

India's Governing Trilemma and the Paradox of Economic Nationalism

Rohit Lamba

Cornell University, US

rohitalamba@cornell.edu

ABSTRACT

India presents a democratic development paradox. It has been an outlier as the only consistent democracy at low levels of per capita GDP to sustain high growth for four decades. Yet since 2014, India has pursued protectionist economic nationalism precisely when global integration seems most necessary. This paper argues that India faces three irreconcilable imperatives that cannot be simultaneously satisfied: developmental needs requiring sustained 9 to 10 percent growth, democratic pressures demanding immediate redistribution with multiple veto points, and civilizational assertions rooted in historical consciousness and instrumentally mobilized by polity. While any two imperatives can coexist, all three cannot. The paper shows how India has settled into a politically stable but developmentally suboptimal equilibrium: democracy plus civilizationalism without full developmental transformation. This configuration produces below par 5 to 6 percent growth, creating a self-reinforcing feedback loop where disappointing outcomes intensify nationalist responses and short-term welfare interventions for consumption, while civilizational framing and strategic opacity generate international incoherence constraining developmental partnerships. The analysis examines transmission mechanisms through which the trilemma operates, explains why India cannot replicate East Asian success, at least in pace, and identifies realistic paths forward. This tests whether democracy and rapid development remain compatible in twenty-first century conditions.

Keywords: India, economic nationalism, democratic development, trilemma, structural transformation, civilizational politics, developmental state, multi-alignment, comparative political economy, Hindu nationalism, East Asian development model.

El trilema del gobierno en la India y la paradoja del nacionalismo económico

RESUMEN

India presenta una paradoja de desarrollo democrático. Ha sido la única democracia consistente, con bajos niveles de PIB per cápita, que ha mantenido un alto crecimiento durante cuatro décadas. Sin embargo, desde 2014, India ha adoptado un nacionalismo económico proteccionista precisamente cuando la integración global parece más necesaria. Este artículo argumenta que India se enfrenta a tres imperativos irreconciliables que no pueden satisfacerse simultáneamente: necesidades de desarrollo que requieren un crecimiento sostenido del 9% al 10%, presiones democráticas que exigen una redistribución inmediata con múltiples puntos de veto, y reivindicaciones civilizatorias, tanto intrínsecas a la cultura como instrumentalmente implementadas por la política. Si bien dos imperativos pueden coexistir, los tres no. El artículo muestra cómo India se ha asentado en un equilibrio políticamente estable, pero subóptimo en términos de desarrollo: democracia más civilizacionalismo sin una transformación integral del desarrollo. Esta configuración produce un crecimiento inferior al esperado del 5% al 6%, creando un círculo vicioso que se retroalimenta, donde los resultados decepcionantes intensifican las respuestas nacionalistas y las intervenciones de bienestar a corto plazo para el consumo, mientras que el marco civilizatorio y la opacidad estratégica generan incoherencia internacional que limita las alianzas para el desarrollo. El análisis examina los mecanismos de transmisión mediante los cuales opera el trilema, explica por qué India no puede replicar el éxito de Asia Oriental, al menos en términos de velocidad, e identifica caminos realistas para el futuro. Esto pone a prueba si la democracia y el rápido desarrollo siguen siendo compatibles en las condiciones del siglo XXI.

Palabras clave: India, nacionalismo económico, desarrollo democrático, trilema, transformación estructural, política civilizacional, estado desarrollista, multialineamiento, economía política comparada, nacionalismo hindú, modelo de desarrollo del este asiático

印度的治理三难困境与经济民族主义悖论

摘要

印度呈现出一个民主发展悖论。它一直是一个特例，是唯一一个在人均GDP较低的情况下，仍能保持四十年高速增长民主国家。然而，自2014年以来，正值全球一体化似乎最为迫切之际，印度却奉行保护主义的经济民族主义。本文认为，印度面临着三个无法同时满足的、不可调和的迫切需求：持续9%至10%增长的发展需求；要求立即进行再分配且拥有多重否决权的民主压力；以及既根植于文化又被政治工具化运用的文明诉求。虽然其中两个需求可以共存，但三个需求却无法同时存在。本文阐述了印度如何陷入一种政治稳定但发展欠佳的平衡状态：民主加上文明主义，却未能实现全面的发展转型。这种格局导致经济增长率低于预期，仅为5%至6%，形成了一种自我强化的反馈循环：令人失望的结果加剧了民族主义情绪和短期消费福利干预，而文明框架和战略不透明则造成了国际间的不协调，限制了发展伙伴关系的建立。本文分析了三难困境的传导机制，解释了印度为何无法复制东亚的成功模式（至少在速度上），并提出了切实可行的前进方向。这检验了在21世纪条件下，民主与快速发展是否仍然兼容。

关键词：印度，经济民族主义，民主发展，三难困境，结构转型，文明政治，发展型国家，多方结盟，比较政治经济学，印度教民族主义，东亚发展模式

Introduction: The Democratic Development Paradox

India has become the world's fifth-largest economy while remaining 140th in per capita income—a superpower in aggregate, still a struggling developer per person. In the Vande Bharat trains, the paradox finds its moving metaphor. While these impressive locomotives carry a name that proclaims civilizational pride, they race past the millions whose poverty keeps them tethered to unreserved compartments. Beneath the nationalist livery lies

a harder truth: imported components and speeds barely half those promised expose the developmental constraints that pride alone cannot overcome. These juxtapositions—and India produces them daily—reflect more than ironic contrasts; they reveal a governance trilemma that explains why the world's most improbable success story now pursues policies that constrain its own transformation.

The improbability requires emphasis. Among all poor countries with per capita incomes below \$100 (current

prices) in 1960, India alone sustained both democratic continuity and then meaningful economic growth for over four decades, starting in 1980. While South Korea abandoned democracy for development and China showed no intentions to sail towards democratic waters, India maintained competitive elections, free expression, and judicial independence while growing at 4.5 percent per capita annually—pulling more humans from poverty than any democratic experiment in history. This achievement becomes more remarkable considering India manages within a single democratic framework linguistic diversity comparable to Europe, religious pluralism exceeding the Americas, and economic and social hierarchies reminiscent of colonial empires. No theory of political economy predicted this; most suggested it impossible.¹

Yet this improbable democracy now embraces economic nationalism precisely when integration seems most vital for the next stage of development. The puzzle sharpens: Why does democratic India, having succeeded against theoretical predictions, now choose policies that economic history and theory suggest will fail? The conventional answers satisfy few. Blaming individual leaders ignores how different parties converge on similar policies. Attributing it to populist ignorance dismisses the sophisticated technocrats who design these interventions. Invoking cultural explanations fails to explain why the same culture embraced globalization in 1991 and nationalism in 2014. The persistence of economic nationalism despite disappointing results—

manufacturing stuck at 15-17 percent of GDP, export competitiveness declining, 45 percent labor still employed in agriculture, a large portion of which is unproductive, and growth moderating to 5-6 percent instead of the needed 9-10 percent (Rajan and Lamba 2024)—suggests structural forces rather than mere correctable errors.

This essay argues that India faces three legitimate but irreconcilable imperatives. Developmental needs demand patient capital accumulation, technology absorption, and occasionally painful structural adjustment to achieve the 9-10 percent growth required to gainfully employ the masses and give them dignity of good jobs before demographic dividends dissipate. Democratic pressures insist on immediate redistribution, visible employment, and accommodation of diverse regional interests within five-year electoral cycles. Civilizational assertions frame economic choices as recovery of historical greatness, sovereignty from Western prescriptions, and validation of indigenous wisdom against foreign models. Each imperative has validity: development without democracy produced East Asian prosperity but at authoritarian cost; democracy without development preserves freedom but not prosperity; civilizational pride without economic might and hard power rings hollow in a materialist world.

