

INDIA-US INSIGHT

"Advancing the Strategic Potential of India-US Relations, Accelerating India's Economic Development"

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Narendra Modi's resounding election victory and prospects for India's domestic and foreign policy

by Amb. Hemant Krishan Singh



Election Results

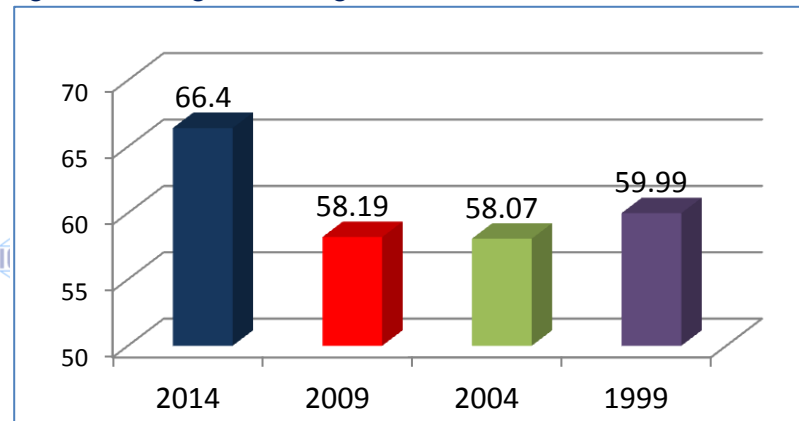
The people of India have overwhelmingly voted the National Democratic Alliance (NDA) led by the Bharatiya Janata Party (BJP) to power in general elections held from 7 April – 12 May, 2014.

The result has reflected the collective will of a youthful and aspirational people for political change, as well as a desire to restore national purpose and revive growth after several years of economic decline, corruption scandals and governmental slowdown.

It has also marked the BJP's arrival as a national party with a footprint across the geographic expanse of India.

While the election was in itself a celebration of India's enduring commitment to liberal democracy, the Election Commission of India conducted the largest ever electoral exercise on the planet thus far, involving a total electorate of 814.5 million, with near flawless efficiency. An estimated 149.36 million (20%) of the electorate comprised first time voters. The election, therefore, was also about the ambitions of India's younger generation for the 21st century.

Figure 1: Voting Percentages



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The overall voter turnout was a record high of 66.48%, substantially exceeding trends witnessed in the previous three elections (Fig. 1). An estimated 541.4 million Indians turned out to vote.

With voting having taken place using electronic voting machines (EVMs) in over 930,000 polling stations, what was equally remarkable was the announcement of results within hours of the commencement of counting on 16 May.

A preliminary analysis of voting behavior across India indicates that the BJP registered victories and gained voting share in virtually every part of the country, across the entire social spectrum, and among both urban and rural segments. The election marked a clear break from past assumptions that governance and policies mattered less than enlisting vote banks and offering populist promises.

With the BJP projecting Modi's successful "Gujarat model", the "politics of performance" appear to have prevailed over the traditional "politics of identity" by uniting the electorate on a common platform of effective leadership, economic growth and purposeful governance. Demands for greater accountability also imply that an era of seemingly disconnected and unresponsive rule by largely inaccessible leaders in Lutyen's New Delhi is over.

The Congress, on its part, faced the inevitable consequences of political misgovernance (inability to stem corruption), economic stagnation (halving of growth to below 5% in three years), prolonged high inflation (8-10% over five years) and the looming prospect of large scale unemployment. Its basic electoral plank of "rights based" populist distributionism failed to generate public support because it evoked more of the past than the future.

This was unquestionably a watershed election on several counts. It marked the worst ever performance (44 seats, down from 206) by the Congress, India's oldest political party, which was left without a significant political presence in any part of the country. The Congress' vote share declined from 28.55% in 2009 to just 19.3% in 2014. After 25 years of coalition politics, the BJP became the first party to secure a majority on its own since 1984, and the first ever non-Congress party to win a majority. Seen alongside the marginalisation of the two main Communist parties (10 seats, down from 20), this signifies a paradigm shift towards a right-of-centre polity and a possible eclipse of the so-called "Nehruvian consensus" that has predominated establishment thinking in India for over six decades.



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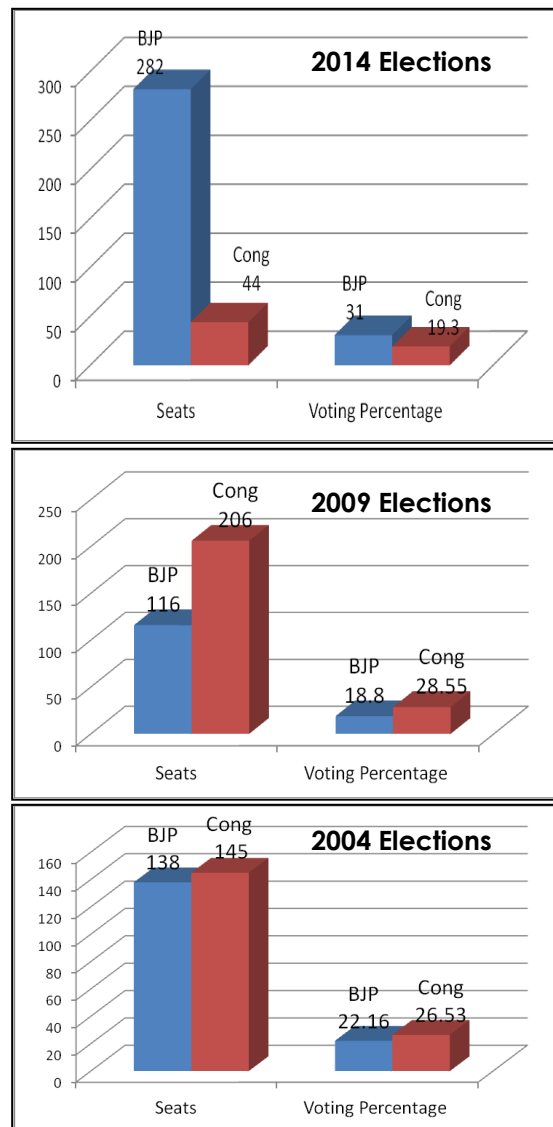
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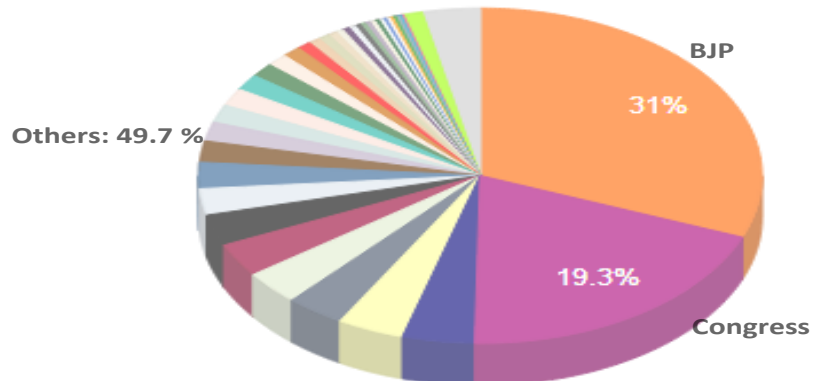
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Figure 2: Performance of BJP and Congress in the Last Three Elections



