the use of which was made mandatory in so-called virus "containment zones" and for central government officials, lacks privacy protections and provides little transparency about how the data is handled.

Discrimination of Muslims and Scheduled Tribes has substantially worsened in recent years. Muslims have long been a marginalized community and the intergenerational upward social mobility of Muslims has strongly decreased over the past two decades. Under the Modi government, Muslims (as well as Dalits) have increasingly been victims of mob attacks perpetrated by Hindu-nationalist groups.

Civil rights

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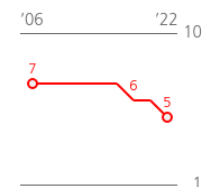
4 | Stability of Democratic Institutions

Overall, democratic institutions in India still perform their functions in a reasonably effective manner. However, the BJP-led government has further weakened and exacerbated existing counterproductive frictions between democratic institutions. In particular, in 2020, parliament was in session for only 33 days – the lowest number of sittings per year in its history. This was due to the COVID-19 pandemic. However, the government rushed through important reforms during this period without adequate parliamentary deliberation and debate. The passage of the Farm Laws, despite strong objections from the opposition in the Rajya Sabha (Upper House), are examples of such reforms.

While vertical coordination between the national and state levels is often chaotic, the government has tried to improve coordination between the center and the states under the label of "cooperative federalism," among other things, by including the chief ministers of all states in the National Institution for Transforming India (NITI Aayog), the institution that has replaced the Planning Commission. At the same time, the government has promoted "competitive federalism," for example, by ranking states' business environments, among other things, to induce them to attract foreign investors. Yet, these seem to be mostly slogans, as existing frictions between the central and state governments persist, and have even worsened due to the reduction in financial transfers from the center to the states during the COVID-19 pandemic.

While democracy is well-established in India, the governing BJP has been increasingly willing to weaken checks and balances, which has led to substantial democratic backsliding. The government has repeatedly sidelined the legislative and weakened judicial independence. The freedoms of civil society associations and interest groups critical of the government, as well as the media have been limited. The secular credentials of the state, which are enshrined in the constitution, have been called into question. The army has been effectively kept under civilian control since independence and only small armed groups, including various, peripheral insurgent groups (e.g., Maoist rebel groups (Naxalites), and ethno-nationalist armed groups in the northeast and Kashmir) have challenged the Indian state.

Performance of democratic institutions

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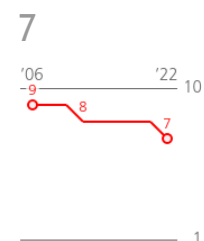
Commitment to democratic institutions
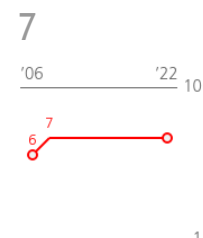
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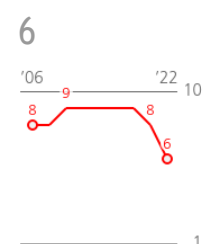
5 | Political and Social Integration

The Indian party system is fairly stable and socially rooted. A large number of parties expressing particular interests exist at the national and state levels. Social groups have relatively stable ties to political parties. Polarization, particularly along religious lines, usually increases ahead of state and general elections. The 2019 general election, in which the BJP gained an absolute majority in the lower house of parliament, has further reduced the importance of coalition politics. The substantial decline of the Indian National Congress (INC) implies that there is no credible challenger to the BJP's unquestioned primacy at the national level. In contrast, regional opposition parties remain strong in state elections. While the BJP has fairly strong internal structures, most parties are still rather weakly institutionalized. Informal procedures, factionalism and clientelism prevail. Regional parties are often focused on a strong leading personality.

Party system
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While a large number of interest groups exist in India, only a small share of the population belongs to or actively participates in the activities of associations. Labor unions and employers' federations are only partly autonomous due to the traditional role of the state in the Indian economy. However, social movements of various kinds have become increasingly assertive and the number of NGOs has been steadily increasing. These organizations are frequently promoted by intellectuals and members of the middle class, but nevertheless address the concerns of marginalized social groups.

Interest groups
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In 2015, there were more than three million NGOs in India, according to reports based on data collected by the Central Bureau of Investigation. Many of these NGOs, however, have come under increasing pressure, particularly those that receive foreign funding. In September 2020, Amnesty International closed its operations in India due to pressure from the government, which had harassed the organizations since 2018 and frozen all of its bank accounts. The Ministry of Home Affairs quite openly argued that India prohibits interference in domestic political debates by foreign-funded entities.

During the review period, a further mobilization of right-wing nationalist interests took place, with the popularity and influence of Hindu-nationalist groups increasing. The dominance of such groups implies an increasing risk of polarization. The Rashtriya Swayamsevak Sangh (RSS), a paramilitary Hindu-nationalist organization that exerts huge influence on the BJP and its policies, has further grown and expanded its presence all over the country. Its membership could amount to seven million people, and it controls a large number of other organizations such as India's largest trade union, the Bharatiya Mazdoor Sangh, with over 10 million members, as well as 12,000 schools and nearly 1,000 NGOs.
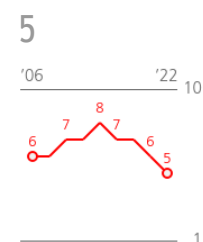
India's population, including its poorer sections, is proud of the country's achievements as the world's largest democracy and as one of the most stable democracies among post-colonial states. Approval of the democratic system is high as democratic principles are firmly rooted in the Indian population. Even poorer sections of society believe in the weight of their vote and participate in elections. In fact, voter turnout at the general election in 2019 was over 67%, the highest ever. Interestingly, however, members of the growing middle class express disaffection with politics and with the "political class" in general – a factor that might partially explain the success of populist Prime Minister Modi.

When it comes to democratic performance, according to PEW survey data, 70% of Indian respondents in 2019 were satisfied with the way democracy was working in their country. Meanwhile, 57% of respondents said it was very important that honest elections are held regularly in their country. Yet, only 37% believed it is very important that opposition parties can operate freely. According to 2017 PEW survey results, 68% and 66% of respondents stated that the legal system and the police, respectively, are a good or very good influence. Interestingly, the military enjoyed high approval ratings, with 86% of respondents stating that it is a good or very good influence.

The still extremely hierarchical character of Indian society hampers the formation of a sense of solidarity across different social groups. In particular, tensions between religious communities have negatively impacted trust among citizens. In 2018, India's score on the Social Hostilities Index was 9.6 out of 10, near its peak score of 9.7 in 2016. This was related to religious mob violence and conflicts over conversions. Moreover, in 2018, 45% of respondents in a PEW survey argued that communal relations had worsened over the previous five years, while only 28% believed they had improved. Moreover, discrimination against Dalits, members of the lowest caste traditionally characterized as "untouchable," remains a major issue.

However, a large number of associations have contributed to creating some degree of social protection for vulnerable social groups. While the anti-corruption movement, and protests against the rape of and violence directed against women have been mainly driven by the middle classes, they are an expression of a growing solidarity on topics that cut across and affect all parts of the Indian society. A large number of initiatives also take place at the grassroots level, with local groups collectively organizing to carry out strikes and protests. Since India's colonial period, tribal groups have a long tradition of resistance and protesting. Moreover, local communities have become vocal in resisting mining projects and land acquisitions. These self-help organizations are sometimes manipulated for political purposes, but they often act in an autonomous manner to promote the interests of their communities.

There are no signs that the pandemic has affected the sense of solidarity and trust in society. A number of organizations and individuals, for example, called attention to the situation of migrant workers in the context of the pandemic and organized relief for those stranded.

