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SUMMARY

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K. Alan Kronstadt
Specialist in South Asian Affairs

India's 2019 National Election and Implications for U.S. Interests

India, a federal republic and the world's most populous democracy, held elections to seat a new lower house of parliament in April and May of 2019. Estimates suggest that more than two-thirds of the country's nearly 900 million eligible voters participated. The 545-seat Lok Sabha (People's House) is seated every five years, and the results saw a return to power of the Bharatiya Janata Party (BJP) led by Prime Minister Narendra Modi, who was chief minister of the west Indian state of Gujarat from 2001 to 2014. Modi's party won decisively—it now holds 56% of Lok Sabha seats and Modi became the first Indian leader to win consecutive majorities since Indira Gandhi in 1971.

The United States and India have been pursuing an expansive strategic partnership since 2005. The Trump Administration and many in the U.S. Congress welcomed Modi's return to power for another five-year term. Successive U.S. Presidents have deemed India's growing power and influence a boon to U.S. interests in Asia and globally, not least in the context of balancing against China's increasing assertiveness. India is often called a preeminent actor in the Trump Administration's strategy for a "free and open Indo-Pacific." Yet there are potential stumbling blocks to continued development of the partnership. In 2019, differences over trade have become more prominent, and India's long-standing (and mostly commercial) ties to Russia and Iran may run afoul of U.S. sanctions laws. Additionally, India maintains a wariness of U.S. engagement with Pakistan and intentions in Afghanistan, with Islamabad presently facilitating a U.S.-Taliban dialogue and India counseling against a precipitous U.S. withdrawal from Afghanistan.

Prime Minister Modi's return to power promises broad continuity, even with some notable changes to the federal cabinet. By many accounts, Modi's record as an economic reformer and liberalizer is mixed, and his reputation as a nationalist "watchman" has not always translated into effective foreign policy, according to some analysts. It is unclear if Modi will use his renewed domestic political mandate to pursue more assertiveness internationally, possibly in ways that challenge U.S. preferences. Still, most analysts contend that Modi and the BJP have been and will continue to be more open to aligning with U.S. regional strategy and more energetic in pursuing U.S.-favored economic reforms than would have been any alternative Indian leadership.

The BJP is a Hindu nationalist party, born in 1980 of a larger social movement, and Narendra Modi is a self-avowed Hindu nationalist (India is roughly 79% Hindu and 14% Muslim). The 2019 Modi-BJP campaign was widely criticized for divisiveness, and nationalist fervor following a February India-Pakistan crisis may have benefitted the BJP at the polls. India's minority communities and the country's civil society are widely reported to be under increasing threats emanating from Hindu majoritarian policies and sentiment. These threats can take violent and repressive forms, at times with the involvement of Indian officials or political figures, as reported by the U.S. State Department and independent human rights watchdogs, and as criticized by some Members of Congress.

This report reviews the recent Indian election process and results, the country's national political stage, and possible implications for U.S. interests in the areas of bilateral economic and trade relations, defense and security ties, India's other foreign relations, and human rights concerns.

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Overview

India is a federal parliamentary republic and the world's most populous democracy, with more than 1.3 billion citizens. In the spring of 2019 the country held elections to seat its 17th Lok Sabha (House of the People), the 545-seat lower chamber of parliament and locus of Indian political power. Results were announced on May 23, with the incumbent Bharatiya Janata Party (BJP, or Indian Peoples Party) winning a sweeping and repeat victory under Prime Minister Narendra Modi. Having in 2014 become the first party to attain a parliamentary majority (52%) in 30 years, the BJP was able to expand that majority to 56% in 2019, becoming the first party to win consecutive majorities since 1971. The dynastic Indian National Congress (hereinafter, Congress Party)—which had dominated the country's politics from 1947 to 1977 and led a national coalition government from 2004 to 2014—again failed to win the 10% minimum of seats required to officially lead the Lok Sabha opposition. Powerful regional and caste-based parties likewise posed no meaningful obstacles to the latest "BJP wave."

The Administration of President Donald Trump is seeking to expand upon a "strategic partnership" with India formally launched in 2005. Progress is ongoing, most notably in the area of defense and security cooperation.[1] The U.S. Congress has been supportive of efforts to expand and deepen the bilateral partnership, formally designating India as a "Major Defense Partner" of the United States in 2016. Areas of engagement are broad and include an array of economic and security initiatives. Recent bilateral frictions have arisen over trade practices, religious freedom, and India's relations with Russia and Iran.

A State Department release congratulated Prime Minister Modi and his ruling National Democratic Alliance (NDA) coalition for their "decisive victory," and it applauded the Indian people for turning out in historic numbers and the Indian government for "exceptional execution of this massive undertaking." It went on to declare that

> The United States and India enjoy a strong strategic partnership that stands on a foundation of shared values, extensive people-to-people ties, and a commitment to a secure and prosperous Indo-Pacific region. We look forward to working with the newly elected government on a range of important issues…. We are confident that the strong and upward trajectory of our partnership will continue.[2]

The Chairman of the House Foreign Affairs Committee also issued a laudatory statement and, in June, several Members of Congress penned an open letter to President Trump to "highlight the continuing strategic importance of the U.S.-India relationship."[3] Secretary of State Michael Pompeo met with Modi and other top Indian officials in New Delhi in June to express enthusiasm about America's "natural strategic partner." President Trump has yet to visit India, and high-level engagement occurs under the rubric of a "2+2 Ministerial Dialogue" inaugurated in September 2018.[4] Nevertheless, many independent observers express concern about emergent frictions and indications that the partnership is becoming dissonant. A recent substantive overview of the relationship concluded that it "would benefit from some realism about its limitations."[5]

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[1] See, for example, the September 6, 2018, Joint Statement at https://go.usa.gov/xmMJj.

[2] See the May 24, 2019, State Department release at https://www.state.gov/indian-elections.

[3] See the Chairman's statement at https://go.usa.gov/xy2QJ, and the June 27, 2019, letter at https://go.usa.gov/xy2Qv.

[4] State Department's June 25, 2019, release at https://go.usa.gov/xy2E4.