The election also set aside prevailing assumptions about the presumed permanence of "coalition politics", the inevitable growth of regional parties and the BJP's inherent limitations. Firstly, the BJP transcended its traditional political and geographic boundaries, securing 31% of the national vote (against 19% in 2009) and a record 282 seats. Secondly, contrary to expectations, the BJP was successful in forging regional alliances. Thirdly, the vote share of non-BJP, non-Congress parties declined from 53% in 2009 to 49%, with only three of them securing a significant presence in the Lok Sabha. Taken together, these trends reflected the emergence of "pan national" aspirations over purely regional mindsets.

Figure 3: Vote Share – 2014 Elections



The Modi factor

Against the BJP's largely lacklustre record as an opposition party and growing internal divisions over the past decade, the "Modi factor" invigorated and brought coherence to its election campaign. The BJP's prime ministerial candidate transformed the race through a presidential style campaign centred around the themes of development, jobs, good governance and decisive leadership. Modi campaigned tirelessly across the country, addressing almost 450 major rallies and making appearances at some 5800 locations, covering a blistering 300,000 km in the process. The deployment of full spectrum media initiatives, from around 1300 3-D hologram appearances and "conversations over tea" at 4000 sites to outreach on social networking sites, acted as a force multiplier for the Modi-led BJP campaign. The BJP's organisational strengths rallied grass roots support.

Modi himself has described this unprecedented effort as "the biggest mass mobilisation exercise of its kind in the history of elections."

Modi's rise from humble origins and inspirational success story carries wider implications for India's politics and democratic evolution.

As an archetypal outsider distanced from the corridors of power in New Delhi, sharing little in common with India's "ruling establishment", he is the first sitting Chief Minister of an Indian State to have successfully aspired to national leadership. Modi survived withering attacks by political opponents and detractors over his alleged role during sectarian riots in Gujarat in 2002, which was never established despite prolonged judicial scrutiny. He also overcame strong resistance from within the BJP itself. Like his long political career, his rise to electoral victory was entirely self-made.

Second, Modi ran his campaign primarily on the issues of development, jobs and good governance, eschewing India's traditional politics of identity and vote banks. In this respect, he appears to have understood the dynamics moving India's youth and "neo-middle class", and their aspirations for a better

future, to a remarkable degree. Modi targeted this group, which has tasted the partial fruits of development and is hungry for greater economic opportunity.² The scale of his victory indicates that the usual equations of caste and religion have taken a back seat and the electorate is no longer moved solely by the politics of differentiation, reservation and handouts. Members of the "neo-middle class" shed their traditional identity to vote as individuals,³ which in turn will help India's progress towards a more egalitarian society.

Third, Modi confounded his innumerable critics who have long regarded him as too much of a socially "divisive" figure to ever be electable as India's Prime Minister. Recognising the complexities of India's social fabric, Modi steadfastly refrained from projecting the BJP's majoritarian "Hindutva" line, declaring that "the only holy book of the government is the Indian Constitution." This marked Modi's transition from a "polariser" to a national leader and statesman, enabling him to breach the old bastions of caste and community.

Modi's vision of inclusion rests primarily on economic empowerment of all citizens and enhancing the developmental potential of Indian states, which is reflected in his "with all, development for all" slogan. That said, he will have to shoulder the responsibility of ensuring social harmony across India's immense diversities. The BJP's notion of "India First" can still imply (for some) a muted form of majoritarianism,⁴ which Modi will need to harmonise with India's longstanding tradition of political liberalism. If he is successful, he will move India closer to the idea of a common national identity, and even a uniform civil code which is the norm in all modern democracies.⁵

Much has been said about Modi's assertive personality and "authoritarian" tendency. This clearly did not constitute a burden for an Indian electorate which has had its share of weak leadership. As a self-confident and decisive leader, Modi is likely to govern with moral authority and demand performance from his government, much as he has in Gujarat for over a decade. He has enhanced his leadership image after his victory by striking a conciliatory tone towards the political opposition and attributing his success to the Indian people and to his party workers.

Modi understands that the key to his success as Prime Minister will be his capacity to carry all segments of the Indian public together and forge a broad national consensus behind his policy initiatives. Having become the first Indian leader in decades to enjoy overwhelming popularity in all parts of the country, perhaps nobody realizes this fundamental need more than Modi himself.

This is not the occasion to debate whether Modi will fulfil the enormous expectations he has engendered. It is far more meaningful to recognize that with his energy and conviction, Modi appears poised to be a transformative Indian Prime Minister, lifting India on the strengths of its inherent talent, resources and potential.

Domestic challenges

Modi has indicated that the first priority of his government "will be to restore the health of the economy and put it back on track." He will devote attention to employment generation, infrastructure and manufacturing, for which he promises to move away "from the present state of policy paralysis and create an enabling environment to revive investor sentiment." While he does not bring with him a distinct brand of "Modinomics", in the ideological spectrum Modi can be placed firmly on the side of right-of-centre liberal economic thinking. He has often stated that there should be "no red tape, only red carpet" for investors. His motto of "minimum government, maximum governance" refers less to downsizing government and more to the government acting as a facilitator rather than a speed breaker, while enhancing delivery of essential social services, including in the areas of education, healthcare and public transport. Modi has promised to change the government mindset from "outlays to outcomes" and fine-tune administrative processes as the