The impossibility lies not in choosing among these imperatives but in simultaneously satisfying all three. Any two can coexist—East Asia combined development with nationalism by suppressing democracy; India from

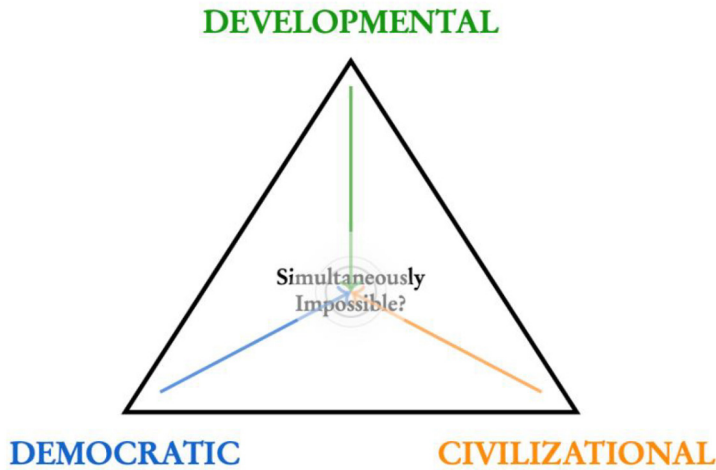


Figure 1: Governance Trilemma: India cannot maximize all three imperatives simultaneously

1991 to about 2008 combined development with democracy by soft-pedaling civilizational themes; India since 2014 combines democracy with civilizational assertion by moderating developmental ambitions. However, all three together create contradictions that no amount of political skill can reconcile. When farmer protests block agricultural reforms, democratic imperatives override developmental needs. When economic integration requires cultural accommodation, civilizational pride rebels. When patient institution-building demands electoral sacrifice, democratic cycles intervene. The result is not policy failure but structural bind—a trilemma where movement toward any vertex necessarily means movement away from others.²

Understanding this trilemma reframes India's economic nationalism from mistake to equilibrium. The persistence of import substitution despite its failures, the pursuit of production-linked incentives despite

their limitations, the withdrawal from trade agreements despite their benefits—these reflect not ignorance but the political economy of managing irreconcilable pressures. Democratic societies with civilizational consciousness may simply face different constraints than the authoritarian developers or post-historical democracies that dominate development theory. The question becomes not whether India can escape this trilemma but how it manages the trade-offs within it.³

This matters beyond India because the trilemma increasingly characterizes our global moment. From Trump's America First to Xi's Chinese Dream, from Erdoğan's Ottoman revival to Brexit's sovereignty assertion, major powers simultaneously pursue economic development, democratic legitimacy (however degraded), and civilizational distinction. The technocratic consensus that governed postwar prosperity—that economic rationality would

subsume political passion and cultural particularity—has shattered (Fukuyama 2014; Diamond 2015; Coker 2019). India's experience navigating this triple bind may be a preview rather than a deviation, a prototype rather than an exception. Understanding why the world's largest democracy chooses identity over efficiency, stability over transformation, and civilizational framings over economic optimization illuminates not just one country's constraints but democracy's future in an age of resurgent nationalism.

What follows examines this trilemma through multiple lenses—theoretical framework, empirical evidence, comparative analysis, and practical implications—to explain why economic nationalism persists despite its costs. The argument proceeds not through condemnation but comprehension, seeking to understand why rational actors make seemingly irrational choices when facing structural binds. The essay's ambition is not to solve India's trilemma—structural contradictions rarely yield to clever proposals—but to explain why it binds so tightly and what this means for development theory, democratic practice, and international cooperation when identity matters more than interests.

The Trilemma Framework: An Impossibility Theorem?

Conceptualizing the Three Imperatives

India's governing trilemma emerges from three powerful forces, each with distinct logic, timeframe, and institu-

tional requirements. Understanding how these imperatives function individually is essential before examining why they cannot be reconciled collectively.

Developmental Needs. India confronts an urgent developmental imperative requiring sustained growth of 9-10 percent annually to generate employment for more than ten million young workers who join the working age population every year.⁴ This demands structural transformation, moving workers from low-productivity agriculture (still employing 45 percent of the workforce [Waghmare 2024; Ministry of Agriculture and Farmers Welfare 2025]) into higher-productivity sectors. Such transformation requires patient capital allocation over twenty-to-thirty-year periods, disciplined policy implementation protected from short-term political pressures, export competitiveness through technology absorption, and tolerance for temporary inequality while imposing painful structural adjustments. The temporal logic of developmentalism is *patience*: deferred consumption today for prosperity tomorrow. East Asian developmental states—Japan's MITI coordination (Johnson 1982), South Korea's Heavy and Chemical Industry drive (Amsden 1989), China's gradual reform since 1978 (Naughton 2007)—succeeded because authoritarian or semi-authoritarian arrangements insulated long-term planning from electoral pressures.

Democratic Pressures. Competitive electoral democracy generates fundamentally different temporal logic.

Politicians facing contested elections every five years have powerful incentives to deliver immediate, visible benefits rather than invest in long-term capacity building (Bardhan 1984). Democratic accountability demands responsiveness: subsidies for food and fuel, loan waivers for farmers, employment guarantees, reservations for disadvantaged groups. Coalition management requires accommodating diverse interests whose short-term demands conflict with long-term priorities (Kohli 2004). The temporal logic is *immediacy*: satisfying demands now, providing tangible benefits before the next election. While responsiveness prevents catastrophic errors possible under authoritarianism—India has experienced no famines since independence (Sen 1999), unlike China's Great Leap Forward—it constrains patient, disciplined implementation that developmental transformation requires (Lamba and Subramanian 2020).

Civilizational Assertions. Under Narendra Modi's leadership since 2014, civilizational identity assertion has gained prominence. This imperative operates on eternal timeframe—neither developmentalism's multi-decade patience nor democracy's immediate responsiveness, but civilizational continuity across millennia. Hindu nationalism frames contemporary India as an ancient civilization temporarily interrupted by colonialism, and sometimes even adding centuries of Islamic rule before British colonialism to the temporariness, now reclaiming rightful great power status (Jaffrelot 2021).⁵

Economic policies become civilizational statements: "Atmanirbhar Bharat" (self-sufficient India) represents not merely import substitution but sovereignty recovery, resistance to "mental slavery" accepting Western prescriptions. The temporal logic is *assertion*: policies must demonstrate civilizational authenticity even when pragmatic integration might deliver superior economic outcomes. China under Xi Jinping combines civilizational pride with developmental pragmatism, but under authoritarian control constraining democratic pressures (Economy 2018).

The Impossibility Theorem: Why Only Two of Three

The trilemma's core insight is an impossibility theorem: in India's current institutional context, any two of the three imperatives can coexist, but not all three simultaneously. Understanding why requires examining each possible two-dimensional configuration, its historical manifestations, and inherent limitations preventing addition of the third imperative.

Configuration 1: Development + Democracy (WITHOUT Civilizationalism). This configuration characterized India during two distinct reform phases: the Rao government (1991–1996) and the Vajpayee government (1998–2004) (Panagariya 2008; Ahluwalia 2020; Kelkar 2023). These administrations combined technocratic reforms with democratic legitimacy. Liberalization measures—dismantling industrial licensing, reducing tariffs, opening sectors to foreign investment, reforming telecommunications and

banking—gained acceptance through gradual improvement in living standards. Pragmatic international engagement brought technology transfer, capital inflows, and market access. Coalition politics worked both ways—creating roadblocks but also cementing consensus once reforms were agreed upon.⁶

The first Manmohan Singh government (2004–2009) largely preserved this reform momentum under favorable global conditions, continuing the trajectory established over the previous decade and a half. However, by the second term (2009–2014), the absence of new reforms caught up with the administration as it shifted focus toward expanding the welfare state through programs like the National Rural Employment Guarantee Act. This pivot along with widespread corruption allegations ensured fractures in the already fragile consensus on economic reforms had started emerging (Rajan 2012; Lamba and Subramanian 2020).

This configuration delivered respectable results over two and half decades: growth at its peak hitting close to double digits, poverty reduction from 45 to 22 percent of the population (Narayan and Murgai 2016), emergence of globally competitive service sectors particularly in information technology and business process outsourcing (Das 2012). The 2004 election, in which the ruling BJP-led coalition lost despite presiding over 8 percent growth, demonstrated democratic accountability's vitality (Varshney 2007).

However, this configuration proved politically unstable. Identity pol-

itics and civilizational rhetoric simmered with renewed vigor, especially as abject poverty was being addressed. By 2014, this configuration had exhausted its political sustainability under the weight of reform fatigue, governance challenges, and rising demand for civilizational recognition. The key limitation: in diverse, poor democracies where identity appeals remain available as mobilization tools, a purely technocratic-developmental approach faces sustainability challenges beyond one or two electoral cycles.

Configuration 2: Development + Civilizationalism (WITHOUT Democracy). This configuration characterizes the successful East Asian developmental states. Japan from the 1950s through 1980s combined developmental ambition with nationalist mobilization under Liberal Democratic Party hegemony that minimized democratic constraints (Johnson 1982). South Korea from the 1960s through late 1980s pursued heavy industrialization under military rule while mobilizing anti-Japanese nationalism and cultivating narratives of national resurrection from colonial humiliation (Amsden 1989; Eckert 2016). China since 1978 has combined rapid development with escalating civilizational pride and appeals to China's "century of humiliation" under continued Communist Party monopoly (Z. Wang 2012).