Approval of
democracy

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Social capital

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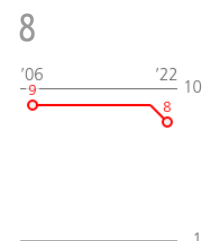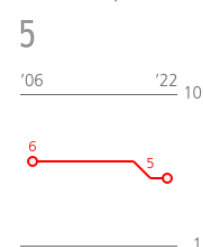
II. Economic Transformation

6 | Level of Socioeconomic Development

Poverty and inequality in India are pronounced and partly structurally ingrained. Poverty is still widespread among the rural population as well as among the urban population active in the informal sector. Moreover, poverty has increasingly affected a range of states that were largely left untouched by the economic boom and have been plagued by poor governance over recent decades, among them Chhattisgarh, Bihar and Madhya Pradesh. Taking a poverty threshold of $3.20 per day (at 2011 international prices, adjusted for purchasing power parity) as a point of reference, in 2011, 61.7% of the Indian population were poor. With an HDI score of 0.645 in 2019, India ranks 131 out of 189 countries worldwide in terms of human development. The HDI score, however, has been steadily improving over the past decade (2009: 0.569; 2015: 0.624).

India's Gini index rose from 33.4 in 2005 to 33.9 in 2009 to 35.7 in 2011, reflecting a steady increase in inequality. According to the World Inequality Database, income inequality in India has steadily risen since the 1990s. In 2018, the top 1% of the population had an income share of 21.5% and the bottom 50% an income share of 14.7%. Inequalities are also evident across regions, across different social groups as well as between skilled and unskilled workers. Social exclusion continues to affect the traditionally marginalized lower castes (the so-called Scheduled Castes) as well as ethnic minorities (the so-called Scheduled Tribes) and Muslims. Gender inequality is still a major problem in India. With a Gender Inequality Index of 0.488 (2019), India rates extremely low in international comparison, and only with slight improvements over the past years (2013: 0.573; 2015: 0.550; 2017: 0.525). While women's rights and gender equality are officially recognized, women are de facto still widely discriminated against. Discrimination ranges from the abortion of female fetuses (and a corresponding skewed gender ratio) to the intra-familial discrimination of women in accessing food and sanitation. This is mainly related to the persistence of patriarchal family structures, especially in northern India.

The Indian economy was in crisis even before the COVID-19 pandemic, but according to the World Bank real GDP contracted by as much as 23.9% (year-on-year) in Q1 of the 2021 fiscal year. In the medium term, the pandemic is expected to hit Indian society severely. According to the World Bank, a large number of households face the risk of slipping back into poverty due to income and job losses. Around 90% of the Indian workforce is employed in the informal sector and lacks social protection or significant savings. As such, many households lack the resources to recover from the shock to livelihoods caused by the COVID-19 lockdowns.

Question
Score

Socioeconomic
barriers

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Economic indicators		2017	2018	2019	**2020**
GDP	$ M	2651472.9	2701111.8	2870504.1	**2622983.7**
GDP growth	%	6.8	6.5	4.0	**-8.0**
Inflation (CPI)	%	3.3	3.9	3.7	**6.6**
Unemployment	%	5.4	5.3	5.3	**7.1**
Foreign direct investment	% of GDP	1.5	1.6	1.8	**-**
Export growth	%	4.6	12.3	-3.3	**-8.1**
Import growth	%	17.4	8.6	-0.8	**-17.6**
Current account balance	$ M	-38167.7	-65599.4	-29762.9	**33006.9**
Public debt	% of GDP	69.7	70.4	74.1	**89.6**
External debt	$ M	511472.6	521030.4	560870.6	**564179.0**
Total debt service	$ M	51224.9	63646.6	51257.1	**76238.9**
Net lending/borrowing	% of GDP	-2.6	-2.3	-	**-**
Tax revenue	% of GDP	11.4	12.0	-	**-**
Government consumption	% of GDP	10.8	10.8	11.2	**12.6**
Public education spending	% of GDP	-	-	-	**-**
Public health spending	% of GDP	1.0	1.0	-	**-**
R&D expenditure	% of GDP	0.7	0.7	-	**-**
Military expenditure	% of GDP	2.5	2.4	2.5	**2.9**

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

In India, market competition has an institutional framework, but in several areas state intervention is still in place. For example, there are forms of discrimination based on foreign versus local ownership, and some sectors of the economy are still protected. The Modi government has actively tried to attract foreign investors over the past few years. In 2019, the government allowed up to 100% ownership in single-brand retailing under the automatic route (i.e., government approval is not required, although at least 30% of the value of purchased goods must be sourced from within India for five years). Furthermore, foreign investors were allowed to open offices in India in sectors like telecommunications, information and broadcasting services, and private security with prior approval from the regulator and the ministry concerned, but without Reserve Bank of India (RBI) approval. Overall, however, India's services and trade policies remain comparatively restrictive. Moreover, during the review period, the government adopted a range of protectionist measures, which aimed to reduce the trade deficit and encourage the local manufacturing of merchandise under the "Make in India" program. Such protectionism is in line with certain strands of Hindu-nationalist ideology.

FDI inflows into India, which had been stagnant for several years, grew in 2019, reaching $50.6 billion (up 19.9% compared to the previous year). While most investments are still in the services sector (and especially in the information and communication technology sector), investments have shifted from mere services to global companies to investments in local firms, including e-commerce companies like Flipkart. In April 2020, with the declared aim of protecting domestic companies during the pandemic, the Indian government introduced a requirement for prior government approval for all investments that originate from countries neighboring India. This measure obviously targets China, with which India has had increasingly tense relations over the past years.

While the Indian government has not been particularly successful in promoting manufacturing through its "Make in India" campaign, the past few years have seen a consistent reduction in the number of hurdles to doing business in India. As a result, starting a business requires 10 procedures (2016: 15) and 17.5 days (2016: 28.5). The costs of starting a business have fallen to 7.2% of GNI per capita (2016: 14%). The informal sector is still extremely large. According to the World Bank's India Development Update of July 2020, as much as 90% of the Indian workforce is informal.

Market organization

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India has a statutory authority, the Competition Commission of India (CCI), which is in charge of implementing the Competition Act, 2002, as amended by the Competition (Amendment) Act, 2007. The CCI, which was established in 2009, continued to be rather proactive during the review period. For example, in May 2019, it ordered an antitrust probe into Google for potentially abusing the dominant market position of Android vis-à-vis its rivals. In December 2020, the CCI initiated an investigation against several cement companies for anti-competitive behavior. The Securities and Exchange Bureau of India (SEBI), a well-regarded institution, is in charge of enforcing corporate governance standards. The CCI engages regularly with other competition authorities as well as with multilateral bodies such as the OECD or UNCTAD. It has signed memorandums of understanding with bodies such as the U.S. Federal Trade Commission and Department of Justice, and the EU Directorate-General for Competition. At the same time, the Indian government has always subsidized entire sectors of the economy. For example, in agriculture, the government provides subsidies for seeds, fertilizer, energy and water for irrigation, as well as price supports, while also maintaining high tariffs to prevent the import of agricultural products.

India is one of the original members of the WTO, advocating multilateral trade and providing at least most-favored-nation treatment to WTO members as well as to other partners. Since opening up its economy in 1991, India has increasingly liberalized trade. Yet, during the review period, the Indian government pursued a mixed approach. On the one hand, it continued previous efforts to promote free trade, for example, by simplifying trade procedures at borders, upgrading port infrastructure and enhancing the electronic submission of documents. On the other hand, the government continued the protectionist course it had adopted around 2017. In 2019, additional increases in tariffs were introduced in sectors like vehicles, toys and silk. The changes that were introduced in 2018 and 2019 led to a 29% average increase in tariff rates compared to 2017. Additional changes were introduced with the budget for the fiscal year 2020/21. For example, tariffs on household products and appliances were increased from 10% to 20%. Furthermore, India has always heavily protected certain sectors of its economy, most notably it has massively subsidized the agricultural sector. In 2019, India's simple average MFN tariff rate rose to 17.6 % (2018: 13.8 %).