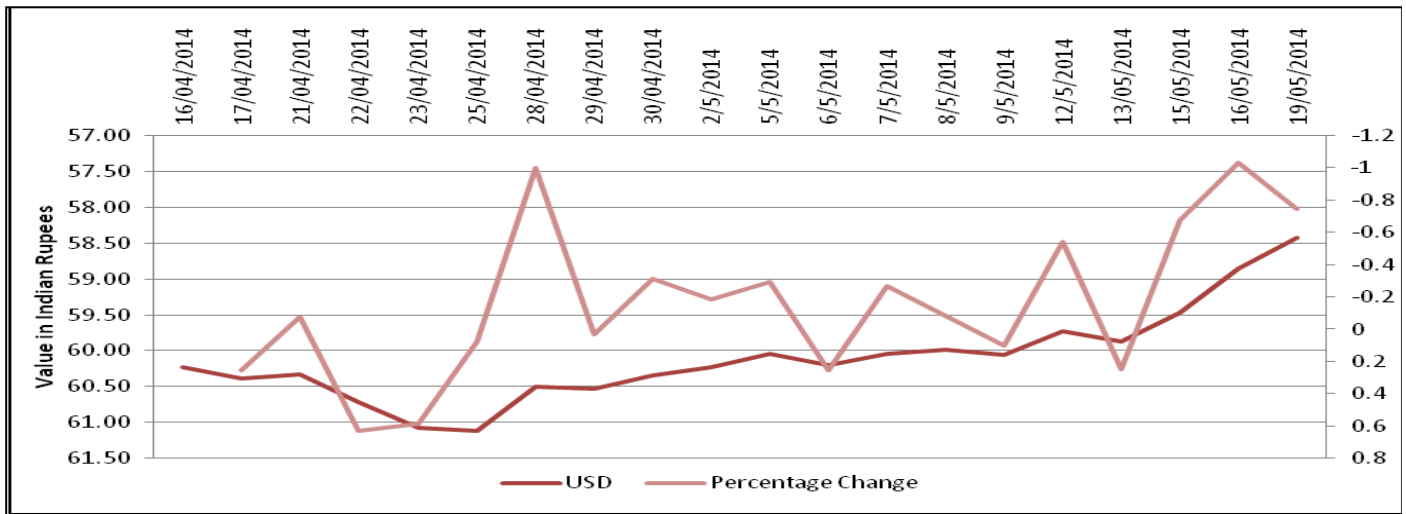
quality of "governance matters more than policy." His focus, in short, is on a government that delivers. That is also his record in Gujarat.

Among Modi's foremost challenges will be restoring faith in government institutions across the board, and reversing deeply entrenched institutional inefficiencies which have eroded public trust.

With inflation remaining stubbornly high, declining industrial output, a worrying fiscal deficit, continuing external vulnerabilities and the problem of jobless growth, the Modi government will inherit a difficult economic situation and an overhang of the welfarist excesses of the UPA. An economic rebound will take time, but there is reason to be optimistic about Modi's capacity to systematically reform and revive the Indian economy.

Modi's electoral success has boosted India's stock markets to record highs and has been widely welcomed by the business community at home and abroad (Figure 4).

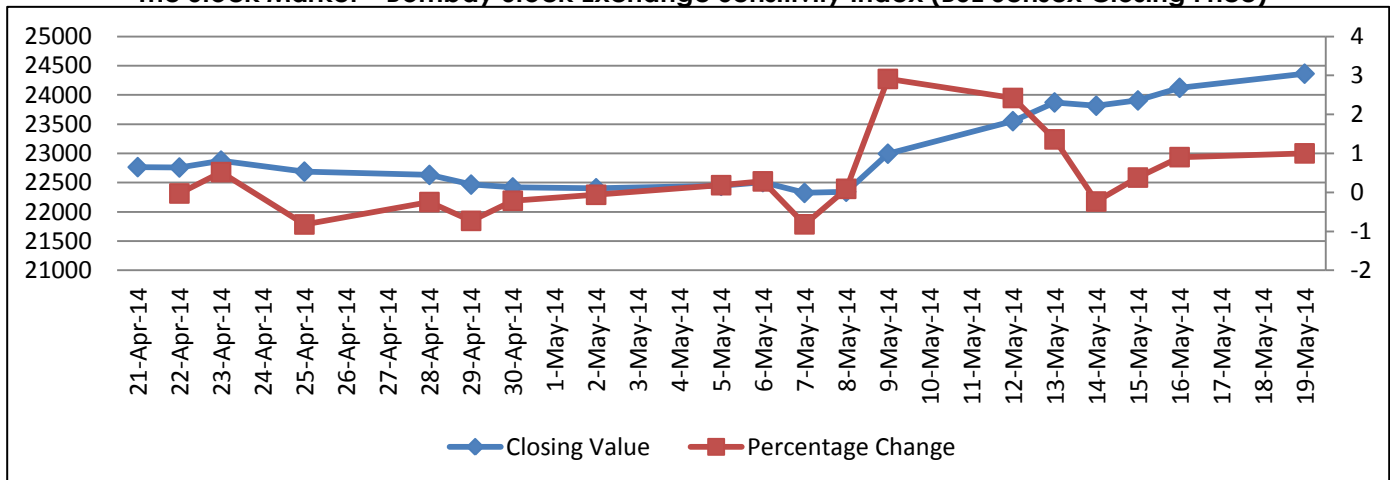
Figure 4: The "Modi Effect" on India's Currency and Stock Markets
Exchange Rate: Rupee vis-a-vis the US Dollar



Indian Rupee vis-a-vis the US Dollar

Source: Extracted from Reserve Bank of India

The Stock Market – Bombay Stock Exchange Sensitivity Index (BSE Sensx Closing Price)



Source: Extracted from BSE India website: <http://www.bseindia.com/indices/indexarchivedata.aspx> (last accessed on May 16, 2014)

The agenda for a Narendra Modi-led BJP government will unfold only in the coming weeks, following the installation of the new government and Cabinet. However, we have drawn some policy indicators from the priorities set in the BJP's election manifesto and remarks by Modi himself during the election campaign, which can be seen at Annexure-1 (Pages 9-14).

Foreign Policy

India's external profile will stand to gain from the prospect of a strong and stable BJP/NDA government, which is likely to engage the world with greater self confidence and vigour.

Modi the "outsider" has faced critical scrutiny for the past several years from India's liberal intelligentsia. There has been a similar strand of biased assessments about Modi in the Western media.

So what should the international community expect from Modi?

Modi is unquestionably a right-of-centre nationalist who is deeply committed to India's emergence as a strong and self reliant power. His campaign slogan, "One India, Strong India", speaks for itself and mirrors his promise of robust leadership. He will have a powerful impact on foreign policy, reviving interest in engaging India and driving bolder initiatives abroad.

The most likely outcome of his assumption of power, however, will most certainly not be India's turn towards nationalist assertions.

The "Indian dream" which Modi successfully projected to India's youth is one of empowerment and higher standards of living – and not of national aggrandisement.

Instead, Modi is likely to accord priority to restoring high economic growth and rediscovering the economic foundations of India's national power. This, in turn, will entail measures to improve the domestic and external environment for ensuring a higher growth trajectory. A more proactive global engagement and vigorous economic diplomacy can be anticipated.

Secondly, Modi's determination to reinvigorate institutions and strengthen government capacity and organisational outputs will have a beneficial impact on India's comprehensive national power. India's friends will welcome this prospect.

Several comparisons have been made between Modi and foreign leaders, both past and present. None appears more apt than the one with Prime Minister Shinzo Abe of Japan. Modi is likely to interject national self confidence and hope, much like Abe has done in Japan, and give a sense of direction to India's

Box 1

ICRIER Wadhvani Chair's Policy Brief for reviving India-US relations

Over the past decade, India and the US have successfully transitioned from "estranged democracies" to "strategic partners", with increasingly congruent interests.