[5] Sameer Lalwani and Heather Byrne, "The Elephant in the Room: Auditing the Past and Future of the U.S.-India Partnership," War on the Rocks (online), June 26, 2019. See also Tanvi Madan, "As Pompeo Heads to Delhi, the US-India Relationship is at a Critical Juncture," Brookings Institution, June 21, 2019; "What Is Behind the Tensions in US-

Officials in governments across the Indo-Pacific region expect the election results to bring general continuity in Indian policies. Given the instability and uncertainty that can accompany coalition governance, many likely regarded Prime Minister Modi's convincing reelection with some relief.[6] Modi's internationalist orientation can be seen in his energetic pursuit of diplomacy with numerous major powers and regional governments. This includes though continued development of the U.S.-India strategic partnership, which is widely seen to be rooted in an array of mutually-held values and increasingly convergent visions for global order, lately conceived by Washington as a "shared vision for a free, open, and rules-based Indo-Pacific region."[7]

On the economic front, Modi's reputation as a reformer and liberalizer has met with mixed reviews. Five years in office realized no major land or labor reforms or meaningful efforts to address bad bank debt that were widely anticipated. The BJP leader's assumed electoral vulnerabilities—relatively lackluster economic expansion (averaging below 7% annually), joblessness, rising prices, and a widely panned 2016 "demonetization" initiative—did not end up degrading his impressive political support. Most market-oriented analysts are hopeful, but not entirely confident, that a "Modi 2.0" government will redouble efforts to implement the kinds of economic reforms sought by the U.S. and other governments and business interests.[8]

Election and Outcome

India possesses a robust and competitive multiparty democratic system.[9] Yet its politics also are described as "beset by corruption" by Freedom House, a think tank that ranks world countries on levels of political and civil liberties. In 2017, India had fallen 10 places on the Economic Intelligence Unit Democracy Index to 42nd in the world, due in part to "a rise of vigilantism and violence against minority communities, particularly Muslims, as well as other dissenting voices." For 2018, India was ranked 41st worldwide, but its overall score was unchanged, and it maintained its designation as a "flawed democracy" (as did the United States).[10]

The scale of India's national election presents daunting logistical challenges, and voting was completed in seven phases. As with each iteration, the event was history's largest democratic exercise: About 880 million people—one-ninth of the world's population—were eligible to cast ballots in the country's 29 states and 7 Union Territories, including some 84 million first-time voters. More than 600 million Indians participated, for a turnout rate of 67.4%. More than 8,400 candidates and a record 669 parties vied for the Lok Sabha's 543 elected seats; 36 parties won at least one seat, as did 4 independent candidates.[11]

In addition to being history's largest democratic undertaking, India's 2019 national election was also history's most expensive: participating parties and candidates spent an estimated $8.7 billion

India Relations?," *Financial Times* (London), June 24, 2019.

[6] Ian Hall, "After Modi's Election Win, What's Next for India in the Indo-Pacific?," Australian Strategic Policy Institute (Canberra), May 24, 2019.

[7] See the State Department's June 25, 2019, release at https://go.usa.gov/xy4Mv.

[8] An assessment of the Modi government's performance on the 30 "significant economic reforms" most sought by trade bodies, economists, and rating agencies found its track record to be "solid" since 2014, with 9 of the reforms fully enacted and another 15 partially complete ("U.S.-India Insight: Scoring the Modi Government's Reform Program," Center for Strategic and International Studies, April 22, 2019).

[9] See CRS In Focus IF10298, *India's Domestic Political Setting*, by K. Alan Kronstadt.

[10] See https://freedomhouse.org/report/freedom-world/2019/india and http://www.eiu.com/topic/democracy-index.

[11] Ashoka University Trivedi Center for Political Data (Sonepat) at http://lokdhaba.ashoka.edu.in.

on the campaign, more than double the 2014 spending. The BJP reportedly received nearly three-quarters of all political donations. Such massive outlays raise concerns among many about fairness: there is little transparency in India's campaign finance system, the Modi government had lifted caps on corporate donations, and the Election Commission's oversight is criticized for ineffectiveness.[12]

In the lead-up to the 2019 voting, analysts debated whether the BJP's 2014 sweep was an anomaly in a decades-long era of coalition politics in New Delhi, or marked the beginning of a new period of single-party domination as was seen under the Congress Party prior to 1989. The BJP's unexpected and even stronger showing in 2019 suggests that India's national political stage has undergone qualitative change back toward a hegemonic national party.[13]

Table 1. Leading Parties in India's 2019 National Election

(percentages are rounded)

Party	Seats Won	% of Seats Won	% of Popular Vote
Bharatiya Janata Party (BJP)	303	56%	37%
Indian National Congress	52	10%	19%
Dravida Munnetra Kazhagam (Tamil Nadu)	23	4%	2%
All India Trinamool Congress (West Bengal)	22	4%	4%
YSR Congress (Andhra Pradesh)	22	4%	3%
Shiv Sena (Maharashtra)	18	3%	2%
Janata Dal (United) (Odisha)	16	3%	2%
All others	87	16%	31%

Source: Election Commission of India (http://results.eci.gov.in/pc/en/partywise/index.htm).

The BJP won by securing 303 seats with more than 37% of the aggregate vote, significantly exceeding the 272 seats required for majority status, and increasing the party's seat total from 282 in the previous Lok Sabha. Their closest competitors, the Congress Party, took 52 seats with 19.5% of the national vote, a net gain of 8 seats (see **Table 1**). According to Election Commission of India data, the BJP won a majority of votes cast in 10 states, as well as in the Delhi National Capital Territory. It also took 49.6% of the votes cast in Uttar Pradesh (UP), India's most populous state.[14] No other party was able to garner a majority of votes in any single state. While the BJP's core support in India's western and north-central "Hindi belt" states remained strong, and the party succeeded in expanding its appeal in the country's east, it was shut out completely in seven states, including the major southern states of Andhra Pradesh and Tamil Nadu, where regional parties prevailed. In a sign of the Congress Party's historic collapse nationally, the party failed to win a single seat in 14 states, and nearly half of the seats the party did win (23) came

[12] "Lok Sabha Elections 2019: Analysis of Criminal Background, Financial, Education, Gender, and Other Details of Winners," Association for Democratic Reforms (New Delhi), May 25, 2019; "India's Elections: Rules on Campaign Financing and Spending," Reuters, April 30, 2019.