Crucially, civilizational rhetoric and nationalism played important roles in driving the East Asian developmental miracle. These narratives provided mass legitimacy for developmental sac-

rifice, created psychological motivation for “catching up” with the West, and fostered social discipline necessary for high savings rates and acceptance of inequality during rapid capital accumulation (Castells 1992; Woo-Cumings 1999; Pyle 2007). The civilizational frame helped populations tolerate present hardships for future national strength and glory, with nationalist appeals justifying the postponement of consumption and redistribution until developmental goals were achieved.⁷

The logic enabling this configuration is authoritarian or semi-authoritarian control that suppresses short-term democratic demands. Workers could be suppressed, rural-urban migration controlled, inequality tolerated—all towards the goal of rapid capital accumulation. Insulated technocracies could plan long-term without political interference. In China's case particularly, the authoritarian structure enabled what Ang terms “directed improvisation”—the center set ambitious developmental targets while allowing provinces to experiment with implementation methods, creating adaptive capacity through controlled competition among local governments (Ang 2016). Crucially, export discipline forced competitiveness. Unlike Latin American import substitution failures (Bruton 1998), East Asian states made subsidies conditional on export performance, preventing rent-seeking inefficiency.

This configuration delivered 8 to 11 percent growth sustained for decades, rapid industrialization, manufacturing export success, and eventual

high-income status for Japan and Korea, with China rapidly approaching that threshold.⁸ However, India cannot replicate this path given its institutional trajectory. Seventy-five years of competitive democratic elections, active civil society, largely independent judiciary, and empowered federal states create path dependence that makes authoritarian development politically unavailable regardless of its economic appeal (Przeworski et al. 2000; Acemoglu and Robinson 2019).⁹

Configuration 3: Democracy + Civilizationalism (WITHOUT Development). This arguably describes India's current situation since 2014. Electoral populism combines with Hindu nationalism to create political stability. Economic policies framed as civilizational imperatives (“Atmanirbhar Bharat” as sovereignty recovery) enjoy popular legitimacy. Protection shields domestic constituencies—farmers, small manufacturers—from global competition's immediate pain.

The civilizational idea here is both intrinsic and instrumental. The Ram Temple in Ayodhya and the abrogation of Article 370 in Jammu and Kashmir represent popular sentiments at the core of BJP's beliefs, but who also serve as a potent mobilization tool (Jaffrelot 2021; Choudhary 2025). The short-term political logic is powerful: reinforcing civilizational symbolism compensates for material delivery shortfalls and the intrinsic presence of the demand in the populace, which is otherwise arguably more contained, makes the symbolism more credible. The 2019 and 2024 elec-

toral victories despite jobs crisis and manufacturing stagnation demonstrate this configuration's political sustainability (Lamba and Rajan 2024). Federal diversity provides political cover: Gujarat and Karnataka showcase developmental success while failures in West Bengal and Bihar get attributed to local, even historical, factors, allowing the configuration to persist despite aggregate underperformance.

However, developmental costs accumulate. Manufacturing share remains stuck at 15 percent of GDP. Youth unemployment hits 25 percent. Gross fixed capital formation declines from 34 to 27 percent of GDP. Growth constrains to 5-6 percent—adequate for middling outcomes but insufficient for rapid transformation.¹⁰ International isolation increases as partners perceive India's policies as driven by volatile domestic imperatives rather than strategic reliability (Tellis 2023, 2025).

The developmental lag inherent in this configuration creates opportunities for political opposition—but only if it articulates a credible alternative path to higher growth that competes politically with civilizational narratives without belittling them. Over the last decade, most opposition forces have struggled to formulate such a vision that resonates electorally while addressing cultural and identity dimensions that civilizational politics engages. The only cogent narrative has been the old playbook of reviving caste centered politics as a direct attack on BJP's attempt at big tent Hindu politics (Mehta 2024).

This configuration persists as the *default equilibrium* given India's constraints: politically stable but developmentally suboptimal, managing contradictions rather than resolving them, achieving political legitimacy at the cost of economic dynamism with middle-income trap risk as the demographic window closes.

Why the Trilemma Binds in India's Context

Four structural features explain why the trilemma operates with particular force in India's case, distinguishing it from more successful developmental trajectories elsewhere.

Premature Democracy. India achieved universal suffrage in 1950 at per capita income of sixty dollars, reversing the typical sequence where countries developed before democratizing (Acemoglu and Robinson 2019; Lamba and Subramanian 2020). This created pressure for redistribution before accumulation, immediate welfare before patient capital building. Bardhan's insight: democratic politics in poor societies drives consumption over investment as electoral competition rewards visible benefits over deferred prosperity (Bardhan 1984). East Asian developmental states followed the opposite sequence—Japan, South Korea, and Taiwan developed under authoritarian or semi-authoritarian arrangements, democratizing only after reaching middle-income status. This sequencing allowed them to impose discipline, forced savings, and adjustment costs without electoral punishment (Haggard 1990; Kohli 2004).

Extreme Diversity. Linguistic, religious, regional, and caste fragmentation prevents unified nationalist mobilization. Hindu nationalism alienates two hundred million Muslims and complicates regional relations rather than creating cohesion (Ganguly 2019; Jaffrelot 2021). Caste drives a historical cleavage, and while reservations try to correct past wrongs, they arguably also cement existing caste identities, challenging their primary objective (Mehta 2003, 2024). A fiscally and operationally centralized but politically vibrant federal structure inhibits coordinated developmental strategy (Singh 2015). Japan and South Korea's relative homogeneity enabled unified nationalist mobilization behind developmental goals. China's diversity exists but authoritarian control channeled it productively—provincial competition for growth became a developmental asset under centralized Party coordination (Ang 2016). India's democracy must accommodate diversity through coalition building and federal negotiation rather than harnessing it through controlled competition, slowing implementation and constraining tools.

Service-Led Structure. India bypassed manufacturing, transitioning directly from agriculture to services (55 percent of GDP) while manufacturing stagnates at 15 percent. Manufacturing nationalist policies designed for 1960s Korea mismatch 2020s India's service economy. Services cannot absorb low-skilled labor at manufacturing's historical scale, yet protected manufacturing will not grow competitively. East

Asia followed the canonical agriculture-manufacturing-services sequence that nationalist policies fit naturally. India's comparative advantage lies in skill-intensive services, but nationalist rhetoric elevates manufacturing symbolism over service reality (Rajan and Lamba 2024).

Twenty-First Century Timing. Late development in the twenty-first century faces constraints East Asian predecessors avoided. First WTO rules limited industrial policy tools (Wade 2003) and now an increasingly fractured and antagonistic West that is turning inwards does not allow for the path that Japan, Korea, and China employed freely (Rajan and Lamba 2024). Automation reduced manufacturing's labor intensity, limiting job creation even when production grows. Climate constraints render carbon-intensive industrialization politically and environmentally unviable (Rodrik 2025). Global value chains require integration and component imports, making self-sufficiency economically irrational (Baldwin 2016). Rodrik's concept of premature deindustrialization captures this predicament: manufacturing employment now peaks at lower income levels than historically (Rodrik 2016). India competes against established powers, particularly China, with entrenched scale and learning advantages.

These four structural features combine to create what has been termed "dynamism with incommensurate development"—sustained growth without commensurate progress in manufacturing employment, human capital

formation, or comprehensive structural transformation (Lamba and Subramanian 2020).

Configuration 3's Self-Reinforcing Dynamics

Configuration 3—democracy plus civilizationalism without developmental discipline—exhibits self-reinforcing dynamics that explain why it persists as default equilibrium despite producing suboptimal outcomes. Understanding this mechanism reveals why course correction becomes progressively more difficult even as developmental costs accumulate.

The internal logic operates through what can be termed a *ratchet effect*. Configuration 3 lacks the corrective mechanisms present in the other two configurations. Configuration 1 (development plus democracy) featured correction through electoral punishment when growth disappointed or didn't cast a wide enough net—the 2004 election demonstrated this. Configuration 2 (development plus civilizationalism) embedded correction through export discipline—subsidies that failed to produce competitive exports got withdrawn, forcing policy adjustment. However, Configuration 3 removes both corrective forces: civilizational framing insulates policies from economic performance feedback, while democratic competition rewards nationalist rhetoric regardless of developmental outcomes.