Nevertheless, with growing domestic preoccupations and diminished high-level direction on both sides, India-US relations have been adversely impacted over the past year.

The new Indian Government will need to take concerted steps to restore the momentum of India-US relations based on shared values and extensive people-to-people ties, convergence of interests in shaping a stable and secure future for Asia, and the enormous untapped potential of mutually beneficial economic ties.

Restoring the strategic vision of a long term "defining" partnership for the 21st century should be accorded the highest priority by the new Indian government.

The ICRIER Wadhvani Chair recommends consideration of the following measures by the new government:

- Restoring vitality to the India-US strategic partnership through renewed high-level attention by both the White House and the PMO.
- Reinstating a "whole-of-Government" approach involving key Cabinet-level interactions.
- Ending the current unproductive cycle of trade and investment disputes through a sustained dialogue on all contentious issues, including meetings of the Trade Policy Forum (TPF) which has not convened in four years.

Continued...

strategic posture.

Modi has refrained from delving into the details of his foreign policy apart from stressing the primacy of national interests, but it is significant that he has carefully avoided any hawkish statements and ruled out confrontational approaches towards neighbours like Pakistan.

While the BJP has spoken of a "web of alliances" to strengthen India's weight on the global stage, hopefully this implies a more pragmatic, non-ideological stance which goes beyond "non-alignment" or its new name, "strategic autonomy", and extends to the proactive pursuit of opportunities that advance India's interests.

Some experts have suggested that under Modi, there may be more continuity than change, as basically Modi can pursue the strategic and foreign policy legacy of Atal Bihari Vajpayee, the BJP's first Prime Minister, which has been largely continued by Manmohan Singh. However, such presumptions are somewhat premature and potentially misleading. Modi is more likely to determine the nuances of his external policy himself. Greater dynamism is on the cards as Modi gets into his stride.

Modi can make a decisive impact on two areas which intersect with foreign policy and India's external partnerships in a globalised world: economic engagement and defence capacity.

With his business-friendly record, he can revive India's economic power by ensuring a stable business environment which is free from regulatory and political uncertainty, capricious policy making and cumbersome bureaucracy. He can also ease supply side bottlenecks which have thrown India's energy, industry and infrastructure sectors into a negative spiral. Modi will most certainly privilege foreign direct investment through appropriate incentives, and he has already decried "tax terrorism". However, India's economic partners should bear in mind that on broader, and politically difficult, structural reform issues which impact India's trade and investment climate, progress is likely to be gradual.

Defence is another vital area awaiting more decisive political leadership. Modi has signalled his intention to progress military modernisation through a balanced mix of procurement and indigenous capacity building, including by incentivising private sector involvement in defence manufacturing. Aligning the defence establishment with these goals can open up new avenues for pursuing mutually beneficial defence trade and technology exchanges with India's foreign partners.

- Pursuing forward looking initiatives to secure the increased integration of the two economies, for which concluding a Bilateral Investment Treaty and moving towards India's eventual involvement in the Trans Pacific Partnership will be important steps.
- Forging ahead with bilateral collaboration on renewable and nuclear energy, as well as exports of US shale gas to India to buttress its energy security.
- Harnessing knowledge power and science and technology for mutual benefit in the areas of agriculture, education, energy, space, environment and infrastructure.
- Reinforcing growing security convergences in the Indo-Pacific through strategic consultations on India's "arc of anxiety", Asian security challenges and architecture, and continued US support for India's rise as a crucial component of Asian security and stability.
- Commencing negotiations to renew the bilateral defence cooperation framework in 2015 with an expanded Comprehensive Security Agreement, including a 2+2 security dialogue.
- Progressing bilateral maritime security cooperation and multilateral security activities across the Indo-Pacific and IOR regions, including with key partners like Japan and Australia.
- Proactively pursuing the implementation of the defence trade and technology initiative on the lines of the Joint Declaration on Defence Cooperation concluded in September 2013.
- Advancing India's position in the global seating order (UNSC, APEC, NSG and other Control Regimes) through sustained American support.



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A Modi-led BJP government may also be inclined to undertake long delayed reform of higher defence structures and integrated functioning within India's Defence Ministry. India's defence posture will gain strength from more strategic decision making, contributing to both national deterrent capacity and India's potential as a net security provider alongside its regional partners.

In his capacity as the Chief Minister of Gujarat, Narendra Modi has interacted extensively with foreign investors, leaders and diplomats, mainly with the objective of promoting the business potential of Gujarat. He has also visited Japan, China, Singapore, Israel, Russia, Switzerland, Kenya and Uganda, accompanied by business delegations. These visits have been meticulously planned, not just to project Gujarat as a trade and investment destination, but also to draw lessons from the economic strides these countries have made.

It should not be surprising, therefore, if Modi seeks to strengthen economic partnerships with some of the countries he has visited.

Having called upon China to abandon its "mindset of expansion" during the election campaign, Modi has also positioned India-China relations in a larger context, pointing to the benefits of improved relations to both nations and to a rising Asia.

Modi is likely to further strengthen India's strategic and economic partnership with Japan, which he has visited in 2007 and 2012.

Over the past year, the India-US strategic partnership has lost ground for a variety of reasons, from domestic preoccupations on both sides to growing disputes over trade and investment issues. It is clearly not in the interest of either country to allow this impasse to continue, and Modi (as well as other BJP leaders) have already signalled the importance of restoring traction to India-US relations. President Obama's congratulatory call to Modi on May 16, 2014 appears to have set the stage for progress to be made.

However, if India and the US are to restore the strategic vision which has guided the transformation of their relationship over the past decade, the lead will have to come directly from President Obama and PM (elect) Modi. Relations will benefit from sustained high level oversight, which has dissipated in recent years.

The ICRIER Wadhvani Chair's recommendations for reviving the momentum of India-US relations are listed in Box 1 (Pages 6-7). Data on India-US trade and investment relations can be seen at *Annexure-2 (Pages 15-17)*.