Several further exceptions to full trade liberalization remain. India's import regime, particularly its licensing and permit system, remains extremely complex. Besides the tariff rate, importers have to pay a range of additional duties. In many cases, imports are subject to non-tariff barriers such as prohibitions, licenses, restrictions or sanitary requirements, which hamper particularly trade with South Asian neighboring countries. Moreover, India has been actively using anti-dumping measures, especially in the chemical and textile sectors. According to the most recent trade statistics released by the Ministry of Commerce, between April and December in the fiscal year 2020/21, India's merchandise trade deficit amounted to $57.5 billion (compared
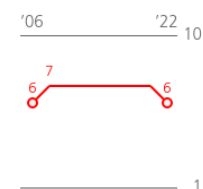
Competition policy

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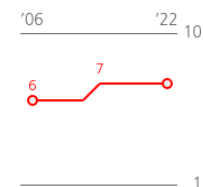
Liberalization of foreign trade

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to over $140 billion during the same period in fiscal year 2018/19). As far as services are concerned, India enjoys an estimated surplus of over $62 billion, which gives it an overall trade surplus of $5 billion.

In an important development, in July 2017, a unified goods and services tax (GST) was introduced, which replaced the previous state-level indirect taxation system. However, several years after its introduction, the GST system still faces huge compliance challenges. On the one hand, it is too complicated, having four official tax rates. On the other hand, in an effort to rationalize the GST system, the government introduced tax cuts, which reduced revenues. Moreover, in the context of COVID-19, the central government failed to adequately compensate states, thereby violating a law that required the government to compensate states for losses of revenue over a five-year period from the introduction of the GST.

India's banking system has significantly evolved since the start of economic reforms in 1991 and was one of the few banking systems that was not seriously compromised by the global financial crisis. With the Banking Laws (Amendment) Bill 2012 entering into force in 2013, corporate houses were allowed to enter the banking sector. Overall, however, the system is still heavily dominated by public sector banks, which account for about 66% of total banking sector assets. Government influence on the banking sector, moreover, manifests itself through mandatory holdings of government securities and directed lending. For example, all banks with more than 20 branches are required to allocate 40% of their loans to so-called priority sectors like agriculture or small and medium-sized enterprises.

Banking system

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Over the past decade, the share of bank non-performing loans increased from 2.7% in 2011 to 9.2% in 2019 (with a peak of 10% in 2017). Public sector banks have even a larger share (12.7%) of non-performing loans in their portfolio. According to World Bank data, the capital to assets ratio in 2019 amounted to 8.1%. After the non-bank financial company Infrastructure Leasing and Financial Services collapsed in 2018, a credit crunch ensued, which continued throughout 2019 and hampered consumer lending. The Indian government has recognized the existing problems in the banking sector. Thanks to the new Insolvency and Bankruptcy Code, progress is being made in the recognition and resolution of non-performing assets. Moreover, the government has reacted by injecting $30 billion into public sector banks in recent years. In 2019, it also announced a consolidation plan entailing the merger of several public sector banks so as to reduce their number from 18 to 12.

According to the RBI's Financial Stability Report of January 2021, the Indian banking sector is stable, but – due to the crisis unleashed by COVID-19 – the proportion of gross non-performing assets held by Indian banks could rise to 14.8% by September 2021 under a severe stress scenario.

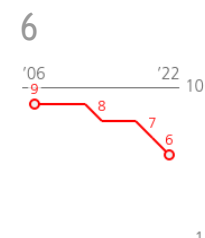## 8 | Monetary and fiscal stability

Inflation, as measured by the consumer price index, substantially increased during the review period compared to previous years: in 2019, it rose to 7.7% from 4.9% in 2018 and 2.5% in 2017. Prior to 2013, inflation had hovered around 10%. The past decade has, therefore, seen a high degree of inflation rate volatility. The recent rise was particularly driven by food items including vegetables. Facing a slowdown in economic growth and inflation within the inflation targeting range, the RBI pursued a more accommodative monetary policy, lowering the policy rate four times between April 2019 and February 2020, and two further times in response to the COVID-19 pandemic. Ultimately, according to the World Bank's India Development Update of July 2020, the repo rate reached 4.0%. This is the easiest rate in RBI history. Given lower incomes and demand, as well as a rise in unemployment, inflation is expected to fall again in the fiscal year 2020/21.

Against the backdrop of the government's export promotion efforts, the RBI's exchange rate policy has been a much-debated issue. In general terms, the RBI has lost much of its independence over the past few years. In December 2018, RBI Governor Urjit Patel resigned and was replaced by Shaktikanta Das, a career civil servant who is close to Prime Minister Modi. The RBI's loss of credibility due to its waning independence marks a dangerous trend. Facing an economic slowdown after its re-election, the government pressured the RBI to approve a $24 billion payout from its Contingency Risk Buffer in August 2019. Over the past few years, the reserve ratio of the RBI has been halved, from around 10% of assets in 2013 to 5.3% in 2019.
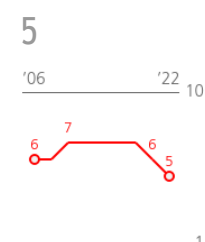
In 2003, India introduced the Fiscal Responsibility and Budget Management Act, which mandated a phased reduction in the fiscal deficit to 2.5% of GDP as well as the elimination of the revenue deficit. The law generally increased fiscal transparency and responsibility by mandating that the government regularly issue reports to be discussed in parliament. Indian governments are, in principle, committed to fiscal consolidation and the fiscal deficit has decreased over the past decade. However, it has exceeded budget estimates in recent years, implying a deterioration of the situation. For the fiscal year 2020/21, the government revised its deficit estimate to 3.8% of GDP, up from 3.3% in the year 2019/20. Yet, the actual outturn was much higher, at 4.6% of GDP.

Indian states, which have a certain degree of fiscal autonomy but are dependent on transfers from the central government, have traditionally pursued irresponsible fiscal policies, essentially waiting for central government bailouts. Due to the COVID-19 crisis, according to the RBI, the states' fiscal deficit is expected to grow to 4% (as opposed to the budgeted 2.8%).

Monetary stability

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Fiscal stability

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In 2019, India's current account deficit amounted to $29 billion (2018: $65 billion; 2017: $38 billion). India's public debt is still massive. Over the past few years, it has stagnated at around 70% of GDP, for example, in 2019 it amounted to 72.3%. Public debt is mostly owned by domestic creditors. India's total reserves kept rising over the past two decades, reaching $432 billion in 2019 (2018: $274 billion).

The massive lockdown-related contraction of domestic economic activity during the COVID-19 pandemic has had a number of consequences. The government has introduced a range of fiscal support measures. Above-the-line measures include government spending (around 3.2% of GDP), foregone or deferred revenues (around 0.3% in the fiscal year 2020/21), and expedited spending (around 0.3% of GDP in 2020/21). In the early phase of the pandemic, the government focused on social protection (including in-kind and cash transfers to poor households), wage support and health care provisions. Below-the-line measures include activities aimed at supporting businesses and providing credit to a range of sectors (around 5.2% of GDP). In October/November 2020, the government announced additional public investment and support schemes for specific sectors of the economy.

The RBI reduced the repo and reverse repo rates to 4.0% and 3.35%, respectively, and announced liquidity measures. This resulted in cumulative liquidity injections of 5.9% of GDP until September 2020. In April 2020, the World Bank approved a fast-track COVID-19 Emergency Response and Health Systems Preparedness Project for India worth $1 billion.

According to estimates by the World Bank, the COVID-19 crisis will have severe implications on the fiscal deficit and debt of the central and state governments over the next two years. Accordingly, the fiscal deficit is expected to rise to 6.6% of GDP in 2020/21 and to remain at 5.5% in the fiscal year 2021/22. The central government deficit might increase to 11% of GDP. Due to the expected prolonged contraction in GDP growth and increase in the primary deficit, the debt-to-GDP ratio is expected to reach a peak of 89% in the year 2022/23.