Consider how the mechanism operates. Ambitious developmental promises emerge from electoral com-

petition—9 to 10 percent growth, manufacturing transformation, doubling farmer incomes, employment generation. These promises reflect genuine needs but also serve political purposes, with civilizational framing elevating economic targets into identity statements about India's rightful place among nations. When promises confront institutional constraints—democratic pressures demanding immediate benefits, state capacity limitations, federal complexity—underperformance follows predictably. Youth unemployment persists above 25 percent, investment remains weak, structural transformation stalls.

Critically, this underperformance triggers intensified nationalism rather than strategic recalibration. Civilizational rhetoric escalates to compensate symbolically for material disappointments. Growth shortfalls get attributed to insufficient nationalism, foreign sabotage, or historical injustices rather than flawed strategy. Democratic pressures channel into nationalist demands rather than policy questioning. The political logic proves powerful: a cocktail of cultural pride and economic nationalism delivers electoral victories even when producing economic underperformance. The 2019 and 2024 elections validated this dynamic—civilizational symbolism combined with targeted welfare effectively substituted for broad-based economic transformation, winning comfortable elections despite jobs crisis and manufacturing stagnation (Lamba and Rajan 2024).

Arguably, this creates unidirec-

tional escalation rather than reversible cycling. Each iteration produces more ambitious promises framed in more nationalist terms, confronting the same constraints but with degraded capacity from previous failures, generating underperformance, triggering still more nationalism. Reversal becomes progressively harder through three reinforcing mechanisms. First, ideological rigidity: once policies become civilizational identity statements—Atmanirbhar Bharat as sovereignty recovery, not pragmatic industrial policy—abandoning them or at least admitting failure appears to betray foundational values. Second, electoral incentives: nationalism delivers political victories, creating powerful incentives for escalation regardless of economic outcomes. Third, sunk costs: reversing course means admitting error, which becomes politically costlier as more resources get committed and more rhetoric gets invested.

Why does this pattern not emerge in successful developmental states? Export discipline provides correction in Configuration 2. When South Korean heavy industry subsidies failed to produce competitive exports, technocrats withdrew support and reallocated resources (Amsden 1989). When Chinese Special Economic Zones underperformed, the center adjusted policies or closed failed experiments (Vogel 2011). Export markets provide objective performance feedback that authoritarian governments can act upon without electoral punishment. India's Configuration 3 lacks this discipline—protected domestic markets allow firms to profit

without becoming competitive, while democratic politics rewards protection regardless of its developmental impact.

Configuration 1 on the other hand can thrive if there is a widespread consensus amongst elites that incremental but persistent economic reforms must be encoded into the political landscape, as arguably emerged in the 1991–2008 period in India, irrespective of democratic incentives on deepening civilizational rhetoric and societal cleavages. In a poor and highly-diverse democracy like India, however, its sustainability is always beholden to this fragile elite and somewhat technocratic consensus. In that sense, unfortunately, the 2004 defeat of the Vajpayee BJP, despite sound economic growth, may have started the fall of Configuration 1. Configuration 3, in turn, severs this connection of incentives for governments to prioritize policies delivering growth—civilizational appeals compensate for growth disappointments, allowing governments to win elections despite developmental underperformance. The mechanism becomes self-sustaining: each nationalist success emboldens further nationalism, each electoral victory despite economic stagnation validates the strategy's political viability.

This dynamic explains Configuration 3's stability as default equilibrium. Breaking this pattern requires either moderating democratic pressures to allow patient developmental implementation (politically unavailable given India's institutional trajectory), pausing civilizational assertions to permit pragmatic recalibration (po-

litically costly when nationalism delivers electoral victories), extraordinary political leadership and entrepreneurship that can sell development while reconciling civilizational yearning and democratic principles (always possible but highly unlikely given the costs to entry for outside talent in Indian politics) or experiencing external shocks severe enough to force strategic revision (the 1991 balance of payments crisis pattern). Absent such disruption, Configuration 3 persists: politically sustainable through electoral success, developmentally suboptimal through accumulating constraints, self-reinforcing through mechanisms that prevent rather than enable correction. The Section III empirical cases demonstrate this pattern's operation across multiple policy domains, validating the framework's explanatory power.

Theoretical Implications

The trilemma framework contributes to three scholarly literatures by revealing how institutional configurations shape developmental outcomes, with implications extending beyond India's specific case.

For Democratic Development Theory. The trilemma challenges modernization theory's assumption that democracy follows linearly from economic development (Lipset 1959). India demonstrates the reverse: democracy can constrain development by creating pressures for immediate redistribution over patient capital accumulation. However, democracy also prevents catastrophic errors—India has experienced no famines since independence, un-

like China's Great Leap Forward which killed tens of millions (Sen 1999). The democracy-development relationship emerges as complex and conditional, depending on diversity, timing, and economic structure (Przeworski et al. 2000). Democratic institutions neither guarantee development nor make it impossible, but fundamentally alter available pathways and required timeframes compared to authoritarian alternatives. This contributes to ongoing debates about sequencing of political and economic reforms (Fukuyama 2014).

For Nationalism and Civilizational State Studies. Economic nationalism and civilizational assertions operate differently across institutional contexts, producing divergent outcomes determined less by ideological content than by regime constraints (Helleiner 2021). Authoritarian civilizational states—China's "rejuvenation," Putin's "Russian World," Erdoğan's "New Turkey"—can suppress democratic demands to pursue patient developmental strategies while maintaining nationalist mobilization (Coker 2019). Democratic civilizational assertions, exemplified by India but increasingly visible from Hungary's "illiberal democracy" to America's MAGA movement, face electoral cycles that transform economic policy into identity performance (Krastev 2018). The same civilizational rhetoric that Xi Jinping deploys for long term plans becomes, in Modi's India, hostage to five-year electoral verdicts. This distinction—between civilizational authoritarianism that can impose developmental disci-

pline and civilizational democracy that must satisfy immediate constituent demands—explains why similar nationalist frameworks yield opposite economic outcomes. The finding challenges both celebrations of civilizational state efficiency and assumptions that democratic nationalism necessarily moderates over time.

For Late Development Studies. India may represent a distinctive configuration challenging frameworks derived from East Asian experience (Wade 1990). Premature democracy, service-led growth, and civilizational politics create constraints that developmental state prescriptions do not address. Twenty-first century late developers—Indonesia, Nigeria, Pakistan, Bangladesh—may face similar trilemmas where neither the authoritarian-manufacturing path nor the gradual-democratic path remain available. This suggests need for new analytical frameworks for democratic, diverse, service-oriented late developers rather than assuming universal applicability of models from different institutional and temporal contexts (Rodrik 2025). The service-led development path requires rethinking traditional assumptions about manufacturing's centrality to structural transformation (Ghani and O'Connell 2012; Rajan and Lamba 2024), while premature democratization demands fresh perspectives on how political competition shapes economic policy choices in poor societies. India's trajectory thus offers a case study of the difficulties in mechanical application of East Asian developmental strategies to

fundamentally different political and economic contexts.

Empirical Evidence: Three Diagnostic Cases from the Modi Era

The trilemma framework generates testable predictions about policy outcomes. If the impossibility theorem holds, we should observe developmental imperatives systematically sacrificed when they conflict with democratic pressures or civilizational assertions. Three diagnostic cases from Modi's tenure—spanning trade, industrial, and foreign policy—validate this pattern. Each demonstrates how Configuration 3 achieves political sustainability while producing developmental underperformance, with costs accumulating over time to constrain future options.

Trade Policy: The Protectionist Turn and RCEP Withdrawal

India's trade trajectory since 2014 exemplifies the trilemma's operation. After two decades of gradual liberalization following 1991 reforms, trade policy reversed sharply toward protectionism. Average applied tariffs rose from 13.5 percent in 2014 to 18.1 percent by 2022 (United States Trade Representative 2024)—the highest among major economies and diverging from global trends toward lower barriers.¹¹ Tariff escalation targeted imports across manufacturing sectors: mobile phones increased from 0 to 20 percent (European Commission 2024), with similar increases across electronics components and

continued high tariffs on automobiles. The government withdrew from the Regional Comprehensive Economic Partnership in November 2019, abandoning Asia-Pacific's largest trade agreement despite years of negotiation (Crabtree 2019).