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**Annexure 1:
Narendra Modi led BJP Government
Policy Indicators**

Domestic Priorities

Subject	BJP Manifesto	Modi Speak
<u>Agriculture</u>	Take steps to enhance profitability in agriculture by ensuring a minimum of 50% profit over the cost of production, cheaper agriculture inputs and credit; introducing latest technologies for farming and high yielding seeds; and linking MGNREGA to agriculture.	<p>"India needs to think big on the agriculture export policy...Every state should formulate an agricultural export policy." - September 9, 2013</p> <p>On NREGA: "One thing is clear: at present, there is hardly any creation of durable community assets. We cannot let so much public money be spent without creating any durable assets. It also needs to be examined whether part of the NREGA funds can be used for rural housing, rural sanitation and providing skills to the unemployed in rural areas." - May 6, 2014</p>
<u>Employment</u>	Labour-intensive manufacturing (viz. textile, footwear, electronics assembly, etc.) and Tourism Strengthen the traditional employment bases of agriculture and allied industries Encourage and empower our youth for self-employment	<p>"If there is one single thing that I feel needs maximum attention, it is generating employment for our youth." - May 6, 2014</p> <p>"Even within the manufacturing sector, there has to be adequate focus on the micro, small and medium enterprises. The next war that is going to be fought globally is the "jobs war". We must prepare our country to face that challenge" - May 6, 2014</p> <p>"Job creation has to be our primary target. I think our youth is extremely talented, capable and ready to work hard. They have a right to dream..... It is our responsibility to ensure that they get the right kind of education and skills so that they can be employed." - May 6, 2014</p>
<u>FDI</u>	Barring the multi-brand retail sector, FDI will be allowed in sectors wherever needed for job and asset creation, infrastructure and acquisition of niche technology and specialized expertise.	<p>"No red tape, only red carpet" - June 7, 2012</p>
<u>Infrastructure and Transport</u>	Freight Corridors and attendant Industrial Corridors Developing ports through Sagar Mala project - Public Private Partnership Connecting remote regions like those in the Northeast and Jammu and Kashmir	<p>In continuation of Atal ji's vision, there is a need to initiate a Diamond Network of Bullet Trains cutting across India. - Mar 19, 2014</p> <p>"need to focus on areas such as highways, railways, ports and power." - May 04, 2014</p> <p>Transformation of the railways – on par with the most modern rail networks in the world. - May 04, 2014</p> <p>"We need second generation infrastructure, inter-linking of rivers, gas grid to end fight over (LPG) cylinders, optical fibre network across the country." - January 19, 2014</p>

Subject	BJP Manifesto	Modi Speak
<u>Labour Force - The Pillar of Our Growth</u>	<p>We believe in promoting a harmonious relationship between labour and the industry, with both playing an important contributory role in economic growth and development</p> <p>Issue identity cards to unorganized sector labourers; extend access to modern financial services to labour ; <u>review our Labour laws which are outdated</u></p>	<p>Labour issue should be removed from the concurrent list to give states the leeway to frame labour laws given their own peculiarity.</p> <p>- July 05 2013</p>
<u>Land</u>	<p>Adopt a 'National Land Use Policy', which will look at the scientific acquisition of non-cultivable land, and its development</p> <p>Its implementation would be monitored by the National Land Use Authority, which will work with the State Land Use Authorities to regulate and facilitate land management.</p>	<p>"The Supreme Court has stated that in land acquisition, state governments must follow Gujarat's policies."</p> <p>- April 25, 2014</p>
<u>Manufacturing</u>	<p>Accord high priority to the growth of manufacturing, so that we can create enough jobs in the country.</p> <p>Take steps for Interest rate rationalization and have a clear tax policy to remove uncertainty and create investor confidence.</p> <p>Encourage Indian companies to go global and support Indian companies in this endeavor. We believe that Indian entrepreneurs have the capability to take on global markets.</p>	<p>"..bring back the focus on infrastructure and manufacturing sector. For this we will have to move away quickly from the present state of policy paralysis and create an enabling environment to revive investor sentiment."</p> <p>- May 6, 2014</p>
<u>Neo-Middle Class</u>	<p>Educational scholarships and educational facilities; Medical insurance and quality healthcare services; Middle-income housing ; Efficient public transport systems</p>	<p>"Due to development in Gujarat in the last 10 years, there has been substantial rise in this neo-middle class. We want to address their issues."</p> <p>- December 03, 2012</p>
<u>Taxation</u>	<p>Rationalize and simplify the tax regime, overhaul the dispute resolution mechanisms</p> <p>Bring on board all State governments in adopting GST, addressing all their concerns</p>	<p>"India is facing tax terrorism, which is dangerous."</p> <p>"You cannot treat every citizen like a thief. Some serious thought is required and financial experts must see how taxes can be simplified."</p> <p>- January 15, 2012</p>
<u>Urban Areas - High Growth Centres</u>	<p>100 new cities</p> <p>Cleanliness and Sanitation will be given priority - efficient Waste and Water management systems will be set up. Model towns will be identified for rolling out integrated waste management infrastructure.</p>	<p>Instead of treating urbanisation as an opportunity, we have treated it as a challenge. It is this thinking that has been the bane. It should be considered as a part of development and good policies should be framed accordingly. We need to build 100 new advanced/smart cities. These cities have to be context specific based on local needs. We need to develop twin city concepts and satellite cities as well.</p> <p>- January 23, 2014</p>
Social Sector		
<u>Education</u>	<p>Investment in education yields the best dividend. Public spending on education would be raised to 6% of the GDP, and involving the private sector would further enhance this.</p>	<p>"We can develop IITs, IIMs and AIIMs in every state of the country."</p> <p>- February 9, 2014</p>

Subject	BJP Manifesto	Modi Speak
<p><u>Health</u></p>	<p>India now needs a comprehensive healthcare policy</p> <p>Initiate the 'National Health Assurance Mission', with a clear mandate to provide universal healthcare that is not only accessible and affordable, but also effective, and reduces the [out-of-pocket (OOP)] spending for the common man.</p> <p>Modernize Government hospitals, upgrading infrastructure and latest technologies</p>	<p>"Poor and the middle classes are experiencing immense economic distress due to single episode of illness. There is a need to change the approach. We must not just be focussed merely on sickness but also on wellness. Focus should be on preventive health care as well. We need to move from health insurance to health assurance."</p> <p>- January 23, 2014</p>
Defence and Internal Security		
<p><u>Defence</u></p>	<p>Technology transfer in defence manufacturing will be encouraged to the maximum.</p> <p>We will encourage domestic industry to have a larger share in design and production of military hardware and platforms for both domestic use and exports, in a competitive environment.</p>	<p>The last 10 years have seen our defence preparedness becoming weak on account of several procurement procedures mired by long delays leading to shortage of arms and equipment. The ideal situation is an efficient procurement system leading to timely and cost effective procurement of quality defence equipment, done in a transparent manner. In the past, we had instances of good quality arms being procured but lacking in transparency in their procurement. In the last 10 years have a paradoxical situation where there was hardly any procurement happening in time and still serious questions of transparency have been raised.</p> <p>I think the time has come when domestic production of defence equipment and machinery needs to be seriously incentivized by the government in a carefully calibrated manner so that we move towards indigenous equipment manufacturing in the medium term without compromising our preparedness in the short term.</p> <p>We must start with indigenizing military equipment. The DRDO has several decades of experience but India still imports most of its military hardware. We should involve Indian corporates in PPPs for defence manufacturing.</p> <p>- May 6, 2014</p>
<p><u>Internal Security</u></p>	<p>Revive anti-terror mechanisms, reform National Security Council, insulate intelligence agencies from political intervention, and modernise police forces.</p>	<p>Maoism and terrorism are the biggest threats to our internal security. I have always advocated a zero tolerance approach to these problems. Further, we need a clearcut legal framework to address these challenges.</p> <p>- May 6, 2014</p>