9 | Private Property

Property rights in India are, overall, adequately defined. Generally, the main political actors do not call into question the principles of private property, private initiative or the need to attract foreign investment. However, there are still several limitations. In 2020, India ranked 56 out of 129 countries in the International Property Rights Index, following a slight decrease in the country's score. When it comes to intellectual property rights (IPR), India released a National IPR Policy and in 2016 established its first intellectual property crime unit in the state of Telangana. However, India's IPR regime does not meet international standards and there have been no major shifts in the Intellectual Property Rights Subindex over the past few years. In the World Bank's Doing Business Report, India rose to rank 62 out of 190 countries in 2020 (from 77 out of 190 in 2019 and 130 out of 190 in 2017).

Property rights

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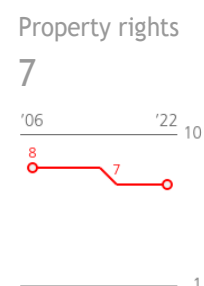
Private companies in India are viewed institutionally as important engines of economic production and are given legal safeguards. While the role of the private sector has been strengthened since the beginning of economic liberalization in the 1990s, India has a long tradition of state-owned enterprises, which still play an important role in the economy.

Since 1991, the government has pursued a policy of "disinvestment," selling government equity in public sector enterprises, but still retaining majority control. This partial privatization has been used to raise funds to meet fiscal deficit targets. However, the deterioration in financial market conditions related to the COVID-19 pandemic derailed plans for further disinvestment, which fell to under 50% of the budgeted amount. Furthermore, in the near future, the World Bank expects disinvestment to proceed more slowly than planned. However, there is no reason to expect a permanently larger share of state-owned enterprises or parastatals and a resulting decrease in the role of the private sector as a consequence of the COVID-19 crisis.

10 | Welfare Regime

Traditionally, social safety nets in India were mainly based on family structures – and they largely continue to be so. However, a range of reforms initiated in the mid-2000s has substantially improved the chances of marginalized sections of Indian society to receive at least some compensation for social risks. Programs like the Mahatma Gandhi National Rural Employment Guarantee Act provide for the temporary employment of people living below the poverty line. Moreover, there are a range of other programs at the national and state levels that address a variety of issues with different modalities of distribution. The Public Distribution System (PDS), for example, provides for the distribution of food grain staples to the poor through "ration shops"/"fair price shops." The Integrated Child Development Services (ICDS) is India's flagship program aimed at addressing malnutrition and health problems for children and their mothers. The Deendayal Antyodaya Yojana is a skill development scheme that also provides other forms of support to poor rural and urban populations. However, the effectiveness of many of these programs is dubious, mainly due to corruption and leakages.

In 2017, public expenditure on health care amounted to 1.0% of GDP, only a slight improvement compared to the 0.9% in previous years. Life expectancy at birth has steadily risen over the past decade, from 65 years in 2006 to 69.4 years in 2018. However, health conditions are still poor, with a neonatal mortality rate of 26.1 per 1,000 live births and a maternal mortality ratio of 158 per 100,000 live births in 2015 (WHO data).

As far as health insurance is concerned, there are several schemes sponsored by the central government that are targeted at employees in the formal sector or at civil servants. During his first term in office, Modi introduced the Ayushman Bharat
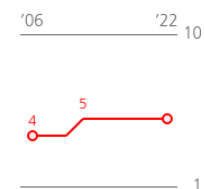
Private enterprise

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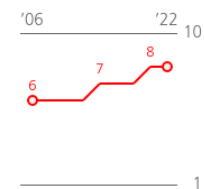
Social safety nets

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Pradhan Mantri Jan Arogya Yojana (PM-JAY), a health insurance scheme for the poor, which has been dubbed Modicare. Over the past few years, the scheme has been criticized for failing to provide "free" health care, since it works by providing fixed reimbursements to hospitals and doctors for specific categories of treatment but does not address unexpectedly high costs related, for example, to co-morbidities.

Another key feature of Prime Minister Modi's reforms in the social sector has been the drive toward digitalization, cash-free transactions, and connecting welfare programs and the "Aadhar" program of biometric data collection. Despite potentially increased efficiency and reduced costs, these moves have a range of downsides in terms of the marginalization of the weakest target groups, as well as women and girls, who frequently suffer discrimination within their families.

In response to the COVID-19 pandemic, the government introduced a range of additional policy measures to cushion severe hardship. These included food programs, cash transfers to target groups like the elderly or widows, and a doubling of the amount of collateral-free loans for women's self-help groups. Importantly, however, emergency relief was centralized. Prime Minister Modi created a donation-funded entity called PM CARES instead of utilizing existing institutions. One of the problems of PM CARES is that it is not subject to the same level of public scrutiny as public authorities.

Equality of opportunity in India has not been achieved. Members of the lower castes, Muslims, members of tribal communities and other marginalized social groups do not have – de facto – equal access to education and employment. There are, however, several forms of affirmative action aimed at promoting the participation of marginalized groups. Among them are reservations for members of Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes (OBCs) in the public sector and universities. The Indian constitution also provides for the reservation of seats in elected bodies corresponding to the share of SCs and STs in the population of each constituency. The system of reservations has contributed to improving social mobility and to fostering the political empowerment of members of marginalized groups. In some cases, SC members have managed to attain leading political positions.

Equal opportunity

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Discrimination of women remains a major issue in India. Especially in the extremely patriarchal north of India, women tend to be discriminated against within their families. With poor families, this means poorer access to food and sanitation. As far as access to education is concerned, substantial progress has been made in primary and secondary education, where the ratio of female-to-male enrollment (Gender Parity Index) is now 1.1, and even in tertiary education it is 1.1. However, India's female labor force participation rate has steadily declined over the past couple of decades, from 27.7% in 2007 to 23% in 2010 to only 19.9% in 2020. India's ranking (112 out of 153 countries) in the Global Gender Gap Index 2020 is very low.
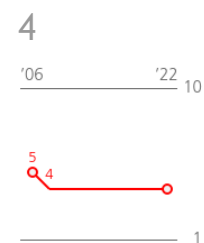
Women still play a subordinate role in politics – albeit with some notable exceptions, such as INC President Sonia Gandhi or West Bengal Chief Minister Mamata Banerjee. Women make up 14% of members of parliament in the Lok Sabha (the lower house of parliament), even though the share has risen over the past years. The Women's Reservation Bill, which envisages a 33% reservation for women in the national parliament and state legislative assemblies, has been pending in parliament since 1996. While a series of rape cases since 2012 have generated an entirely new societal awareness of the conditions of women in India, it will take very long to achieve substantial changes in the general attitude toward women.

11 | Economic Performance

When the COVID-19 pandemic hit India, economic growth was already decelerating. After several years of impressive growth, real GDP growth slowed from 7.0% in 2017 to 6.1% in 2018 to only 4.2% in 2019. In 2019, India's current account deficit amounted to $29.7 billion, a reduction on the previous review period. In the same year, public debt rose to 72.3% of GDP, after stagnating at around 70% over the previous few years. Inflation rose to 6.2% in 2020 (from 4.8% in 2019 and 3.4% in 2018), according to the Asian Development Bank (ADB). The government's efforts to attract foreign direct investment, however, displayed only moderate results, with a small increase to 1.9% of GDP in 2019 from 1.6% in 2018 and 1.5% in 2017. In absolute terms, FDI rose to $50.6 billion in 2019 from $42 billion in 2018 and was still mostly directed at the services sector.