Democratic pressures drove selectivity favoring politically organized groups. Agriculture remained heavily protected—high tariffs, government price guarantees, and export bans (Takshashila Institution 2025)—while manufacturing received escalating shelter despite persistent stagnation. Small manufacturers and even large industry houses demanding protection mobilized effectively. The 2020-2021 farm law protests, though ostensibly about market reforms, revealed the political impossibility of agricultural liberalization (Shah and Verma 2021). Electoral arithmetic makes touching agricultural protection improbable, if not impossible, when 45 percent of the workforce remains in farming.

Civilizational framing transformed protectionism from pragmatic tool into identity statement. Trade opening became portrayed as subordination, “mental slavery” accepting Western prescriptions. Atmanirbhar Bharat elevated self-sufficiency from economic strategy to civilizational imperative. RCEP withdrawal rhetoric emphasized sovereignty over opportunity costs—forgone services market access, exclusion from supply chains, reduced negotiating leverage.¹²

The trilemma here produces policy incoherence. India seeks foreign in-

vestment while imposing local content requirements that deter it. Tariff escalation raises input costs for exporters while claiming to boost competitiveness. Agricultural protection maintains rural incomes short-term but prevents productivity transformation enabling reallocation of physical, human and bureaucratic capital. The government simultaneously promotes “Make in India” while handicapping manufacturers with expensive protected inputs, subsidizes exports while raising tariffs that harm export competitiveness, and seeks global supply chain integration while imposing restrictions driving firms elsewhere (Subramanian 2025).

Yet services thrived precisely because they escaped this logic. Information technology and business process outsourcing exports grew from around 6.6 lakh crore (approximately \$100 billion) in 2014 to 16.6 lakh crore (approximately \$200 billion) by 2024 (India Brand Equity Foundation 2025). Services faced neither strong democratic mobilization demanding shelter—software engineers don't protest liberalization—nor civilizational framing as identity issues. This asymmetry validates the mechanism: when developmental logic operates unconstrained by democratic pressures or civilizational assertions, competitive exposure generates innovation and global success. The services exception proves the rule by demonstrating what Indian firms achieve when Configuration 3 constraints don't apply.

Outcomes reveal Configuration 3's costs. India's goods trade defi-

cit widened from around 9 lakh crore (\$140 billion) in 2014 to 24 lakh crore (\$280 billion) by 2025 despite rising protection (Ministry of Commerce and Industry 2015, 2025a). India's share of global manufacturing exports barely inched up from about 1.7 to 1.8 percent between 2017 and 2024 (Kantha 2025). RCEP partners proceeded without India, deepening regional integration excluding Indian participation. Trade policy could enable transformation—exposing agriculture gradually while redirecting protection's fiscal cost into rural infrastructure, human capital, and safety nets facilitating structural change. Democratic institutions and civilizational rhetoric prevent such re-orientation, locking policy into politically sustainable but developmentally suboptimal equilibrium (Basrur 2023).

Industrial Policy: From License Raj to Production-Linked Incentives

India's industrial policy evolution demonstrates how the trilemma transcends particular governments or eras. The License Raj (1950s–1980s) epitomized early dirigisme: industrial licensing, import substitution, bureaucratic control stifling competition while attempting capability building (Panagariya 2008; Lamba and Subramanian 2020). Liberalization after 1991 discredited activist industrial policy. Three decades later, the Modi government revived intervention through Production-Linked Incentives launched in 2020, allocating 1.97 lakh crore (\$26 billion) across fourteen sectors (Ministry of Commerce and Industry 2025b). Framed as Atmanirbhar Bharat's centerpiece, PLI offered

subsidies of 4 to 6 percent of incremental sales to firms meeting production targets, with sunset clauses ensuring temporary support. The scheme showed sophistication absent in License Raj— incentives tied to performance, focus on incremental production—addressing manufacturing stagnation at 15 to 17 percent of GDP.

Implementation revealed persistent constraints. Democratic pressures immediately constrained design. Electoral demands for visible jobs clashed with PLI's inevitable capital-intensive focus—across all 14 PLI sectors, only 36 percent of the total employment target of over 1.6 million jobs over five years had been achieved by end of the fourth year (IndBiz Economic Diplomacy Division 2024). Fiscal limits from welfare commitments constrained disbursements. Parliamentary opposition criticized subsidies as favoring large corporations over small enterprises, creating pressure to spread allocations across sectors rather than concentrate resources where impact could be greatest. State-level coalition management meant choosing locations by political calculus rather than economic logic. China under Deng began with concentrated geographic focus—Special Economic Zones in Guangdong adjacent to Hong Kong, allowing experimentation before gradually expanding successful policies (Vogel 2011). India's democratic federal structure prevents such strategic concentration.

Civilizational framing through Atmanirbhar Bharat elevated expectations impossibly. When policies become

civilizational assertions rather than pragmatic experiments, any outcome short of transformation feels like failure. This rhetoric constrained adjustments—admitting subsidies needed modification would undermine narratives about India’s inherent capabilities. Democratic incentives packaged even modest successes as transformative achievements, distorting feedback mechanisms essential for policy learning.

Results proved damning across most sectors. Mobile phone “manufacturing” involved primarily assembly with 80 percent components imported, creating limited value addition despite production growth (Chauhan, Rajan, and Lamba 2023). Pharmaceutical PLI attracted minimal investment. Automobile components faced compliance complexity. Textiles could not overcome global competition. Food processing lacked infrastructure PLI did not address. By early 2025, the government quietly allowed much of the scheme to lapse, with actual disbursements falling far below projections (Reuters 2025).

Why did PLI fail where East Asian industrial policy succeeded? Three critical differences emerge from the trilemma framework. First, export discipline: Korea and China made subsidies contingent on export performance, forcing firms to compete globally and preventing rent-seeking (Amsden 1989; Wade 1990). PLI emphasized production volume without export requirements, allowing firms to profit from protected domestic markets while remaining internationally uncompetitive. Second,

patient implementation: authoritarian or semi-authoritarian arrangements insulated technocrats from short-term political pressures, enabling course correction when policies underperformed. Democratic India’s electoral cycles force visible success within five years, preventing iterative learning. Third, complementary investments: East Asian states simultaneously built infrastructure, trained labor, reformed regulations, and opened markets selectively. PLI operated in isolation, subsidizing factories while leaving infrastructure deficits, regulatory complexity, and human capital gaps unaddressed (Rajan and Lamba 2024). The trilemma prevents India from replicating this comprehensive approach—democratic pressures demand visible manufacturing subsidies over patient capacity building, while the noise of civilizational framing prevents acknowledging that subsidies alone cannot substitute for systemic reform.

The China dimension compounds these constraints. Following the June 2020 Galwan border clash, India banned Chinese foreign direct investment and restricted technology partnerships, severing crucial channels for manufacturing capability building. Territorial sovereignty rightfully demands vigorous defense, but strategy requires choosing when, how, and what form such responses take. The current outcome represents failure on both dimensions: China retains territorial gains while India decoupled from Asia’s dominant production networks precisely when manufacturing ambitions

required deepest integration. Chinese imports to India continue rising even as investment and technology partnerships ended, leaving India attempting parity through protection and subsidies while losing time and technological learning opportunities that successful late developers historically exploited.¹³

The pattern mirrors License Raj despite different instruments—both eras show how democracy plus self-reliance narratives prevent the patient, export-disciplined, technocratically-insulated implementation that enabled East Asian success. Manufacturing remains stuck at 15 percent of GDP. The 1.97 lakh crore rupees could have funded massive human capital upgrades—teacher training, healthcare expansion, judicial capacity—benefiting any developmental path. Instead, it subsidized capital-intensive factories creating limited employment while leaving binding constraints unaddressed (Rajan and Lamba 2024).

The May 2025 Pakistan Clash and Strategic Isolation

In April 2025, a terrorist attack in Pahalgam killed twenty-six Indian tourists, triggering domestic pressure for strong response. The May 2025 military action followed, with Indian forces conducting strikes against terrorist infrastructure. By May 10, tactical advantages emerged—degraded Pakistani air defenses created opportunities to strike deeper military targets. Yet India seems to have held back despite military feasibility (National Bureau of Asian Research 2025; Stimson Center 2025).

The international response revealed strategic isolation. The United States issued neutral statements urging restraint without endorsing India's right to self-defense. The European Union called for de-escalation without distinguishing aggressor from victim. Even Russia abstained in informal Security Council consultations. China predictably opposed Indian actions. No major power provided diplomatic cover enabling sustained pressure on Pakistan (Chellaney 2025c, 2025b, 2025a). This isolation reflected accumulated costs from prior choices—years of economic nationalism, civilizational rhetoric prioritizing projection of sovereignty (to domestic audiences) over partnerships, and diplomatic approaches emphasizing autonomy had eroded goodwill and interdependence generating international support during crises (Council on Foreign Relations 2024).