[13] Milan Vaishnav, "Is the BJP India's New Hegemon?," Carnegie Endowment for International Peace, October 8, 2018; "How Narendra Modi Has Reinvented Indian Politics," BBC News, May 23, 2019.

[14] With more than 200 million citizens—about one-fifth of them Muslim—Uttar Pradesh is India's leading political bellwether state (see Milan Vaishnav, "As Uttar Pradesh Goes, So Goes India," Carnegie Endowment for International Peace, February 5, 2019).

from India's two southernmost states, Kerala and Tamil Nadu (see **Figure 1**, "Map of Indian States").

The newly seated Lok Sabha is, on average, younger, wealthier, and better educated than its predecessor, and the number of female members has increased to 15% (see **Text Box**). Upper-caste Hindus and political families continue to enjoy disproportionately high representation, and India's large and relatively marginalized Muslim minority community of about 190 million (about 14% of the total) suffers from a declining voice in Parliament: Muslim representation in the Lok Sabha peaked at 10% in 1980 and lingered at about 6% until dropping to 4% in 2014. A net gain of three Muslim members in 2019 only slightly raised that percentage.[15] India's parliamentarians are also notable for the numbers who face formal criminal allegations.[16]

Selected Characteristics of 17th Lok Sabha Members

- 88% are *crorepati* (Indian "millionaires")
- 73% have a college degree
- 55% are first-time members
- 43% face declared criminal cases (see footnote 16)
- 30% are "dynasts" (from political families)
- 29% are upper-caste Hindus
- 15% are females (up from 12% previously)
- 12% are under age 40 (up from 8%)
- 4.6% are Muslims (versus 14% of the population)

Sources: Parliamentary Research Service (New Delhi); Ashoka University Trivedi Center for Political Data (Sonepat); Association for Democratic Norms (New Delhi)

Note: A "*crorepati*" is a person from a household with assets of at least 10 million rupees (approximately $143,000)

Notable Changes in Union Ministers

The "Modi 2.0" cabinet includes some significant changes to the leadership of key Indian ministries. For the first time ever, a career diplomat, Subramanyam Jaishankar, is now External Affairs Minister, replacing BJP stalwart Sushma Swaraj. Jaishankar, until recently Foreign Secretary, is a former ambassador to both the United States and China, and is widely known in Washington as proponent and facilitator of closer U.S.-India ties. Another key new figure in the Modi cabinet is Home Minister Amit Shah, who succeeds senior BJP official Rajnath Singh, himself now holding the Defense Ministry portfolio. Also under new leadership is the Finance Ministry, where former Defense Minister Nirmala Sitharaman has become India's first female finance minister. Additionally, National Security Advisor Ajit Doval, a former intelligence chief in office since 2014 and considered a hardliner on Pakistan, was elevated to cabinet rank in 2019.

Other Parties and Figures

The Indian National Congress

India's Congress Party had hoped in 2019 to reverse its general decline after 2014. It had led a United Progressive Alliance coalition government under Prime Minister Manmohan Singh from

[15] "Fact Sheet: Muslim Representation in Parliament," *India Today* (Delhi), March 10, 2014.

[16] Members of the 17th Lok Sabha are significantly more likely to have criminal histories than those in the 16th: more than two in five (43%) of the winning candidates in 2019 reportedly face criminal charges, including nearly 29% facing serious charges such as murder or rape. There also is evidence that, at the national and state level, BJP politicians are three times as likely as Congress figures to be linked to crimes involving religious violence ("Lok Sabha Elections 2019: Analysis of Criminal Background, Financial, Education, Gender, and Other Details of Winners," Association for Democratic Reforms (New Delhi), May 25, 2019; "Let's Talk About Hate: In Indian Politics, Candidates Who Stoke Communal Hatred Thrive," *Hindustan Times* (Delhi), July 27, 2017).

2004 to 2014. Party president Rahul Gandhi—son of former Prime Minister Rajiv Gandhi and grandson of Indira Gandhi—had entered politics with apparent reluctance, winning the "family seat" in Amethi, UP, in 2004. Ten years later, Rahul oversaw Congress's worst electoral performance in history when the party took only 44 Lok Sabha seats, down from 206 previously.

Gandhi's lackluster reputation took a new shine after the party's unexpectedly strong showing in the 2017 Gujarat state elections, and December 2018 Congress victories in three north-central states were a huge morale boost for the party, heartening potential Congress allies. During the 2019 campaign, Gandhi impressed many observers with what were described as creative policy proposals and a newly assured public speaking style.[17] Still, going into the 2019 campaign, Congress had no significant presence in any of India's six most populous states and had shown an inability to recover in states where it had faltered. The party continued to struggle to both consolidate old alliances and to establish new ones.[18] As put by one official from a BJP-allied regional party, the opposition had "neither a program, nor a leader, nor a narrative." Gandhi suffered an embarrassing upset loss in his family's Amethi district, and the party's 2019 defeat has led to new leadership crises.[19]

Regional and Caste-based Parties

The BJP and Congress are India's only truly national parties—they together won roughly half of all votes cast in 2009 and 2014, and their combined share rose to 57% in 2019 (attributable to a 6-point boost for the BJP). The influence of regional and caste-based parties—although blunted by the BJP's outright majority victories—remains a crucial variable in Indian politics. Such parties now hold about one-third of Lok Sabha seats, but many of the most influential met with significant reversals in 2019.

By early 2019, Narendra Modi had become the primary, if not sole target of his many electoral opponents, but no single challenger emerged. Still, the opposition's zeal to dislodge the incumbents had them ready to make unusual alliances, especially in Uttar Pradesh, where the effort failed conclusively.[20] Other powerful regional parties experienced setbacks, most notably West Bengal's Trinamool Congress, led by Chief Minister Mamata Banerjee, which barely survived a surprise BJP surge in the key eastern state, winning 22 of 42 Lok Sabha seats to the BJP's 18 (up from 2 in 2014). Only in Odisha was a major regional party—in this case the Biju Janata Dal of popular Chief Minister Naveen Patnaik—able to withstand the BJP onslaught.