Output strength

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A huge challenge for the government remains the need to create as many as one million jobs per month in order to accommodate India's growing young workforce. However, the "Make in India" campaign promoted by the Modi government has so far failed to deliver. The unemployment rate remains at 5.4%, after having stagnated at almost the same value for the past decade (even though this figure has only limited relevance given the importance of the informal economy and unregulated employment). The introduction of the GST system, which was one of the biggest reforms during Modi's first tenure in office, has failed to substantially increase tax revenues. These amounted to 12.0% of GDP in 2018 (2013: 11%).

Overall, therefore, the output strength of the Indian economy declined substantially during the review period. The pandemic has further taken a huge toll on the Indian economy. According to the ADB, India's economy contracted by -8.0% in 2020. GDP grew by 4.0% in 2019 and by 6.5% in 2018. The ADB projects this to be followed by GDP growth of 11% in 2021. While the Indian government has highlighted India's fast growth after the lifting of the lockdown, observers agree that the damage caused by the harsh measures introduced in response to the COVID-19 pandemic will last for a long time.
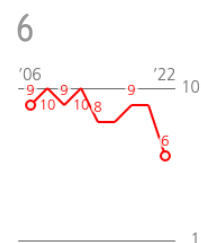
12 | Sustainability

India faces massive environmental problems, from water pollution and water scarcity, waste management issues, soil degradation and biodiversity loss. India is also one of the largest emitters of greenhouse gases in absolute terms.

Environmental policy

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The issue of air pollution has become one of the most pressing environmental problems in India. According to the 2019 World Air Quality Report, 21 of the 30 most polluted cities in the world are located in India. On average, cities in India exceed the WHO target for annual exposure to particularly deadly fine particulate matter (i.e., with a diameter of 2.5 μm or less) by 500%. According to a study published by the Lancet, in 2019, nearly 1.7 million premature deaths in India (18% of all deaths) were related to pollution. According to the Indian Medical Association, 13% of Delhi's COVID-19 cases may be linked to air pollution.

Between 2018 and 2019, air pollution in the country as a whole decreased by 20%. This was reportedly most probably due to the economic slowdown. In fact, the central and state governments have failed to introduce effective measures to reduce air pollution. In 2019, the government announced the National Clean Air Programme (NCAP), which aimed to reduce pollution levels across cities. In this context, the collection and availability of data on air pollution has increased. All major political parties mentioned the issue of air pollution in their manifestos for the 2019 election. Overall, there seems to be increasing awareness about the issue. In November 2019, the issue of air pollution was also discussed at length in the parliament. However, the NCAP does not create legal obligations. It does not formulate specific targets, but just the general goal of reducing air pollution by 20–30% by 2024.

Concerning climate change mitigation, the Modi government has taken a more proactive stance compared to the previous Congress-led governments. While still opposing binding emission targets, at the Paris climate conference of 2015, the Indian government promised that at least 40% of the country's electricity would be generated from non-fossil sources by 2030. For his engagement in the formation of the International Solar Alliance, Modi was awarded the United Nation's highest environmental award in 2018, being named UNEP "champion of the earth."

However, the government's rhetoric has not been matched by concrete achievements and indeed its approach to environmental issues has been more than ambivalent. Despite commitments to renewable sources of energy, the Indian economy still relies heavily on coal: 72% of India's electricity is still generated by coal-fired plants. In a 2017 report, the NITI Aayog, a body that replaced the Planning Commission, estimated that the share of coal in India's energy mix will amount to 44% in 2040.

In 2020, the government of India proposed the new Environmental Impact Assessment (EIA) Draft, which has been widely criticized for diluting existing provisions. Critics argue that the new rules will make it much easier for industries to

escape environmental accountability. For example, projects considered to be of "strategic" importance by the government will no longer require clearance and the government will not place information on such projects in the public domain. This would obviously give the government ample room to maneuver regarding the summary clearance of projects. Among the projects exempted from prior clearance are waterway projects and the expansion of national highways. Even more importantly, according to the new draft, post-facto clearance of projects that violate the rules will be allowed.

As has become evident, the government focuses on growth and investment to the detriment of environmental issues. Among the population, awareness of environmental issues remains extremely low.

India's education policy contributes to a system of education and training that is mostly sub-standard, with some notable exceptions. The literacy rate in 2018 amounted to 74.4% (2011: 69.3%). The gross enrollment ratio in secondary education amounted to 73.8% and in tertiary education to 28.6% in 2020. India scores with a value of 0.555 on the U.N. Education Index.

Education policy / R&D

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Overall, there are still massive deficits in access to education, even though there have been signs of improvement. The parallel systems of private and government schools contribute to deepening gaps in education among social groups. Interestingly, however, according to the Annual Status of Education Report (2020 first wave), the proportion of children enrolled in private schools in rural areas declined by three percentage points between 2018 and 2020, to 33.6% for boys and 27% for girls. This is most probably due to the financial distress of households and extensive COVID-19-related closure of private schools.

The Right to Education Act, which has been effective since 2010, made education a right for the first time and started to address the goal of providing better-quality education. As far as tertiary education is concerned, there are a number of high-class colleges and universities, especially in the natural sciences. However, in the academic field, India suffers from a massive brain drain. With expenditure on education amounting to 3.8% of GDP in 2013 (no more recent data is available), and expenditure on research and development further declining to 0.6% of GDP in 2018 (2017: 0.7%; 2008: 0.9%), India still ranks low in international comparisons. During the review period, the number of politically motivated, clearly not merit-based, appointments to leading positions in universities and research institutions further increased. This was paralleled by a growing tendency toward self-censorship in Indian academia out of fear of persecution by the government. These trends are harmful to the further development of high-quality academic research.
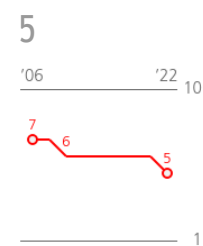
Governance

I. Level of Difficulty

The management performance of the Indian government is limited by a range of structural constraints. While poverty has been declining, taking the poverty threshold of $3.20 per day (at 2011 international prices adjusted for purchasing power parity) as a point of reference, in 2011, 61.7% of the Indian population were poor. More recent data is not available. The last round of the consumption survey (2017 – 2018), which forms the basis of poverty estimates, was scrapped by the Modi government, while the 2020/21 survey is unlikely to be carried out due to the COVID-19 pandemic.

While India has a growing reservoir of young, well-trained and English-proficient workers, the persistent low degree of literacy and the lack of a structured vocational training system imply an immense loss of potential. India is relatively well-equipped to deal with natural disasters, as its response to the 2004 tsunami or its support for Nepal after the 2015 earthquake have shown.

One of the main structural obstacles limiting the management performance of the government is the country's still extremely poor infrastructure. The government has recognized the problem, and improving infrastructure has been one of the main reform goals of the Modi administration. However, progress has been slow and even though the government announced that it would increase spending on infrastructure projects in 2020, the economic downturn exacerbated by the COVID-19 crisis led to a decline in infrastructure spending. Overall, the disruptive shock caused by the pandemic is expected to be huge. With 10.5 million total confirmed COVID-19 cases and over 157,000 cumulative COVID-19 deaths as of the end of February 2021, India has had a comparatively low mortality rate, but the pandemic is still expected to have a huge impact on political and economic transformation in the country.

India has a long tradition of civil society engagement and a range of role models in that regard – first of all, Mahatma Gandhi. Millions of NGOs operate across a range of issue areas, including on environmental issues, the protection of human rights and the struggle for gender equality. A civic culture of participation in public life has always been rather strong, and the large number of demonstrations that take place all over India on any subject shows that also people from marginalized social groups take to the streets and organize to make their voice heard. By contrast, unions and employer associations remain relatively fragmented and are often affiliated with

Structural
constraints

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Civil society
traditions

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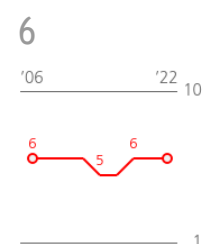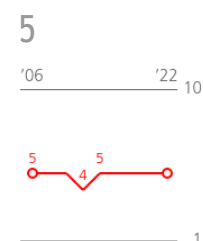
political parties. However, social trust is still rather low, and the situation is worsening due to increased social tensions, particularly among religious groups. According to the social capital subindex of the Legatum Prosperity Index 2020, India ranked 78 out of 167 countries (2018: 102 out of 149).