Democratic pressures demanded visible, strong response. The attack dominated media, opposition questioned government resolve, and upcoming state elections meant appearing weak was politically catastrophic. Civilizational framing elevated response beyond security into identity assertion—demonstrating strength, refusing terrorist violence. Not responding forcefully was politically impossible under democratic competition combined with heightened nationalist rhetoric.

Developmental underperformance constrained strategic options. Years of protectionist trade policy, underinvestment in human capital, and nationalist rhetoric prioritizing self-re-

liance accumulated strategic costs. Growth at 5-6 percent instead of 9-10 percent meant India's relative economic power grew more slowly than potential. Foreign policy rhetoric shifted to what Foreign Minister Jaishankar termed "multi-alignment"—maintaining relationships with all major powers while preserving strategic autonomy (Jaishankar 2020). Yet practical payoffs remained unclear: when crisis arrived, multi-alignment produced no-alignment. Limited economic interdependence through protectionism and investment restrictions meant partners calculated interests without strong incentives to support India.

India possessed military capacity to strike airbases but lacked international cover to sustain escalation. Pressing advantages risked isolated confrontation without partners restraining Pakistani retaliation or providing diplomatic support. The decision to hold back seems to have reflected strategic constraint from accumulated international isolation, not military limitation. The episode reveals how trilemma-driven choices constrain future options. Arguably, Configuration 1—developmental needs plus democratic legitimacy without excessive civilizational assertion—would have generated higher growth providing greater economic leverage, pragmatic engagement building partnership depth, and crisis response enjoying stronger international support enabling decisive action.

Domestic political success—strong approval ratings, electoral victories, demonstrated resolve—coexisted

with strategic limitation. India responded but could not press tactical advantages to impose meaningful costs on Pakistan. Pakistan learned responses would remain calibrated by international isolation rather than escalating decisively, reducing deterrent effect. The pattern establishes that attacks trigger responses but responses remain constrained by accumulated policy choices.

Synthesis: The Impossibility Theorem Validated

These three cases, spanning trade policy, industrial policy, and foreign policy, reveal consistent patterns validating the trilemma framework. In each domain, democratic pressures demanding immediate visible benefits combined with civilizational framing elevating policies into identity statements systematically override developmental logic. Trade policy's asymmetry between protected sectors stagnating and exposed services thriving demonstrates this mechanism experimentally. Industrial policy's continuity from License Raj to PLI shows the pattern transcends particular governments, ideologies, or eras—different configurations produce similar developmental constraints when democracy combines with self-reliance narratives. The May 2025 Pakistan clash reveals how prior choices accumulate costs constraining future options: India possessed immediate military capability but lacked strategic freedom to use it decisively.

The impossibility theorem operates through path dependence with accelerating costs. Once policies become civilizational identity state-

ments—trade withdrawal framed through Gandhi's talisman, manufacturing as *Atmanirbhar Bharat*, foreign policy as multi-alignment preserving civilizational distinctiveness—reversal would somehow signal a betrayal to foundational values. Each nationalist policy choice, regardless of economic outcome, politically validates the next. RCEP withdrawal's domestic popularity, at least with the coalitions that were protected, emboldens further protectionism. Packaging PLI as a success despite economic underperformance justifies continued subsidization. Managing setbacks through nationalistic rhetoric on how India responded to Pakistan for the Pahalgam terror attack normalizes foreign policy incoherence. This mechanism operates unidirectionally: nationalist policies that fail economically or strategically succeed politically, creating incentives for escalation rather than recalibration.

International costs accumulate asymmetrically. Economic nationalism reduces interdependence gradually—each tariff increase, each foreign investment restriction, each local content requirement individually seems modest. But cumulatively they signal unreliability, driving partners to diversify away from India. By the time crisis arrives—terrorist attack, border conflict, pandemic—the accumulated costs materialize suddenly as isolation. Multi-alignment rhetoric promised maintaining relationships with all powers while preserving autonomy. The May 2025 episode revealed the strategy's limitation: when India needed support, no major power had sufficient

economic stake or strategic interdependence to provide meaningful backing.

The pattern establishes Configuration 3 not as temporary phase but as default equilibrium, given India's current and evolving political economy. Growth remains at 5-6 percent instead of needed 9-10 percent. Manufacturing stagnates despite protection and subsidies. International partnerships remain transactional rather than strategic. Yet the configuration achieves political stability—elections are won, approval ratings maintained, social cohesion preserved through nationalist appeals and compensating welfare delivery. The trilemma framework thus explains not isolated policy mistakes but systematic outcomes emerging from interaction among three powerful imperatives that cannot be simultaneously satisfied in India's institutional context. Until either democratic pressures of multiple veto centers moderate, civilizational assertions pause, or developmental needs become electorally decisive, Configuration 3 persists as the electorally viable yet developmentally constrained equilibrium.

Transmission Mechanisms: How the Trilemma Operates

Having established the theoretical framework and examined empirical evidence, this section analyzes the mechanisms through which the trilemma constrains India's developmental outcomes. Three inter-related pathways emerge: civilizational worldview creates path dependence, centralized decision-making amplifies

democratic volatility, and these dynamics affect state capacity for implementation.

Civilizational Worldview and Path Dependence

India's turn toward civilizational framing of economic and foreign policy is not unique. Russia under Vladimir Putin invokes civilizational narratives to justify its sphere of influence and distinctive political model (Tsygankov 2016). Turkey under Recep Tayyip Erdoğan draws on Ottoman and Islamic civilizational resources to position itself as a bridge between East and West while asserting autonomy from both (Yavuz and Öztürk 2020). China under Xi Jinping has intensified civilizational rhetoric around the "Chinese Dream" and historical greatness. Even within the West, scholars like Samuel Huntington have argued that civilizational identities fundamentally shape world politics (Huntington 1996). It can also be argued that nationalism was a driving force behind economic growth in England, France, Russia, Germany and the United States (Greenfeld 1992, 2001). The developmental effects of such framing, however, depend critically on institutional configuration.

Configuration 3's primary transmission mechanism operates through how civilizational framing transforms economic policies from pragmatic instruments into identity statements resistant to performance-based adjustment. When policies become assertions of civilizational authenticity and question of identity rather than tools subject to evaluation, three interconnected path-

ways create path dependence that prevents course correction despite mounting evidence of underperformance.

First, ideological rigidity emerges because policy failure implies questioning civilizational values themselves. Each policy accumulates sunk costs in nationalist framing, making reversal progressively costlier as more rhetoric gets invested and more symbolic capital committed. Second, learning barriers arise from civilizational distinctiveness logic. Policy innovation becomes constrained to wrong precedents, limiting the experimental learning that developmental transformation requires. Third, negotiation difficulties multiply when economic discussions trigger civilizational defensiveness. This transforms standard economic diplomacy into identity confrontations, narrowing space for the pragmatic compromise that integration demands.

Democratic competition amplifies these dynamics. Electoral politics often rewards civilizational rhetoric or narrower identity movements over technocratic adjustment. Opposition parties must engage in outbidding on these dimensions rather than offering alternative strategies. Social media amplifies symbolic satisfaction while marginalizing substantive debate. The short-term political logic proves powerful: civilizational framing and frames of identity manage democratic pressures by compensating symbolically when material delivery disappoints. But this creates escalating dependence on nationalist or identity assertions that progressively constrain the developmental

options necessary for sustainable material improvement.¹⁴

The developmental impact depends on corrective mechanisms present or absent. Civilizational mobilization drove transformation in Japan, Korea, and China when combined with export discipline forcing competitive reality checks and authoritarian control suppressing democratic short-termism. Configuration 3 removes both: protected markets eliminate competitive discipline, while democratic competition rewards symbolic satisfaction despite economic underperformance. Policies fail economically but succeed politically, creating incentives for escalation rather than recalibration.

***The Wrong Kind of Centralization:
State Versus Polity***

Configuration 3's second transmission mechanism operates through a structural paradox: India combines centralized state capacity with decentralized political authority, the inverse of China's successful developmental formula. This mismatch creates policy volatility that democratic pressures amplify, making patient transformation politically infeasible even when technically well-designed.

The distinction between centralized polity and centralized state clarifies why institutional architecture matters. China features centralized polity—the Communist Party provides coherent national strategy—combined with decentralized state implementation where provinces, even cities, compete for growth and experiment with

innovations. Ang terms this “directed improvisation”: the center sets ambitious targets while provinces discover implementation pathways through controlled competition (Ang 2016). Strategic coherence enables adaptive capacity.