[17] "Should Narendra Modi Be Worried?," BBC News, December 12, 2018; Sushil Aaron, "The Remarkable Comeback of Rahul Gandhi" (op-ed), *New York Times*, April 22, 2019.

[18] Milan Vaishnav, "Is the BJP India's New Hegemon?," Carnegie Endowment for International Peace, October 8, 2018; Ajoy Ashirwad Mahaprashasta, "As the Alliance Game Continues, Congress's Missteps Could Cost It Dearly" (op-ed), *The Wire* (Delhi), March 15, 2019.

[19] Quote in "Indian Election Results: Modi Wins a Landslide Victory," *Washington Post*, May 23, 2019.

[20] In January 2019, UP's two major caste-based parties and often bitter rivals, the Bahujan Samaj Party and Samajwadi Party, announced they would cooperate in upcoming national elections with the aim of defeating the BJP in their state. The alliance, which did not include Congress, was seen by some as an act of honorable statesmanship, but, ultimately, even in tandem the two parties were unable to reverse the BJP's new dominance in the state, fueling doubt about the efficacy of "caste politics" in UP ("Get Modi: 'Blood Rivals' Bury the Hatchet to Beat India's Leader," *Wall Street Journal*, March 5, 2019; "Is It the End of Caste Politics in Uttar Pradesh?," *Economic Times* (Mumbai), May 23, 2019).

Implications for U.S. Interests

Because the BJP campaign was run largely on Narendra Modi's personal popularity rather than an explicit policy platform, it is unclear how Modi will use his mandate going forward. Since 2014, the Modi government arguably has realized some foreign policy successes compatible with U.S. interests: sustaining the partnership with the United States, solidifying the partnership with Japan, strengthening ties with Israel while making new outreach to key Persian Gulf states such as Saudi Arabia and the UAE, and articulating a vision for the Indo-Pacific region that tracks well with that of the United States.[21] Modi has successfully projected India as the world's next big economic opportunity after China, but critics argue that he has mostly squandered an opportunity to move India into great power status, with a lack of strategic vision harming India's position vis-à-vis major powers and smaller neighbors, alike.[22] Given India's myriad domestic problems, and still-limited capacity to project power, some American observers are skeptical about its near-term potential to play the role sought for it by the U.S. Congress and successive Administrations.[23]

The Modi/BJP victory has empowered the Indian leader domestically and this may provide Modi and India new opportunities on the global stage. Given Modi's reputation for favoring a "muscular" foreign policy, he may now be more willing to resist Chinese assertiveness and move closer to the United States.[24] Yet troubles with the United States also could loom: Many Indian strategic thinkers say their country's national interests are well served by engaging not just with the United States but also with Russia and Iran, which could limit to New Delhi's willingness to abide what some Indian observers describe as "America's short-term impulses."[25] While New Delhi generally welcomes the U.S. "free and open Indo-Pacific" (FOIP) strategy, Indian leaders continue to demur from confronting China. The United States and India also seek to cooperate on energy, climate change, and space issues, and have sometimes clashing views on immigration.

Bilateral Trade and Economic Relations[26]

Trade and economic ties, an important and growing part of bilateral relations, have faced recent challenges.[27] Prime Minister Modi's strong electoral mandate suggests India's mixed economic performance did not hurt his standing with the public, and the results may embolden the BJP to press ahead with its reform agenda with greater vigor (see **Text Box**, below).[28] The Trump

[21] Ashley Tellis, "Troubles Aplenty: Foreign Policy Challenges for the Next Indian Government," Carnegie Endowment for International Peace, May 20, 2019.

[22] Shayam Saran, "In Year Four, Modi's Foreign Policy Needs Some Course Correction," (op-ed), *The Wire* (online, New Delhi), May 29, 2017; Shivshankar Menon, "The Reality of Narendra Modi's Foreign Policy Failures Laid Bare" (book review), *The Wire* (online, Delhi), November 3, 2018.

[23] Michael Swaine, "Creating an Unstable Asia: The U.S. 'Free and Open Indo-Pacific' Strategy," Carnegie Endowment for International Peace, March 2, 2018; Daniel Byman, "How India's Rise Can Complement U.S. Strategy," Lawfare (online), October 7, 2018; Sameer Lalwani and Heather Byrne, "The Elephant in the Room: Auditing the Past and Future of the U.S.-India Partnership," War on the Rocks (online), June 26, 2019.

[24] Brahma Chellaney, "Election Triumph Will Boost Modi's International Clout," *Nikkei Asian Review* (Tokyo), June 1, 2019; Richard Fontaine, "Modi's Victory Is America's Opportunity," *National Review*, May 29, 2019.

[25] Samir Saran, "'In India We Trust' Would Be Good US Policy," Observer Research Foundation (New Delhi), June 26, 2019. See also Manoj Joshi, "Dealing With the Big Bully" (op-ed), *Tribune India* (Chandigarh), June 25, 2019.

[26] This section written by Shayerah Ilias Akhtar, Specialist in International Trade and Finance.

[27] See also CRS In Focus IF10384, *U.S.-India Trade Relations*, by Shayerah Ilias Akhtar and K. Alan Kronstadt.

[28] Some analysts view the prime minister's strong political mandate as offering a new opportunity for the government to undertake difficult economic reforms. Modi may choose to initiate major development projects rather than bold reforms, and the possibility that economic nationalism might drive his policies leads to concerns about further

Administration takes issue with the U.S. trade deficit with India and "unfair" trade practices that restrict U.S. exports to and investment in India. Some U.S. policymakers and businesses have been disappointed that, during Modi's first term, India did not move forward with market-opening reforms as they had hoped, and instead increased tariffs and trade restrictions. For example, recent tariff hikes by New Delhi on cell phones and other products have elevated long-standing U.S. concerns about India's tariff regime, and President Trump has called India the "tariff king."[29] Other U.S. concerns include inadequate intellectual property protection and enforcement, and restrictive new rules on e-commerce and localization of certain financial data flows—which affect major U.S. companies, such as Amazon, Walmart-owned Flipkart, Visa, and MasterCard. The United States and India also often have opposing stances on multilateral trade issues in the World Trade Organization.