A range of cleavages exist in Indian society. They concern caste and social status, ethnicity, religion (especially tensions between Hindus and Muslims), and gender. Since these cleavages rarely overlap and reinforce each other, however, no major nationwide armed conflict has taken place in recent decades, and episodes of violence have remained relatively limited.

Conflict intensity

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However, a range of conflicts continue to exist in different parts of the country. During the review period, the situation in Jammu and Kashmir severely deteriorated following the abolition of the state's special status and its dissolution into two union territories controlled by the central government. Due to massive repression in the world's most intensely militarized region, violence did not flare up afterward, but dissatisfaction among the local population is huge. During the review period, the Naxalite conflict in central India saw a decline in violence, with 302 casualties reported in 2019 and 239 in 2020, according to the South Asia Terrorism Portal (SATP). In contrast, 335 and 412 casualties were reported in 2017 and 2018, respectively. In addition, violence perpetrated by armed groups in several northeastern states decreased (only 34 casualties were reported in 2019, according to the SATP).

The main and most dangerous conflict line has been the one between Hindus and Muslims. The increased room to maneuver for Hindu-nationalist groups under the Modi government has led to an increase in violence and intimidation vis-à-vis the Muslim minority, and to the establishment of a majoritarian Hindu discourse. Things have worsened following the landslide election victory of the BJP in 2019, which has led to the further polarization of the population along religious cleavages. The COVID-19 pandemic is expected to exacerbate such conflicts. For example, following a rise in infections related to a Muslim gathering, the hashtag #CoronaJihad trended on social media. The anti-COVID-19 measures to limit freedom of assembly and speech, which were implemented in an already extremely polarized political situation, have the potential to further weaken Indian democracy and undermine safeguards for minority groups.
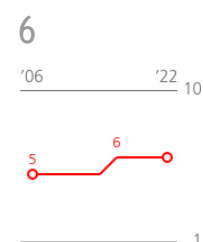
II. Governance Performance

14 | Steering Capability

Prime Minister Modi's BJP won an absolute majority in the 2019 elections and has since been able to govern without coalition partners. Despite weakening economic performance and poor crisis management, his government still enjoys a substantial amount of support among the population. Therefore, it has room to maneuver with regard to carrying out important reforms, at least to the extent possible given the COVID-19 pandemic. The strategic priorities of the government include a revival of economic growth and the promotion of industrialization. Yet, such reform efforts have in part been undermined by Hindu-nationalist ideology. During the review period, the government discontinued efforts to open up the Indian economy by introducing new tariffs and other protectionist measures, and by re-introducing old notions of self-reliance.

The COVID-19 crisis has obviously impacted the government's long-term economic reform plans – be it on matters of infrastructure development or the promotion of the manufacturing sector. So far, the government has prioritized short-term mitigation efforts over long-term recovery. No particular additional mechanisms were established to enhance strategic capacities within the government. But, as in previous years, Prime Minister Modi's programs and schemes in many cases amounted to blind activism, and implementation has been rather poor. This seems to correspond to a typically populist desire to keep popular support alive, while stylizing the prime minister as a charismatic savior, who solves the problems of the nation in a highly personalized fashion. The excessive complexity of the GST system and the limitations of "Modicare" reveal the limits of prioritization and strategic planning under the Modi government.

Prime Minister Modi's government has largely failed to achieve its own declared priorities. In 2014, Modi was elected on a development platform, promising "good days" and development for everybody. Ahead of the 2019 elections, economic growth had started to slow down and the prime minister had clearly failed to achieve his declared goal of creating millions of jobs for the young generation joining workforce. This led the BJP to pursue an election campaign focused on issues of national security, highlighting threats to India from Pakistan and promoting a divisive Hindu-nationalist majoritarian discourse.

When it comes to the Hindu-nationalist goals of the BJP and, by extension, of the government, these were pursued far more successfully – yet, they are clearly at odds with the normative framework of the BTI. This implies that the situation has, overall,

Question
Score

Prioritization
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Implementation
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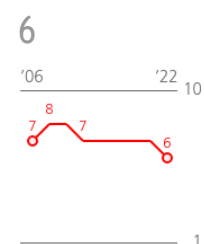
deteriorated. Shortly after re-election, Modi's government implemented a range of long-standing Hindu nationalist demands, including the termination of special autonomy for Jammu and Kashmir, and the introduction of the Citizenship Amendment Act. The weakening of press freedoms and democratic institutions during the COVID-19 pandemic is another indication that the government is successfully realizing its own understanding of India as a Hindu majoritarian state.

The BJP-led government of Prime Minister Modi has been flexible and dynamic when it comes to the introduction of new policies, even though the sheer magnitude of government programs and the recalcitrance of the bureaucracy remain major obstacles to flexible policy learning and adaptation. By introducing measures such as the cut of several subsidies, the government has displayed a clear willingness to introduce change through policy learning. At the same time, its room to maneuver is limited when it comes to issues such as loss-making state enterprises. Moreover, it has to be noted that most of the reforms introduced by the government are rather cosmetic in nature. A typical tool employed by the Modi government is the renaming or rebranding of existing schemes and programs, with little change in substance.

Policy learning

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The willingness to learn from international partners seems to have decreased, if one keeps in mind the growing suspicion vis-à-vis foreign NGOs, which are often perceived as meddling with internal affairs and possibly even hampering India's growth prospects. During the review period, a further centralization and personalization of decision-making could be observed. In fighting the pandemic, in particular, the prime minister did not resort to a broad process of consultation with experts. Instead, he reportedly received advice from a group of seven to eight high-ranking civil servants. Emergency assistance was highly personalized and focused on the person of the prime minister, who created a trust called PM CARES, which bypassed existing institutional mechanisms such as the prime minister's National Relief Fund. The government has certainly displayed an interest in fighting the pandemic and in learning how best to do it, but with rather limited flexibility.

15 | Resource Efficiency

When it comes to the efficient use of available resources, the government of Narendra Modi shows some interesting contradictions and, overall, a worsening of the situation. On the one hand, Modi came to power with the explicit aim to reduce bureaucracy and govern more efficiently according to the motto "minimum government, maximum governance." And indeed, India's rapid hike in the Doing Business ranking reveals that progress has been made in this regard. However, several of the measures introduced by the government are actually piecemeal and changes are slow to implement. The Ministry of External Affairs has clearly been marginalized from decision-making on foreign policy, with an increasingly more centralized and personalized decision-making system adopted under Narendra Modi.
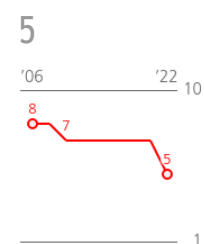
Efficient use of assets

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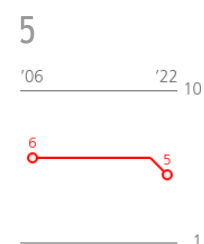
The use of budget resources continues to be inefficient in many cases. In the fiscal years 2019/20 and 2020/21, the government revised its fiscal deficit targets due to a substantial decline in revised estimates of revenue collection as compared to budget estimates. Resource efficiency has been severely and increasingly hampered by politically motivated appointments of unqualified persons – often members of the Hindu-nationalist RSS.

The Indian state has inherited an efficiently organized bureaucratic system from the British colonial government, based on recruitment and promotion on merit. While formally recruitment procedures are still transparent, a large number of quotas and reservations for disadvantaged social groups (as well as the above-mentioned politically motivated dismissals and appointments) seriously impact the efficiency of the system.