Governance

	BJP Manifesto	Modi Speak
<u>Article 370</u>	<p>Jammu and Kashmir was, is and shall remain an integral part of the Union of India.</p> <p>BJP reiterates its stand on the Article 370, and will discuss this with all stakeholders and remains committed to the abrogation of this article.</p>	<p>"Irrespective of whether it remains a part of the Indian Constitution or not, the time has come for at least a debate to find whether Article 370 has benefited the common man in Jammu and Kashmir. This is the need of the hour."</p> <p>- December 1, 2013</p>
<u>Decentralization and People's Participation</u>	<p>We will place Centre-State relations on an even keel through the process of consultation and strive for harmonious Centre-State relations.</p> <p>Our Government will be an enabler and facilitator in the rapid progress of states. We will evolve a model of national development, which is driven by the states</p> <p>We will further evolve the Public Private Partnership (PPP) model into a People-Public-Private Partnership (PPPP) model.</p>	<p>"Co-operative, not Coercive Federalism for Strong Republic."</p> <p>- 25 January 2012</p> <p>"Public-Private-Partnership alone will not do. People should also be included. Policies should be decided with people's participation."</p> <p>- April 8, 2013</p>
<u>Decision Making and Policy Paralysis</u>	<p>We will also encourage the bureaucracy to take right decisions and contribute their might in building a modern India</p>	<p>"We will also have to take steps to remove procedural bottlenecks and expedite decision-making process for clearing projects."</p> <p>"All decisions, even rejection of proposals, should be taken in a transparent and time-bound manner."</p> <p>- May 6, 2014</p>
<u>Governance</u>	<p>Hallmarks of our Governance model:</p> <ul style="list-style-type: none"> ❖ People-centric ❖ Policy driven ❖ Time bound delivery ❖ Minimum Government, Maximum Governance 	<p>"Government is all about outlay, governance is all about outcome. Government is all about power, governance is all about empowerment. Government means rules and regulations while governance means delivery, Our nation just does not need a government, but [needs to] adopt good governance."</p> <p>- April 08, 2013</p>
<u>India First</u>	<p>BJP believes in India being one country, one people and one nation. BJP recognizes the importance of diversity in Indian society, and the strength and vibrancy it adds to the nation. The party believes in the principle of unity in diversity</p> <ul style="list-style-type: none"> ❖ the only philosophy and religion of a Government should be India First. ❖ the only epic of a Government should be India's Constitution. ❖ the only power of a Government should be the power of the people. ❖ the only prayer of a Government should be the welfare of its people. ❖ the only way of a Government should be 'Sabka Saath, Sabka Vikas'. 	<p>We believe in taking everyone together. We believe only the issues of development and good governance impact the lives of all citizens of this country regardless of their caste, creed, region or religion.</p> <p>- May 6, 2014</p> <p>The only holy book of the government is the Indian Constitution. I am very clear that the government is run as per the constitutional provisions.</p> <p>- May 6, 2014</p>

Foreign and Security Policy

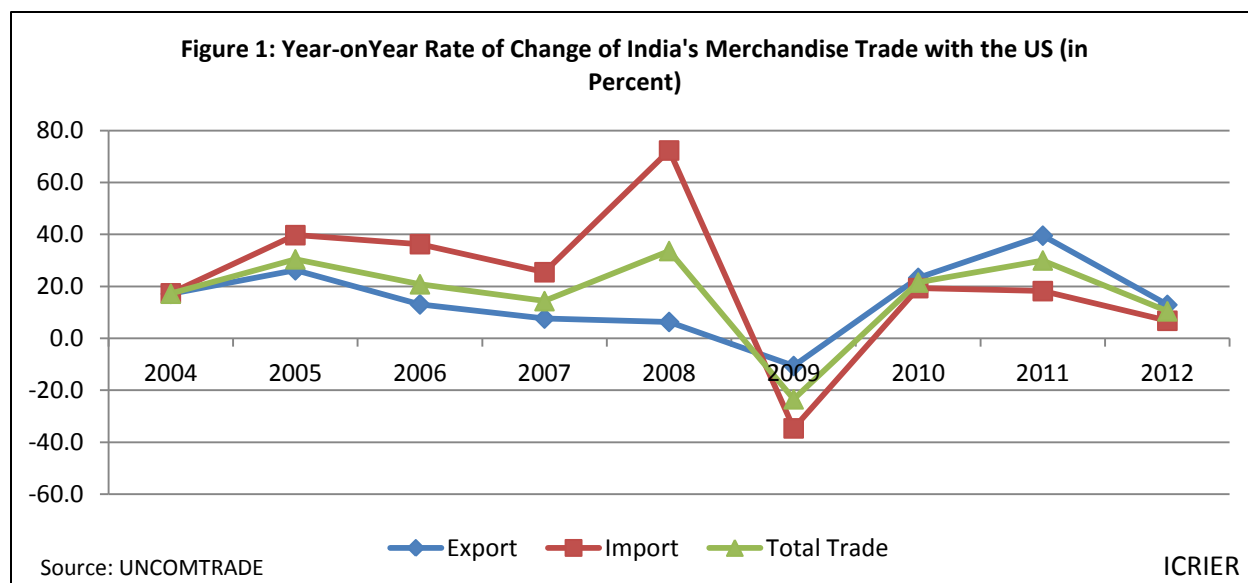
	BJP Manifesto	Modi Speak
<u>Foreign Policy</u>	<p>Fundamentally reboot and reorient the foreign policy goals, content and process, in a manner that locates India's global strategic engagement in a new paradigm and on a wider canvass, that is not just limited to political diplomacy, but also includes our economic, scientific, cultural, political and security interests.</p> <p>We will revive Brand India with the help of our strengths of 5 T's: Tradition, Talent, Tourism, Trade and Technology</p>	<p>"Times have changed, the core work of external affairs ministry today is trade and commerce." - February 27, 2014</p>
<u>Foreign Policy Orientation</u>	<p>We will create a web of allies to mutually further our interests.</p> <p>Instead of being led by big power interests, we will engage proactively on our own with countries in the neighbourhood and beyond.</p> <p>States will be encouraged to play a greater role in diplomacy; actively building relations with foreign countries to harness their mutual cultural and commercial strengths</p>	<p>Our policy will be guided by the notions of <i>Vasudeva Kutumbam</i> (universal family) The world is changing fast and we are living in 21st Century. This is an era of equality and we will interact with everyone as equals. - April 21, 2014</p>
<u>Independent Strategic Nuclear Programme</u>	<p>Study in detail India's nuclear doctrine, and revise and update it, to make it relevant to challenges of current times.</p> <p>Maintain a credible minimum deterrent that is in tune with changing geostatic realities.</p>	<p>"No first use was a great initiative of Atal Bihari Vajpayee - there is no compromise on that. We are very clear. No first use is a reflection of our cultural inheritance." - April 17, 2014</p>
<u>Pakistan</u>	<p>Need to address increase in incidence of Pakistan backed terror groups in India</p> <p>"We want healthier relations with Pakistan but any constructive engagement may be difficult if India's concerns over cross-border terrorism are not addressed," - Ravi Shankar Prasad - May 14, 2014</p>	<p>"I will only say that we should not be constrained by what has happened in the past if the present throws up new possibilities in terms of solutions." - May 6, 2014</p> <p>"The first step in building any meaningful relation with Pakistan has to be Pakistan taking effective and demonstrable action against the terror networks that operate from its soil. Once that happens there will be an increased trust between the two neighbours.. - May 6, 2014</p>
<u>China</u>	<p>"While economic engagement with China will remain an important facet of relations with Beijing, the BJP government would insist on China "suitably addressing" India's concerns over the border dispute and Arunachal Pradesh." - Ravi Shankar Prasad - May 14, 2014</p>	<p>"If India and China want to work together towards improving our relationship and resolving our differences, it would be helpful to both the nations. The 21st century belongs to Asia. More than 60% of the world's population resides in Asia." - May 6, 2014</p> <p>"Times have changed. The world does not welcome the mindset of expansion in today's times. China will also have to leave behind its mindset of expansion." - February 22, 2014</p>