India's Economy Under Modi

Economists and investors appear to view Modi's reelection as a net positive for India's economy, especially by providing a level of stability that a coalition government could not. Controlling inflation and reducing corruption are seen by many analysts as areas of success.[30] Implementing a uniform sales tax and enacting a new bankruptcy code likely contributed to India's rapid rise in the World Bank's annual *Doing Business* indices (in 2014, India was ranked 134th of 189 countries; by 2019, it had risen to 77th).[31] India's stock market spiked in value by 2% to a record high upon news of the BJP/Modi mandate. Other notable initiatives include electrification, building numerous new roads and toilets, providing affordable cooking gas for the poor, and a major health insurance initiative. According to the Economist Intelligence Unit, Modi's messaging has resonated with India's aspiring middle classes and his government appears to have maintained the support of business interests.[32]

Yet India's economy is widely seen to be underperforming, and the 2016 demonetization effort was deemed broadly harmful for India's poor.[33] Allegedly insufficient attention to the rural economy fueled anti-government protests by farmers and, since 2014, sluggish job growth, falling wages, and slow and poorly implemented institutional reforms have elicited significant criticism.[34] When official employment data were finally leaked to the public after years under wraps, they painted an alarming picture, with unemployment in 2018 at a 45-year high of 6.1%, triple the level in 2012 when the Statistics Ministry survey was last conducted. A shortage of jobs for India's booming population may yet transform the country's "demographic dividend" into a "demographic debacle."[35]

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deterioration of trade links with the United States (Alyssa Ayres, "India's Economy Needs Tougher Reform—How Will Modi Use His Election Mandate?," *Time*, May 25, 2019). Some observers reject the notion that Modi is a genuine economic "reformer" (Sadanand Dhume, "BJP's Unsustainable Muslim Bashing" (op-ed), *Wall Street Journal*, April 5, 2019; Gurcharan Das, "The Modi Mirage," *Foreign Affairs*, April 11, 2019).

[29] The White House, "Remarks by President Trump on the United States-Mexico-Canada Agreement," press release, October 1, 2018.

[30] Berlin-based Transparency International's *Corruption Perceptions Index 2018*, which ranks countries by their perceived levels of public sector corruption, listed India 78th of 180 countries (the same as Turkey, among others), noting slow, but steady improvement in recent years (see https://www.transparency.org/cpi2018).

[31] Gurcharan Das, "The Modi Mirage," *Foreign Affairs*, April 11, 2019; see http://www.doingbusiness.org/en/reports/global-reports/doing-business-2019.

[32] Modi's India," BBC News, April 10, 2019; see the EIU narrative at http://www.eiu.com/topic/democracy-index.

[33] Demonetization came with the government's surprise November 2016 announcement that about 86% of all paper circulating paper currency at the time would cease to be legal tender. Two new replacement notes were issued slowly, causing country-wide economic shocks (stock indices dropped by 6%) and leaving millions of people standing in long ATM lines to collect the new tender. The approach was widely panned by Indian and international economists, and was identified as a central cause of economic slowdown thereafter. Still, surveys indicated that Indians broadly approved of the effort, despite the hardship that resulted (see Bhaskar Chakravorti, "Early Lessons from India's Demonetization Experiment," *Harvard Business Review*, March 14, 2017).

[34] "India Elections 2019: Farmers Are Hurting and Millions Are Voting," *New York Times*, April 20, 2019.

[35] "Unemployment Rate at Four-Decade High of 6.1% in 2017/18: NSSO Survey," *Business Standard* (New Delhi), January 30, 2019; "Nobel-Winner Paul Krugman Warns India Story Could End with Mass Unemployment," *Economic*

The outlook for bilateral trade relations is unclear. Both sides have taken decisive actions on simmering issues. President Trump terminated India's eligibility for the Generalized System of Preferences (GSP),[36] effective on June 5, 2019, after determining that "India has not assured the United States that India will provide equitable and reasonable access to its markets."[37] This decision followed a U.S. investigation into India's market access practices and petitions by U.S. dairy and medical technology industries. In 2018, India was the largest beneficiary of GSP, with over one-tenth ($6.3 billion) of U.S. goods imports from India entering duty-free under the program. India, which called the eligibility termination "unfortunate," announced soon after that it would impose higher retaliatory tariffs on 28 U.S. products, including almonds, apples, and walnuts, in response to U.S. Section 232 (national-security-based) steel and aluminum tariffs.[38] During 2018, India repeatedly delayed applying retaliatory tariffs, in hopes of negotiating a resolution of bilateral trade issues. In late June, President Trump called India's 2019 imposition of retaliatory tariffs "unacceptable" and said they "must be withdrawn."[39]

At the June 2019 G-20 Summit, the two sides appeared to strike a more conciliatory tone. President Trump said a "very big" trade deal would be coming with India.[40] According to India's foreign secretary, the "trade ministers of both countries would meet at an early date and would try to sort out these issues."[41] Yet lack of progress in recent months reportedly is prompting the Administration to consider launching a Section 301 investigation of India's trade practices—this would make India the focus of the next major, in-depth investigation of unfair trade practices after China.[42] On one hand, Section 301 could be a new way to address long-standing issues of U.S. concern with respect to India. On the other hand, it could raise the risk of protracted bilateral trade tensions and tit-for-tat escalation of tariffs across many economic sectors.

Defense and Security Relations

Continuity in India's leadership may lead to continued rapid development of U.S.-India security cooperation, with U.S. leaders hoping that increased Indian capabilities will provide greater net security regionally and worldwide (in spite of some U.S. concerns about New Delhi's ties with Moscow). President Obama and Congress recognized India as a "major defense partner" (MDP) in 2016, a unique designation allowing India to receive license-free access to dual-use American technologies.[43] The MDP designation was created in large part to carry over a presumption of license approvals into the new U.S. administration. It was linked to India's joining the four major

Times (Mumbai), March 17, 2018.