When it comes to "responsible" decentralization, progress has also been only cosmetic. Prime Minister Modi has claimed that he has further empowered the Indian states under the principles of "cooperative federalism" and "competitive federalism." Yet, in the context of the crisis response to the COVID-19 pandemic, financial transfers from the central government to the states have been limited, implying a centralizing approach adopted by the central government in its relationship to the states. For a long time, the central government did not borrow on behalf of the states, thereby violating legal provisions that require it to compensate states for GST shortfalls.

The Indian government tries to coordinate conflicting objectives, but frictions and redundancies among different government agencies remain significant. The Modi government has made explicit efforts to improve coordination (e.g., by unifying the Indian market through the introduction of the GST). Yet, the review period saw a further increase in the already observable trend toward a personalized and centralized mode of coordination with the prime minister and a small circle of advisers. Persons close to Prime Minister Modi were appointed to key positions, while experts were not included in early COVID-19 crisis management decisions and key ministries were increasingly marginalized. While centralized decision-making can have advantages in terms of efficiency, in the long run, it might create bottlenecks and undermine policy goals by setting narrow priorities. Moreover, a range of overlapping and often ad hoc programs continue to exist, especially at the state level. The frequent relabeling of programs and the constant mushrooming of new initiatives by the central government are also detrimental for policy coordination. Especially in response to the COVID-19 pandemic, policy coordination was neither transparent nor effective. The creation of the PM CARES trust, for example, undermined the work of existing disaster relief institutions and created an entity that was subject to much less public scrutiny.

Policy
coordination

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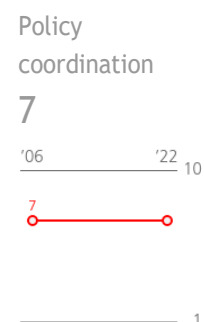
One of the central topics in Narendra Modi's populist election campaign of 2014 was the fight against corruption. By presenting himself as a clean alternative to the corrupt Indian National Congress elite, Modi managed to ride a wave of popular discontent with corruption, which had started with a large anti-corruption movement led by social activist Anna Hazare in 2011. However, Modi's approach to fighting corruption has been mostly based on highly visible but largely ineffective initiatives such as the effort to fight "black money" through "demonetization" in 2016. Some integrity mechanisms are in place, including the Comptroller and Auditor-General (CAG) of India, while a national anti-corruption body (the so-called Lokpal) was formed only in 2019 after repeated delays. The Lokpal may ultimately turn out to be partisan as the committee that appointed its members had a clear government bias.

In 2017, the government changed the rules for party financing. Among other things, it removed the cap on corporate donations, allowed partially foreign-owned companies to donate and removed disclosure obligations for companies regarding financial support to political parties. Most importantly, "electoral bonds" were introduced, which allow individuals and companies to anonymously deposit money in the bank accounts of political parties held by the State Bank of India. Importantly, vote-buying is still a widespread practice. Ahead of the 2019 general election, liquor, drugs and other goods worth over $400 million that were intended to be distributed to potential party voters were seized.
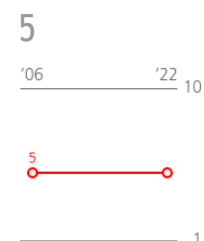
According to the Anti-corruption Evidence Research Programme, despite the General Financial Rules' formal transparency requirement, the Indian government does not publish transparent information about public procurement at the national level. Media access to information is also limited, particularly given the government's suppression of media freedoms.

Anti-corruption policy
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16 | Consensus-Building

The democratic principles of the Indian state are not openly called into question by any relevant political actor. However, the past few years have seen an increase in authoritarian tendencies and a weakening of democratic institutions under the BJP-led government. The secular character of the state has been called into question in an increasingly open manner.

While Narendra Modi's government has clearly pushed for economic liberalization, radical Hindu-nationalist forces opposed to a "Western-style" market economy have become more vocal and influential in the government, leading to the introduction of protectionist measures. Critical voices in the media or from some leftist parties are still opposed to many of the reforms introduced by the government and to issues such as the abolition of subventions or the creation of special economic zones.

Consensus on goals
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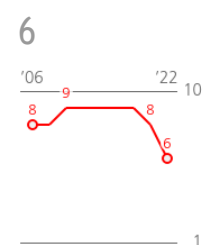
The BJP-led government has increasingly challenged the democratic foundations and institutions of the Indian state. The influence of hardline Hindu-nationalist groups has further increased. These groups seek to undermine the fundamental principles of the Indian state by calling into question its secular credentials and seeking to make India a Hindu nation. Their polarizing attitude, which reinforces the religious cleavage within Indian society, makes them actors with a strong potential to disrupt current reform processes.

Among other actors that challenge the Indian state and its democratic foundations are the Naxalites, Maoist-inspired rebels who claim to be fighting for the rights of the landless and tribal populations in central India, and whose declared goal is the subversion of the Indian state. Yet, they do not represent a political force with any significant means.

Indian society is characterized by the existence of multiple cleavages related to caste, religion and ethnicity. The Indian constitution provides for a mitigation of potential conflicts through the principle of secularism, the federal structure of the state and the provisions for the political representation of otherwise marginalized social groups. However, the willingness of the political leadership to depolarize these structural conflicts and to prevent society from falling apart along these cleavages has further declined during the review period. The religious cleavage has been reinforced. Further episodes of mob violence against Muslims have occurred, including clashes in Delhi in February 2020 in the context of protests against the Citizenship Amendment Act. The episode has been labeled a pogrom by some experts. Violence has been incited by Hindu-nationalist politicians and the police have not done much to stop the violence. The fact that no large-scale violent conflicts have broken out in India is less a consequence of depolarizing policies pursued by political actors, but rather the result of the multiplicity of cross-cutting, non-overlapping cleavages that prevent the formation of large extra-systemic opposition coalitions.

A large number of non-governmental organizations of all kinds exist in India. Civil society is extremely active and has been increasingly able to compensate for a lack of formal access to policymaking by mobilizing large numbers of supporters in huge nationwide demonstrations, as evidenced by the farmer protests. While the anti-corruption movement of 2011 and the protests against rape and violence against women of 2012 proved short-lived, they contributed to changing the awareness of the broader population on these topics.

However, civil society participation in agenda-setting, and policy formulation, implementation and monitoring is rather limited. Prime Minister Modi, in a truly populist fashion, claims to speak in the name of the "people," for example, by asking citizens to directly send him their requests and by addressing some of those issues in his monthly radio speeches. However, when it comes to actual decision-making, processes have become ever more centralized and less participatory. For example, in the crisis management response to the COVID-19 pandemic, no meaningful civil society participation occurred.
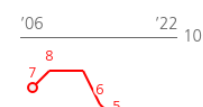
Anti-democratic actors

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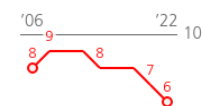
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Cleavage / conflict management

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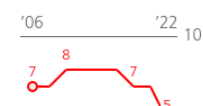
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Civil society participation

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While India has not experienced major civil wars calling for the establishment of mechanisms to promote reconciliation, smaller instances of conflict and acts of injustice abound. While the government has displayed its readiness to rehabilitate victims of past injustices, rehabilitation is often not pursued expeditiously. This is due, on the one hand, to the overburdened justice system and, on the other, to delays (and sometimes major flaws) in police investigations. The response to atrocities committed in Kashmir, as well as against Muslims and members of Scheduled Castes has been extremely poor, and the BJP-led government is not committed to investigating injustices committed against these minority groups.