	BJP Manifesto	Modi Speak
<u>United States of America</u>	<p>Proper initiatives are needed (to spruce up ties with the US). Governments keep changing in a democracy and in saying what he has said, President Obama has taken a larger view of ties — that these are government neutral ...As Modi has suggested that trade could be his foreign policy's driving policy....it was important for trade and foreign policy to work in greater "unison and harmony - Ravi Shankar Prasad</p> <p>- May 14, 2014</p>	<p>"A country's relations are not determined by what happens or happened with an individual"</p> <p>- May 6, 2014</p> <p>"The oldest democracy in the world and the largest democracy in the world are natural allies and we must work together towards global peace and prosperity."</p> <p>- May 6, 2014</p> <p>"It is in India's interest to promote trade, commerce and technology. We will do whatever is necessary to that effect."</p> <p>- April 18, 2014</p>
<u>Japan</u>		<p>"....both India and Japan believe in liberal societies and democratic governance. Thus, it is hardly surprising that India and Japan have become extremely close over the years</p> <p>- July 21, 2012</p>

**Annexure 2:
INDIA-US Trade and Investment**

Compiled by Tanu Goyal

Trade in Goods



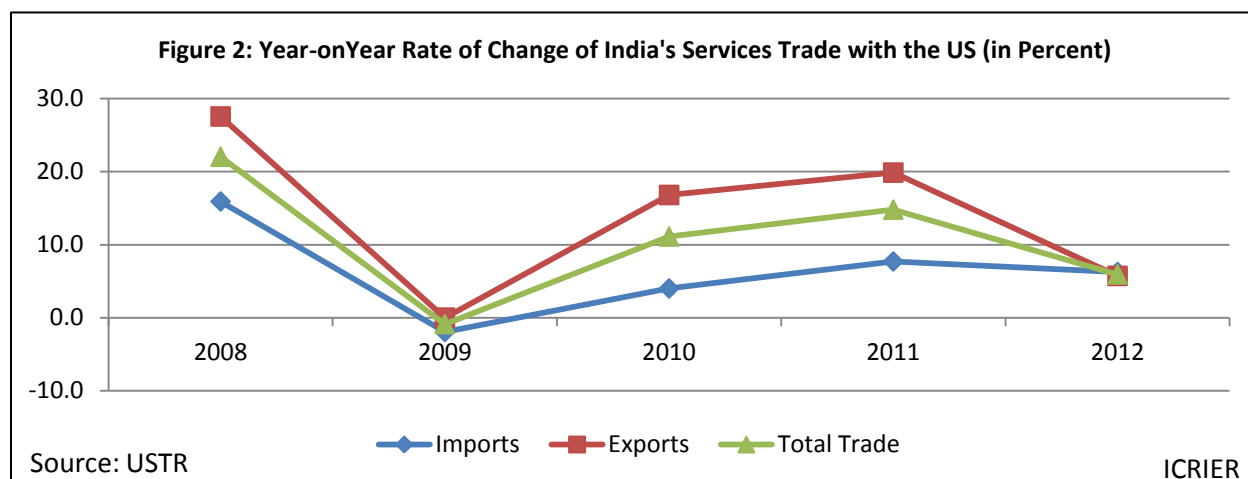
1. The United States (US) is India's second largest export partner for goods after the European Union with a share of 12.8 per cent in India's exports.
2. Except for the year of global slowdown, India has recorded a growth in merchandise trade with the US, however, the rate of change has been fluctuating (see figure 1).
3. Even though the growth seems to pick up after 2009, in the recent years there has again been a slowdown in the rate of growth.
4. In terms of volumes, India's export to the US increased from \$16.5 billion in 2005 to \$37.1 billion in 2012 and imports increased much more from \$8.3 billion in 2005 to \$24.1 billion in 2012.
5. India has a positive trade balance in case of trade in goods with the US.

Table 1: India's Trade Volumes and Balance of Trade in Goods with the United States (in US\$ Billions)

Year	2005	2007	2009	2010	2011	2012
Exports	16.5	20.1	19.1	23.6	32.9	37.2
Imports	8.3	14.2	16.0	19.1	22.6	24.1
Balance of Trade	8.2	5.9	3.1	4.5	10.3	13.1

Source: Compiled from UNCOMTRADE database

Trade in Services



In terms of trade in services, the US is an important trading partner for India. It is difficult to get bilateral services trade data, particularly for India as there is no clear data collection mechanism, mirrored data¹ has been used for analysis. (See Figure 2)