[36] GSP is a U.S. trade program that confers duty-free tariff treatment to certain U.S. imports from eligible developing countries to support their economic development, as long as they meet eligibility requirements. See CRS Report RL33663, *Generalized System of Preferences (GSP): Overview and Issues for Congress*, by Vivian C. Jones.

[37] The White House, "Proclamation to Modify the List of Beneficiary Developing Countries Under the Trade Act of 1974," May 31, 2019.

[38] CRS Report R45249, *Section 232 Investigations: Overview and Issues for Congress*, coordinated by Rachel F. Fefer.

[39] Neha Dasgupta, "Trump Demands Withdrawal of India's 'Unacceptable' Tariff Hike," Reuters, June 27, 2019.

[40] "Trump Changes His Tone on Trade at G-20," *The Wall Street Journal*, June 28, 2019.

[41] Government of India, Ministry of External Affairs, "Transcript of Media Briefing by Foreign Secretary after Japan-US-India Trilateral Meeting on the Sidelines of G20 Summit (June 28, 2019)," June 28, 2019.

[42] Adam Behsudi, "India Could Be Next on Trump's Investigate-and-Tariff Hit List," *POLITICO*, June 3, 2019. For background, see CRS In Focus IF10708, *Enforcing U.S. Trade Laws: Section 301 and China*, by Wayne M. Morrison.

[43] India's bespoke MDP status was formalized by the 114th Congress, conferred in Section 1292 of the National Defense Authorization Act for FY2017 (P.L. 114-328), which discusses "enhancing defense and security cooperation with India." See also the June 7, 2016, U.S.-India Joint Statement at http://go.usa.gov/x8EFV).

multilateral export control regimes to become eligible to receive licensing for the most advanced defense systems the United States exports.[44] In mid-2018, India received Strategic Trade Authorization Tier-1 status, putting it on par with NATO allies, and the two countries concluded a long-sought Communications, Compatibility, and Security Agreement (COMCASA), a military-to-military "enabling agreement." The two governments also seek expanded collaboration via the Defense Technology and Trade Initiative, launched in 2012, which aims to facilitate greater defense trade and technology sharing.[45] India participates in formalized "quadrilateral consultations" with the United States, Japan, and Australia while downplaying prospects that the "Quad" may become a security-related architecture.

Defense trade is a leading facet of the bilateral partnership. India is now a major purchaser in the global arms market and a lucrative potential customer for U.S. companies. The two nations have signed defense contracts worth about $15 billion since 2008, up from $500 million in all previous years combined.[46] Washington seeks to identify sales that can proceed under the technology-sharing and co-production model sought by New Delhi while also urging reform in India's defense offsets policy.[47] Since 2002, the United States and India have held a series of increasingly complex combined bilateral exercises involving all military services—India now conducts more exercises and personnel exchanges with the United States than with any other country. A first-ever tri-service exercise is set for later in 2019.[48] Bilateral intelligence and counterterrorism cooperation has accelerated over the past decade. In addition to intelligence sharing, homeland security cooperation has included growing engagement between respective law enforcement agencies, especially in the areas of mutual legal assistance and extradition, and on cyberterrorism and cybersecurity. Terrorist groups operating from Pakistani territory are of special interest.

India broadly endorses the FOIP strategy pursued by Washington, and it benefits from the higher visibility this strategy provides for India's global role and for its immediate region. Yet India has not fully relinquished the "nonalignment" posture it maintained for most of the Cold War (more recently pursuing "strategic autonomy" or a "pragmatic and outcome-oriented foreign policy"[49]). Thus, Modi has articulated a vision of a free, open, and *inclusive* Indo-Pacific, and India remains wary of joining any nascent or potential security architectures that could antagonize Beijing.[50]

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[44] CRS interviews with Defense Department officials, April 2018.

[45] See https://www.state.gov/u-s-security-cooperation-with-india.

[46] Notable recent deals include those for *Seahawk* maritime and *Apache* attack helicopters ($2.6 billion and $2.3 billion, respectively), *Poseidon* maritime patrol aircraft ($3 billion), and M777 towed howitzers ($737 million), among others (see the State Department's June 4, 2019, fact sheet at https://www.state.gov/u-s-security-cooperation-with-india).

[47] Since 2005, India has required that 30% of any defense deal valued at more than Rs3 billion (about $50 million) must be reinvested in the Indian economy, a requirement that many firms find difficult to meet.

[48] According to the Pentagon, joint exercises facilitate "an effective combined response to military missions such as providing humanitarian assistance and disaster relief, countering piracy, and responding to transnational threats and terrorism (see https://www.hsdl.org/?view&did=802816).

[49] *Ministry of External Affairs Annual Report 2017-2018*.

[50] By some accounts, India is poorly suited to serve as the western anchor of the FOIP, given its apparent intentions to maintain strategic autonomy, and its alleged lack of the will and/or the capacity to effectively counterbalance China. Moreover, many in India consider a FOIP conception that terminates at India's western coast to be "a decidedly U.S.-centric, non-Indian perspective" that omits a huge swath of India's strategic vista to the west (Michael Swaine, "Creating an Unstable Asia: The U.S. 'Free and Open Indo-Pacific' Strategy," Carnegie Endowment for International Peace, March 2, 2018).

India's Other Foreign Relations

India-China. Modi's win likely means a continuation of New Delhi's multilateralist/multipolar approach to international politics in Asia, as well as efforts to resist Chinese "assertiveness" in South Asia.[51] India's relations with China have been fraught for decades, with signs of increasing enmity in recent years. Areas of contention include major border and territorial disputes, China's role as Pakistan's primary international benefactor, the presence in India of the Dalai Lama and a self-described Tibetan "government," and China's growing presence in the Indian Ocean region, which many Indians view as an encroachment in their neighborhood. New Delhi is ever watchful for signs that Beijing seeks to "contain" Indian influence both regionally and globally. China's BRI—with "flagship" projects in Pakistan—is taken by many in India (and elsewhere) as an expression of Beijing's hegemonic intentions.