India's political architecture creates a fundamental mismatch between where decisions are contested and where capacity resides. The polity remains intensely decentralized and perpetually electoral—with states the size of European countries conducting overlapping election cycles that fragment policy attention. This political contestation makes coordinated action nearly impossible, whether it is controlling pollution across the National Capital Region of Delhi, harmonizing agricultural reforms across states with divergent rural politics, or implementing coherent industrial policy when each state pursues different priorities. Yet paradoxically, state capacity—fiscal resources, policy expertise, regulatory authority—remains heavily concentrated at the center (Rao 2020). The Union government controls major taxation and sets industrial policy, while states and local bodies that actually deliver services operate with severe resource constraints (Kapur 2020). This structure prevents both the local experimentation and adaptation essential for public goods provision and the intense inter-jurisdictional competition for business investment that drives efficiency in China or even the United States. Political decentralization without corresponding administrative capacity creates the worst of both worlds: neither unified national strat-

egy nor empowered local innovation (Aiyar 2013, 2022).

The centralization of power in the Prime Minister's Office since 2014 compounds rather than resolves this problem. There is widespread reportage on the decline in the authority of the Cabinet, reduction in the salience of the parliament as the law-making body, and decline in consultations across political parties through what are called standing committees. Even if power concentration in the PMO is aimed to overcome gridlock and accelerate decision-making, it cannot overcome limited capacity and implementation constraints that political decentralization creates.

Demonetization in November 2016, which overnight rendered 500 and 1,000 notes illegal tender, illustrates the dynamic. A tiny circle decided with four hours public notice, demonstrating valued decisiveness. Even if one tries to overlook its flawed economic logic, implementation crashed against India's complex reality of local capacity to manage banks and cash logistics. GDP growth declined two percentage points, with employment and output falling three percentage points in the immediate aftermath, particularly affecting and shrinking the cash-dependent informal sector (Chodorow-Reich et al. 2020). Political success (BJP won subsequent state elections on anti-corruption symbolism) coexisted with economic cost.

Farm laws in 2020–2021 show how centralization bypasses consensus-building that democratic implementation requires. The reforms had economic merit but centralization

rushed passage with minimal consultation. Federal structure resisted—Punjab and Haryana's agricultural markets constitute major revenue sources. Farmer protests mobilized democratically, sustaining year-long demonstrations. Government eventually repealed all three laws. Centralized decision-making enabled dramatic action, but lack of consensus building, required in a democracy, and decentralized resistance prevented implementation (Shah and Verma 2021).

Democratic timing creates particular pathologies. Electoral cycles demand visible results within five years. Production-Linked Incentives allocated across fourteen sectors simultaneously rather than sequencing strategically as China did with Special Economic Zones. Smart Cities announced one hundred cities rather than piloting five locations, learning, then scaling. Neither strategic coherence nor adaptive capacity results. Democratic pressures interact with this structural mismatch to produce volatility—ambitious announcements generating electoral visibility, implementation failures when constraints bind, focus on preserving political capital rather than learning and adjusting incrementally.

The personalization of policy, particularly in international relations, creates both opportunities and vulnerabilities. Leader-to-leader diplomacy can open doors and build relationships, as seen in India's engagements with Japan, Israel, and initially with China. However, when such relationships depend heavily on personal chemistry rather than institutional frameworks,

they become vulnerable to leadership changes or bilateral tensions. The varying dynamics with different U.S. administrations, or the shift in India-China relations post-Galwan, illustrate how personalized approaches can experience sharp discontinuities.

State Capacity and Implementation Challenges

The interaction of civilizational framing and democratic pressures affects state capacity for policy implementation. This manifests through several channels that deserve analytical attention.

Resource allocation patterns reflect the competing imperatives. Visible infrastructure projects and welfare schemes respond to democratic demands for tangible benefits. Symbolic initiatives can be packed as serving civilizational aspirations. Meanwhile, less visible but crucial investments in administrative capacity, judicial infrastructure, or educational quality may receive less priority. The PLI scheme's 2 lakh crore allocation, while substantial, might be compared to the resources needed for comprehensive educational reform or healthcare system strengthening. Regardless of which investment strategy is optimal, these allocation patterns demonstrate how the trilemma shapes fiscal priorities. It also hurts adaptivity: Smart Cities announced one hundred locations consuming 96,000 crore rupees rather than piloting five and learning (Ministry of Housing and Urban Affairs 2015).

Implementation bandwidth becomes stretched when policies require extensive state monitoring and enforce-

ment. Economic nationalism—whether through local content requirements, import substitution mandates, or complex subsidy schemes—demands significant administrative capacity. The same state apparatus must simultaneously deliver basic services, manage welfare programs, and execute development projects. With limited judicial capacity and bureaucratic resources, implementation bottlenecks emerge not from incompetence but from structural over-extension (Muralidharan 2024).

Human capital constraints represent perhaps the most binding limitation. Educational outcomes, as documented in successive ASER reports, show persistent learning deficits (ASER Centre 2023). Skills mismatches, highlighted in industry surveys, limit both manufacturing and service sector expansion (Wheebox 2025). These challenges require patient, long-term investments in educational quality, teacher training, and institutional reform. Yet the political economy of the trilemma—with its emphasis on visible achievements and symbolic victories—may not align with such patient capacity building.

The feedback effects are important to recognize. When state capacity constraints lead to implementation gaps, growth outcomes disappoint. This generates additional democratic pressure for immediate relief through welfare dole outs and more ambitious announcements that further strain resource allocation and implementation capacity. Unlike developmental states that could protect bureaucratic capacity from political interference, India's dem-

ocratic framework ensures that administrative machinery remains responsive to electoral dynamics.¹⁵

These mechanisms reveal how the trilemma operates in practice. Civilizational framing creates political commitments that constrain flexibility. Democratic pressures interact with centralized decision-making to produce rigid policies. Both dynamics affect state capacity for implementation. These are not failures of intention or commitment, but structural tensions arising from the attempt to simultaneously pursue developmental transformation, democratic responsiveness, and civilizational assertion. Understanding these mechanisms is essential for realistic assessment of India's developmental options within its institutional constraints.

Comparative Context: Why India Differs

The puzzle of India's economic nationalism becomes sharper when contrasted with East Asian success stories. Japan, South Korea, and China all employed nationalist economic strategies to achieve rapid development, yet India's similar rhetoric yields relatively disappointing results. This section examines why the same broad approach—economic nationalism—produces such different outcomes across these cases.

The East Asian Configuration: Development Plus Nationalism Without Democracy

The East Asian developmental states share a common configuration despite

their institutional differences. Japan under Liberal Democratic Party hegemony (1955–1993), South Korea under military rule (1961–1987), and China under Communist Party governance (1978–present) all successfully combined developmental imperatives with nationalist mobilization while limiting democratic pressures.

These cases demonstrate how suppressing democratic pressures enabled patient capital accumulation and structural transformation. Japan's LDP managed electoral competition through factional balance and rural subsidies while insulating economic bureaucrats in MITI from political interference (Johnson 1982). The Economic Planning Board could pursue industrial policy without worrying about electoral cycles. South Korea's military government could suppress labor demands, force savings rates exceeding 30 percent and channel credit to strategic sectors without fear of electoral punishment (Amsden 1989). China's reforms under Deng Xiaoping proceeded through careful experimentation—household responsibility systems, township-village enterprises, special economic zones—implemented gradually over decades without electoral disruption (Vogel 2011).

Crucially, these states made nationalism serve developmental ends through export discipline (Wade 1990). Unlike import-substitution regimes that allowed inefficiency behind protective walls, East Asian states conditioned support on international competitiveness. Korean chaebols received subsidized credit but faced explicit export targets. Japanese keiretsu enjoyed

Table 1: East Asian Developmental Configurations

Dimension	Japan (1950s–1990s)	South Korea (1960s–1990s)	China (1978–present)
Political System	LDP hegemony	Military rule → Democracy	One-party state
Nationalist Frame	Post-war recovery	Anti-colonial, security	Century of humiliation
Democratic Constraint	Minimal (managed)	Absent until 1987	Absent
Growth Achieved	8-10% (1950s-70s)	8-12% (1960s-90s)	8-11% (1978-2010s)
Key Institution	MITI coordination	EPB planning	State Council

administrative guidance but had to meet world market standards. Chinese state-owned enterprises underwent painful restructuring in the 1990s, with millions laid off to improve efficiency. This external discipline prevented the rent-seeking that plagued other nationalist economic experiments.