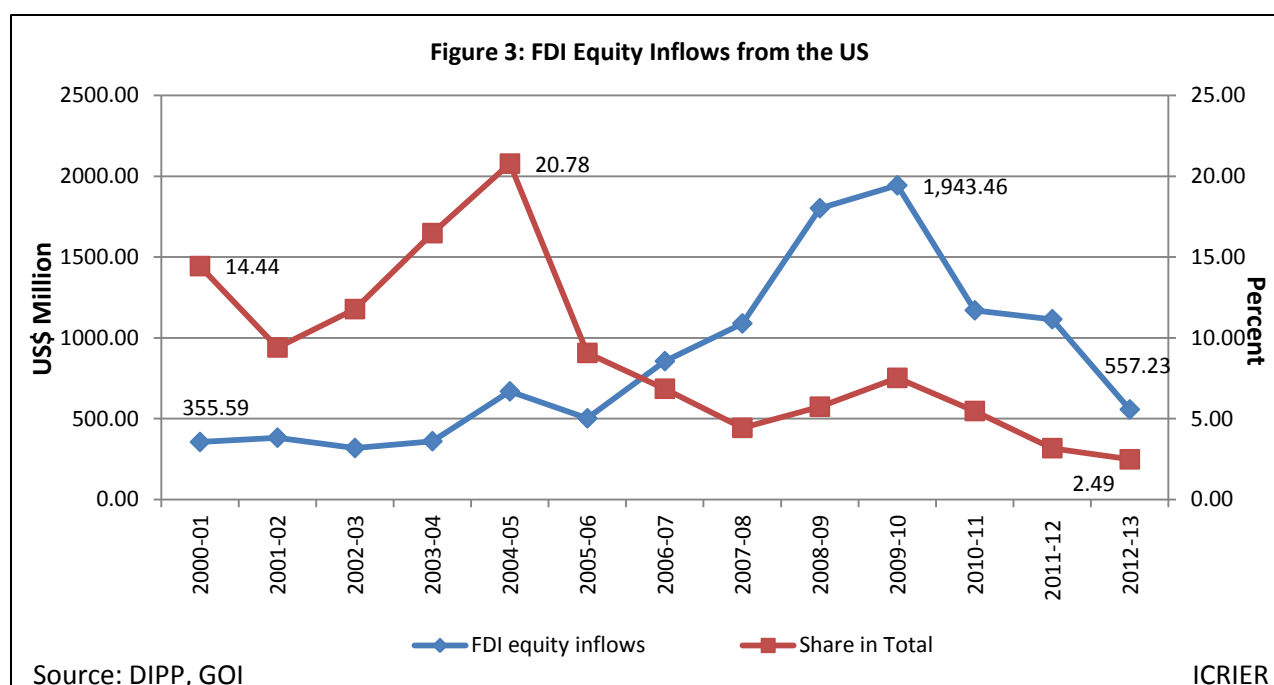
1. The services trade data exhibit trends similar to trade in goods.
2. There has been a decline in India's services trade with the US in 2009; however, the decline has been lower than India's trade in goods with the US.
3. Post 2009, trade seems to have picked up again, but in 2012, there has again been slowdown in growth, however, it remains positive.
4. India's export of services to the US increased from \$2.6 billion to \$11.9 billion and imports increased from \$1.9 billion to \$18.5 billion.
5. India has a negative trade balance with the US in terms of trade in services.

Table 2: India's Trade Volumes and Balance of Trade in Services with the United States (in Bn. US\$)

Flow	2000	2007	2008	2009	2010	2011	2012
Exports	2.6	8.8	10.2	10	10.4	11.2	11.9
Imports	1.9	9.8	12.5	12.5	14.6	17.5	18.5
Balance of Trade	0.7	-1	-2.3	-2.5	-4.2	-6.3	-6.6

Source: USTR

Investments Inflows



1. With a cumulative investment of \$11.8 billion (between the period April 2000 to January 2014), the US was ranked as the 5th largest investor in India after Mauritius, Singapore, the United Kingdom (UK) and Japan. The US's rank has deteriorated compared to 2010, when it was ranked the third largest investor in India after Mauritius and Singapore.
2. In 2012-13, total investments from the US in India were valued at \$557.23 million.
3. In 2012-13, the US Until the global crisis, there was an increase in the US's investment in India, which started declining after 2009.
4. Consequently, the share of the US in India's total FDI inflows has also declined over the years. (See Figure 3).

¹ The data for India's export and import to the US has been taken from the United States Trade Representative database. Continuous data series is available from 2007. The US imports have been mirrored to approximate India's export to the US and likewise for the US's exports.

Investment Outflows from India**Table 3: Top ten country wise overseas investments by Indian companies (amounts in billion US Dollars)**

Country	2008-09	2009-10	2010-11	2011-12*	Total
Singapore	4.06	4.20	3.99	1.86	14.11
Mauritius	2.08	2.15	5.08	2.27	11.57
Netherlands	2.79	1.53	1.52	0.70	6.54
United States of America	1.02	0.87	1.21	0.87	3.97
United Arab Emirates	0.63	0.64	0.86	0.38	2.51
British Virgin Islands	0.00	0.75	0.28	0.52	1.55
United Kingdom	0.35	0.34	0.40	0.44	1.53
Cayman Islands	0.00	0.04	0.44	0.14	0.62
Hong Kong	0.00	0.00	0.16	0.31	0.46
Switzerland	0.00	0.00	0.25	0.16	0.41
Other countries	7.65	3.19	2.65	1.23	14.71
Total	18.58	13.71	16.84	8.86	

*April 2011 to February 28, 2012

Source: <http://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/OV27022012.pdf> (last accessed on April 10, 2014)

Table 4: Major sector-wise overseas investments by Indian companies (amounts in billion US Dollars)

Period	2008-09	2009-10	2010-11	2011-12*	Total
Manufacturing	10.18	5.35	5.04	2.74	23.31
Financial Insurance, Real Estate Business & Business Services	3.55	4.41	6.53	2.53	17.03
Wholesale & Retail Trade, Restaurants & Hotels	1.17	1.13	1.89	1.00	5.19
Agriculture & allied activities	2.38	0.95	1.21	0.41	4.94
Transport, Communication & Storage Services	0.31	0.38	0.82	1.34	2.85
Construction	0.35	0.36	0.38	0.37	1.46
Community, Social & Personal Services	0.39	0.18	0.70	0.18	1.45
Electricity, Gas & Water	0.14	0.84	0.10	0.04	1.19
Miscellaneous	0.12	0.11	0.18	0.10	0.51
Total	18.58	13.71	16.84	8.73	57.86

*April 2011 to February 22, 2012

Source: <http://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/OV27022012.pdf> (last accessed on April 10, 2014)

In terms of India's investment outflows, the Reserve Bank of India releases sector-wise data for India's FDI outflow commitments.

1. With a share of 3.97 percent, the US is the fourth largest recipient of investments from India after Singapore, Mauritius and the Netherlands.
2. A majority of the investment outflows from India are in the manufacturing sector (23.31 percent).
3. India's investment in the US until September 2013 were valued at US\$ 11.8 billion and the majority of the investments were in the manufacturing sector (50.8%) followed by financial, insurance, real estate and business services taken together (30.9%).



Indian Council for Research on International Economic Relations

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