India-Pakistan. The United States has long sought to assist in reducing India-Pakistan conflict and its impact on developments in Afghanistan. A surge of Indian nationalism grew out of a February 2019 international crisis involving Pakistan. Coming just weeks before voting began in India, the confrontation was widely seen to have boosted Modi's electoral prospects.[52] In contrast to his 2014 inauguration, when Pakistan's then-prime minister was an invited guest, Modi in 2019 omitted Pakistani Prime Minister Imran Khan from swearing-in festivities. It is unclear if the Indian leader will seek to use his political capital to launch a new peace initiative with Islamabad or will continue pursuing punitive policies that aim to isolate Pakistan internationally. Some analysts contend that Modi now has sufficient standing to change tack. Others, however, suggest that his reelection "will be projected as a vindication of his belligerent policy toward Pakistan."[53]

India-Russia. India maintained close ties with Russia throughout much of the Cold War and continues to rely on Moscow for the bulk of its defense imports. With the 2017 enactment of the Countering America's Adversaries Through Sanctions Act (CAATSA, P.L. 115-44) in U.S. law, India's continued major arms purchases from Russia—most prominently a current multi-billion-dollar deal to purchase the Russian-made S-400 air defense system—could trigger U.S. sanctions. Although Congress subsequently provided for a national security waiver of these sanctions, the Administration has consistently counseled India to cancel the purchase and consider U.S.-supplied alternatives, while New Delhi insists that it will go forward in pursuit of its own national interest, a position possibly hardened with the BJP mandate.[54]

India-Iran. India has historically friendly relations with Iran, a country that lately has supplied about 30% of India's energy imports. It also opposes any potential acquisition of nuclear weapons

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[51] "China Says Ties with India Insulated from Differences on Belt and Road," Hindu (Chennai), April 19, 2019. See also CRS Report R45194, *China-India Great Power Competition in the Indian Ocean Region: Issues for Congress,* by Bruce Vaughn.

[52] In February, a suicide car bombing in the Kashmir Valley killed 40 Indian paramilitary troops and was blamed on a Pakistan-based terrorist group; a subsequent retaliatory Indian airstrike on Pakistani territory and a brief jet aircraft battle elicited global concern about escalation, but the crisis ended without further major conflict ("Pakistan Standoff Helps India's Modi Shift Focus from Jobs," Associated Press, March 15, 2019; "Missiles Maketh the Man," *Economist* (London), May 4, 2019).

[53] "After Divisive India Election, Some See Moment for Dialogue with Pakistan," *Wall Street Journal,* May 28, 2019; Zakir Hussein, "If Modi Returns" (op-ed), *Dawn* (Karachi), May 22, 2019.

[54] Section 231 of CAATSA targets "significant transactions" with Russia's defense or intelligence sectors. Section 1294 of the National Defense Authorization Act for FY2019 (P.L. 115-232) permits the President to waive CAATSA sanctions, but the conditions are fairly stringent: waiver authority requires the President to certify that a waiver is in the U.S. national security interest and that a government offered a waiver is significantly reducing the proportion of its total defense equipment produced by Russia, among other provisions.

by Iran and supports the Joint Comprehensive Plan of Action. Historically averse to unilateral (non-U.N.) sanctions, New Delhi until recently enjoyed exemption from U.S. efforts targeting Iran's energy sector. In April 2019, the Trump Administration ended such exemptions, and New Delhi has issued conflicting statements about its cessation of Iranian oil purchases while informing Washington that such cessation "comes at a cost."[55] Continued tensions in the Persian Gulf and/or a longer-term boycott of Iranian oil could be disruptive to the Indian economy; Modi's strong mandate could place limits on his willingness to abide such disruption.

Other Notable Relations. The Trump Administration's South Asia strategy has included calls for greater Indian involvement in Afghanistan, even as such engagement vexes Pakistan (New Delhi has committed about $3 billion to Afghan reconstruction to date). Islamabad is wary of the Indian presence in Afghanistan and accuses New Delhi of supporting anti-Pakistan groups there, a dynamic that can in turn affect U.S. efforts to sustain Pakistan's help in facilitating Afghanistan reconciliation. Many analysts expect India-Afghanistan ties to grow stronger with Modi's reelection, and New Delhi appears wary of any precipitous U.S. withdrawal from Afghanistan. Meanwhile, India's deepening "strategic partnership" with Japan is a major aspect of New Delhi's broader "Act East" policy and a key axis in the greater FOIP strategies broadly pursued by all three governments participating in a newly established U.S.-Japan-India Trilateral Dialogue. Prime Minister Modi appears to have a convivial personal relationship with his Japanese counterpart and bilateral ties are seen as likely to strengthen going forward.

Human Rights Issues

While Prime Minister Modi and his party have long sought to emphasize development and good governance, the 2019 election cycle revolved around nationalism and other emotive issues, with many observers arguing that Hindu majoritarianism is a threat both to India's religious minorities and to the country's syncretic traditions. According to the U.S. State Department and independent watchdogs, India is the site of numerous human rights violations, many of them serious and some perpetrated, or at least tolerated, by state actors.[56] Many observers are concerned about the impact of growing religious bigotry and Hindu nationalism on human rights.[57] The BJP is an openly Hindu nationalist party and Prime Minister Modi is a self-avowed Hindu nationalist.[58] In 2005, Modi was denied a U.S. visa over concerns about his role in government during lethal anti-Muslim violence in 2002.[59] Modi hit conciliatory notes in a national address three days after the 2019 election results were announced, vowing to seek the trust of minority groups and to work for the good of all Indians.

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[55] "India Says Iran Oil Imports Not Stopped," *Hindu* (Chennai), July 3, 2019. See also CRS Report RS 20871, *Iran Sanctions*, by Kenneth A. Katzman.

[56] "A lack of accountability for misconduct persisted at all levels of government, contributing to widespread impunity" (see the State Department's *2018 Country Reports on Human Rights Practices: India* at https://go.usa.gov/xy2W4).