Reconciliation

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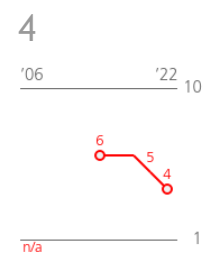
17 | International Cooperation

The BJP-led government of Prime Minister Modi has a clear focus on economic growth but has also continued to address the development agenda. As with previous Indian governments, the current central government emphasizes self-sufficiency and autonomy. In 2003, India declared that it would accept bilateral development assistance only from a limited number of states: Germany, Japan, Russia, the United Kingdom and the United States (the British Department for International Development ended traditional financial aid to India in 2015). The BJP-led government has stuck to this policy and has sharpened the monitoring of and restrictions on foreign NGOs that are perceived to be meddling in internal affairs. Indian institutions are often perceived as "difficult" partners to deal with in a bilateral setting by international donors.

Effective use of
support

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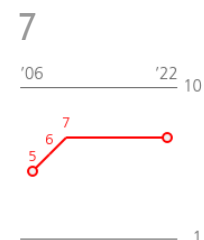
India's focus on sovereignty and non-interference does not imply, however, a general unwillingness to cooperate with international partners, particularly with multilateral institutions, or to seek support in the field of development. Several of the social programs promoted by the Indian government have been developed with international assistance, for example from the World Bank. Moreover, in the context of the COVID-19 pandemic, in April 2020, the government said that it would set aside its traditional rejection of foreign aid in case of disasters and that it would open the PM CARES trust to foreign contributions. Reportedly, India even accepted material contributions from the Jack Ma Foundation and the Alibaba Foundation. It also accepted $2 billion in funding from the World Bank to support its health care sector and its COVID-19 emergency response.

Over the past few years, India has come to be perceived as an increasingly influential international actor. The negotiating position of the Indian government has often been uncompromising on issues seen as endangering its domestic needs or as undermining the principles of sovereignty and non-interference. Among many examples are India's position in trade negotiations, its refusal to accept binding targets for greenhouse gas emissions, its ambivalent approach to norms such as the principle of the Responsibility to Protect, and its refusal to sign the Non-Proliferation Treaty (NPT) or the Rome Statute on the International Criminal Court.

Credibility

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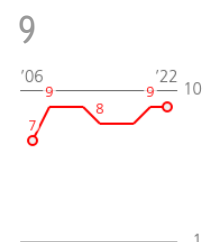
While international awareness of the increasingly authoritarian tendencies of the BJP-led government has increased, India is still largely perceived as a responsible international actor and as a reliable partner. The signing of the agreement on civilian nuclear cooperation with the United States in 2008, which de facto acknowledges India's status as a nuclear power, despite its lack of membership in the NPT, is a case in point. More importantly, the security engagement between the United States and India further increased during the review period. While India does not want to be used as a counterweight against China and has been cautious about its engagement in the so-called Quad (United States, India, Japan and Australia), given growing Chinese assertiveness, India is certainly more interested than before in cooperating with Western partners. On issues like climate change and mitigation, India has displayed an attitude that is substantially more ready to compromise following the Paris conference in 2015. Overall, Prime Minister Modi does not share with his populist counterparts in other countries a tendency to use bad manners or break with diplomatic conventions. Furthermore, under Modi, the Indian government has worked to improve India's status as a great power in a "multipolar" world.

India's relations with its neighbors in the South Asian region have been difficult for decades. The long-standing conflict with Pakistan substantially hampers any meaningful forms of multilateral regional cooperation. The charter of the South Asian Association for Regional Cooperation explicitly excludes the discussion of "contentious and political issues." India itself pushed for the inclusion of this clause in the charter, thereby undermining regional cooperation. With smaller neighboring countries, India has long had difficult relationships, shaped by the extreme power asymmetry, by small states' fears of being "absorbed" by India, and by India's (often inconsistent) meddling with their internal affairs. Despite its successes in global politics, India has completely failed in its regional policy. For example, it has not developed a "vision" for its region, it has not provided leadership nor made concessions to neighboring countries and it has not been able to limit the growth of China's influence in what has traditionally been regarded as its sphere of influence.

Regional cooperation

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During the review period, the Indian government pursued an approach to its neighborhood that did not depart significantly from previous phases. The most notable development was a further deterioration in relations with Pakistan and China. In February 2019, Pakistan-sponsored militants carried out a suicide attack against Indian troops in Pulwama (Jammu and Kashmir), which led to the death of 40 Indian security personnel. In reaction, the Indian Air Force attacked militant camps on Pakistani (not on contested) territory, which were followed by retaliatory strikes by the Pakistan Air Force. The episode marked a new low in bilateral relations between India and Pakistan, and led to a spike in anti-Pakistani rhetoric in India. The change to the status quo in Jammu and Kashmir in August 2019 was in turn perceived as a provocation by Pakistan, given that the territory is contested. In summer 2020, moreover, a military standoff between Chinese and Indian troops took place at the
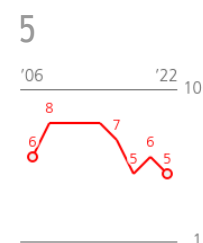
disputed border between the two countries in Ladakh, formerly Jammu and Kashmir. The episode marked a further worsening of the already tense relations between India and China.

When it comes to relations with smaller countries in its neighborhood, the Indian government did not make substantial progress during the review period, despite its wish to be seen as a "first responder" to emergencies in the area. Instead, India had to look at growing Chinese influence in countries such as Nepal. During the COVID-19 pandemic, however, India reached out to other South Asian countries, for example, by providing vaccines in January 2021 as well as by providing some financial assistance to countries like Sri Lanka.

Strategic Outlook

India has been rather successful in promoting transformation over recent decades. However, economic growth has only marginally contributed to reducing poverty, while disparities among social groups have increased. During the review period, economic growth declined as the government was unable to successfully pursue its strategy of promoting industrialization and creating new jobs. The COVID-19 pandemic, therefore, only exacerbated an already existing trend.

The Indian economy is expected to be hit hard over the medium term by the consequences of the COVID-19 crisis. In order to successfully advance transformation, the government should refrain from protectionist policies that aim to appease hardline Hindu-nationalist constituencies. It should prominently invest in infrastructure development in order to attract foreign investors. While simplified bureaucratic procedures have facilitated the doing of business in India, endemic corruption remains a major problem. More substantive policy measures against corruption are needed to increase the confidence of foreign investors, improve the implementation of infrastructure projects and increase the effectiveness of social programs. In institutional terms, a strengthening of the hopelessly understaffed judicial system and a thorough reform of the police would increase citizens' confidence in institutions. What we have seen during the COVID-19 crisis so far, however, does not seem to point in this direction. The government has opted for centralized and personalized decision-making and crisis management approach, which has sidelined the states in India's federal system, left little room for civil society consultation, and stifled criticism and the media.

Overall, the most worrying trend during the review period has been the further weakening of democratic institutions by the re-elected BJP government. Hardline Hindu-nationalist groups have become ever more vocal as they see key elements of their agenda implemented. The Muslim minority has been increasingly marginalized and discriminated against. Dissent and criticism have been muted, press freedoms have been further curtailed, and resistance in Jammu and Kashmir has been suppressed. Members of the RSS have been appointed to leading positions in most institutions, including in academia, leading to an unprecedented degree of self-censorship and pervasive control. The activities of foreign NGOs have been further curtailed.

According to several observers, Indian democracy is at a tipping point. Its strong civil society traditions and the widespread support for democracy among the population might save India from further democratic backsliding. Yet, one of the main problems is the weakness of the opposition. At the national level, the BJP does not face any rival that could seriously challenge it at the 2024 elections. If the Congress Party wants to survive and possibly be seen as an alternative to the BJP, it will need to renounce its dynastic politics and replace the Nehru-Gandhi family, which in recent years has led to the party's decay. However, no charismatic Congress Party leader is in sight. Other parties are only successful at the state level and lack nationwide appeal. The Aam Admi Party, which has been in government in Delhi for several years, is not a regional party as such, but has so far failed to attract votes at the national scale. Only a coalition of opposition parties could stop the BJP from permanently hollowing out Indian democracy. However, the formation of such an alliance is likely to become ever more difficult in India's increasingly hostile institutional environment.