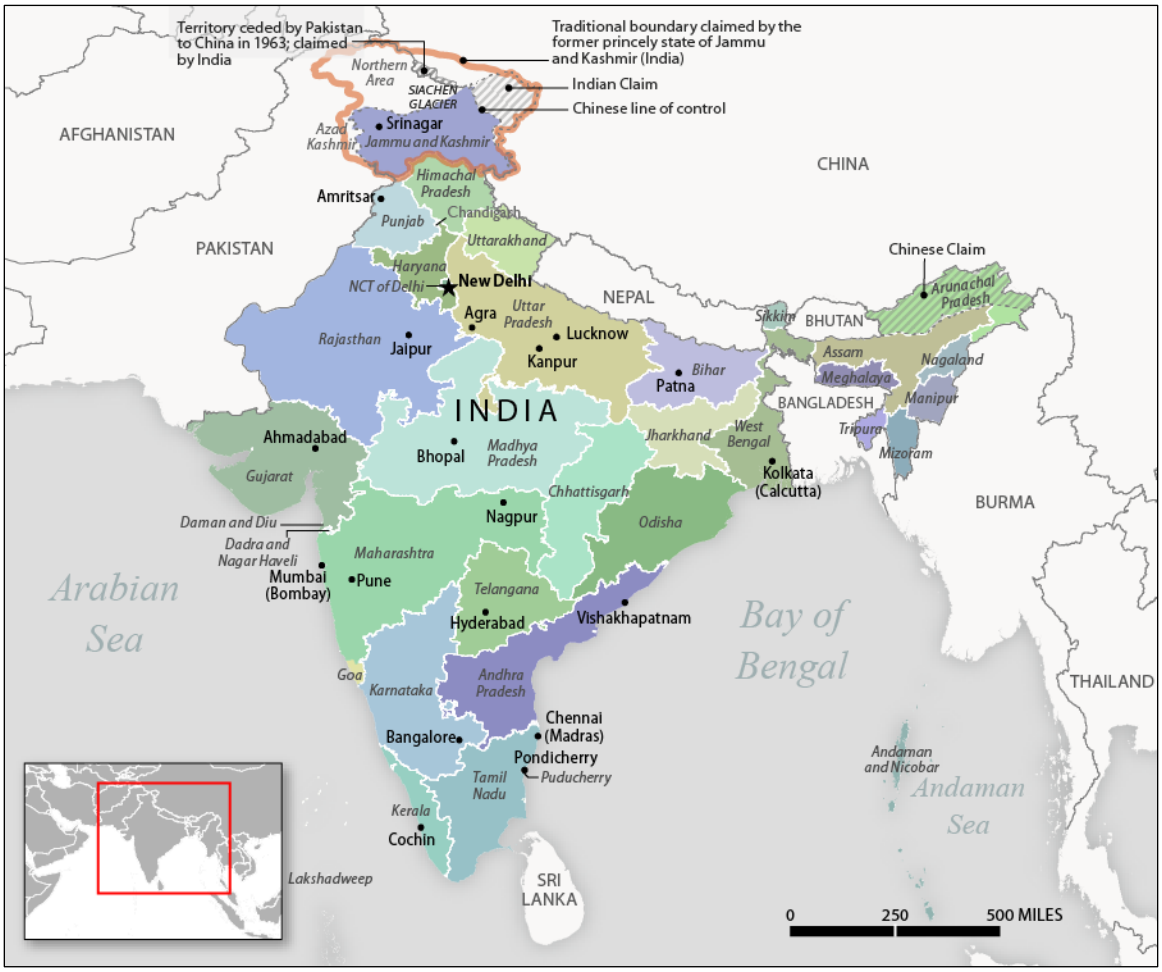
[57] See CRS Report R45303, *India: Religious Freedom Issues*, by K. Alan Kronstadt.

[58] The BJP was born in 1980 as the political wing of a hardline Hindu nationalist and social service group, the Rashtriya Swayamsevak Sangh (RSS or "National Volunteer Organization"); 99% of BJP seats are held by Hindus, versus about 71% of Congress seats ("What You Need to Know About India's BJP," Al Jazeera (Doha), May 23, 2019).

[59] In 2002, on Modi's watch, days-long communal rioting left at least 1,000 people dead, most of them Muslims targeted by Hindu mobs. The State Department later denied Modi a U.S. visa in 2005 under the 1998 International Religious Freedom Act, which allows for barring entry to foreign government officials found to be complicit in severe violations of religious freedom. The U.S. government subsequently had no official contacts with Modi until late 2013.

Human rights nongovernmental organizations and social service groups have seen their Indian operations constrained in recent years, and observers are watching closely for signs that the Modi/BJP mandate will lead to renewed efforts toward Hindu nationalist goals.[60] Some of these—including laws preventing religious conversions and cow slaughter—continue to cause sparks in U.S.-India relations, including explicit BJP criticism of the U.S. government for alleged "bias" against Modi.[61] Future moves by the Modi government on other "Hindutva" policies could increase national divisions and lead to further international opprobrium.[62]

Figure 1. Map of Indian States



Source: CRS in consultation with the Department of State (2016); Department of State international boundary files (2015); Esri (2014); and DeLorme (2014).

Note: Limits shown do not reflect U.S. government policy on boundary representation or sovereignty.

[60] See the State Department's *2018 Report on International Religious Freedom* at https://go.usa.gov/xy2WM and USCIRF reports at https://go.usa.gov/xy2Wz. In 2017, a bipartisan group of five U.S. Senators penned a letter urging President Donald Trump to raise the issue of India's deteriorating religious freedom during Prime Minister Modi's mid-year visit to Washington, DC (see the June 23, 2017, letter at https://go.usa.gov/xUAGG).

[61] "BJP Slams U.S. for 'Bias' Against PM Modi," *Hindu* (Chennai), June 23, 2019.

[62] Such policy goals include scaling back laws and social programs designed to assist India's religious minority communities, establishing a uniform civil code, repealing Article 370 of the Indian Constitution (which grants limited autonomy to the state of Jammu & Kashmir), and constructing a Ram temple on the site of the razed Babri Mosque, among others ("India's New Government Signals Hindu and India-First Goals," Associated Press, May 31, 2019).

Author Information

K. Alan Kronstadt
Specialist in South Asian Affairs

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