The institutional insulation of economic technocracy proved essential (Evans 1995). Japan's MITI officials, recruited from Tokyo University's law faculty, enjoyed high prestige and autonomy from political interference. Korea's Economic Planning Board reported directly to the president, bypassing legislative oversight. China's State Council technocrats, many trained as engineers, could pursue long-term plans without electoral considerations. This insulation allowed patient investments in education, infrastructure, and technology that might not yield returns for decades—precisely the time horizons democratic politics struggles to sustain.

It must also be emphasized that East Asian developmental success required deep integration with American-led security and economic architecture. Japan and South Korea developed under U.S. military protection, with American bases providing security guarantees that obviated massive defense spending while ensuring preferential market access during the Cold War (Cumings 1984). China, despite ideological differences, achieved integration through pragmatic accommodation—Deng Xiaoping's 1979 visit to America initiated decades of engagement that culminated in WTO entry in 2001 (Vogel 2011). The United States accepted massive trade imbalances, technology transfer, and currency manipulation from these countries during their high-growth phases, viewing economic development as serving broader strategic interests. Thus, nationalism and civilizational assertions were channelized towards economic growth, even as the U.S. controlled military in the case of

Japan and South Korea, and China kept its militarist ambitions quiet, not having any democracy to contend with, as it built its economic might.

Why India Cannot Replicate the East Asian Path

India's structural conditions differ fundamentally from the East Asian cases in ways that make their developmental path unavailable. These differences are not mere policy choices but deeply embedded institutional and social realities.

First, India's democratic institutions create genuine constraints that East Asian states could avoid or suppress (Bardhan 1984; Mehta 2003; Kohli 2004). As analyzed in Section 2, 75 years of competitive democracy have created path dependence that cannot be reversed. Elections occur regularly at national, state, and local levels, with reasonably frequent change of power. The courts, while imperfect, maintain sufficient independence to check executive overreach, as seen in their intervention on electoral bonds and environmental regulations. Civil society organizations, despite facing restrictions, continue to mobilize protests that can force policy reversals, as the farm laws demonstrated (Section 3). These democratic features, absent during East Asia's high-growth periods, fundamentally alter what policies are politically feasible, especially on economic reforms that may generate short-term distributional costs.

Second, the timing of India's developmental push creates fundamentally different international constraints. The WTO agreements that India itself

signed limit the policy tools available—tariffs face binding constraints, local content requirements invite challenges, and subsidies must navigate complex dispute mechanisms (Wade 2003). More critically, India lacks the deep integration with Western economies that enabled East Asian export-led growth. The patient American accommodation that tolerated Japanese and Korean mercantilism during the Cold War, and later welcomed China into global value chains despite its authoritarian system, is unavailable to India today. Where the United States once saw economic development as serving strategic interests—strengthening anti-communist allies or encouraging Chinese liberalization—it now views economic interdependence through security lenses. Arguably, India's multi-alignment stance prevents the deep strategic integration that would unlock comprehensive economic partnership (Tellis 2023), while trade negotiations with both America and Europe stall repeatedly over agricultural access and labor standards—frictions overlooked for earlier developers (Subramanian and Kessler 2014; Baldwin 2016).

This creates a paradoxical environment where India faces pressure to follow multilateral rules just as the rule-makers themselves embrace protectionism. The United States imposes tariffs on allies and rivals alike, Europe contemplates strategic autonomy, and industrial policy returns to fashion in developed countries. Meanwhile, technological and environmental contexts add further constraints: automation has

reduced manufacturing's employment intensity, modern supply chains require deep integration rather than sequential import substitution, and climate commitments impose carbon constraints that East Asian developers never faced. The result is an impossibly narrow pathway—India cannot embrace 20th-century protectionism due to WTO rules and climate commitments, cannot access the preferential treatment that made East Asian development possible, yet must navigate a 21st-century order fragmenting into geopolitical blocs. India cannot be the “China alternative” while maintaining strategic autonomy, yet abandoning autonomy would violate civilizational assertions central to domestic legitimacy.

Third, India's extreme diversity prevents the unified nationalist mobilization that East Asian states achieved. With 22 official languages, six major religions, and thousands of caste groups, India lacks the social homogeneity that facilitated Japan's post-war consensus or Korea's mobilization against the northern threat. Hindu nationalism, as discussed in Section 4, alienates 200 million Muslim citizens and creates tensions with neighboring countries. Regional identities remain strong—Tamil Nadu's dravidian politics, Bengal's cultural pride, and Punjab's distinct history all resist homogenizing narratives. This diversity is constitutionally protected and politically expressed through India's federal structure, where states control key developmental functions like education, land, and law enforcement. Unlike China, which can sup-

press minority identities in service of Han-dominated development, or Japan and Korea with their relative homogeneity, India must accommodate diversity even when it complicates economic strategy.¹⁶

Fourth, India's economic structure has already evolved along a different trajectory. Manufacturing never exceeded 17 percent of GDP, while services account for over 55 percent (Nayyar 2012; Rajan and Lamba 2024). This service-led pattern, unusual for a country at India's income level, reflects comparative advantages in English fluency, technical education, and perhaps even legal and regulatory frameworks inherited from British institutions. Attempting to force manufacturing growth through protection conflicts with this established structure. The PLI scheme's mixed results (Section 3) illustrate how difficult it is to create manufacturing competitiveness through subsidies when the broader economy is oriented toward services. The skilled workers prefer IT companies to factories, the infrastructure favors office parks over industrial zones, and the financial system better understands service businesses than manufacturing operations.

Fifth, demographic pressures create urgency that undermines patient institution-building. India adds more than 10 million people to its workforce annually, requiring massive job creation. Unlike East Asia during its demographic dividend, India cannot employ these workers in labor-intensive manufacturing at scale. The window for reaping demographic benefits is nar-

rowing—India will begin aging by 2040 or the latest by 2050, potentially getting old before getting rich. This urgency drives political leaders toward quick fixes and grand announcements rather than the patient capability-building that development requires.

The Default Equilibrium: Democracy Plus Civilizationalism

Given these structural constraints, India has settled into what Section 2 identified as the Democracy + Civilizationalism configuration, sacrificing full developmental transformation. This represents not a policy failure but the political-economic equilibrium that emerges from India's specific conditions.

This configuration proves politically stable even while developmentally suboptimal. Electoral victories continue—the BJP has won multiple national and state elections since 2014 and so has the Congress party and many other regional parties at the state level. Social stability is maintained despite economic disappointments through the compensatory satisfaction of welfare delivery (made more effective by technology) and civilizational pride. Growth at 5-6 percent prevents crisis even if it cannot deliver transformation. The key insight is that this equilibrium, once established, becomes self-reinforcing through the mechanisms analyzed in Section 4.

The contrast with China is particularly instructive. Both countries invoke civilizational narratives—China's "great rejuvenation" mirrors India's vishwaguru aspirations. Both pursue technological self-reliance and strate-

gic autonomy. Yet China can suppress democratic pressures that constrain India. When China's zero-COVID policy demanded economic sacrifice, the population had no electoral recourse (D. Wang 2025). When state-owned enterprise reform eliminated millions of jobs, workers could not vote out the government (Vogel 2011). India's democracy makes such painful adjustments politically impossible, forcing reliance on civilizational symbolism to maintain legitimacy when material delivery disappoints.

Historical precedent suggests this equilibrium can persist indefinitely. Many middle-income countries have maintained similar configurations for decades—contentious mass politics, nationalist rhetoric, and moderate growth—without either breakthrough or breakdown. Argentina since Perón, Mexico under PRI dominance, and Malaysia's bumiputera policies all show how populist mobilization fused with nationalism can produce stable political coalitions but middling economic outcomes (Acemoglu and Robinson 2019). India may be settling into a similar pattern at a lower income level, trapped not by the traditional middle-income trap but by a premature political-economy equilibrium that emerges from its unique trilemma.

The implications extend beyond India. As other diverse, democratic developing countries confront similar challenges—Indonesia with its island diversity, Nigeria with its ethnic divisions, Brazil with its regional disparities—India's experience suggests that

the East Asian path may be historically specific rather than universally applicable. The combination of democracy, diversity, and late development may require different models that accept more modest growth in exchange for political stability and social cohesion. Whether such models can deliver prosperity before demographic windows close remains an open question, one that India's trajectory will help answer.

International Consequences: Strategic Opacity and Isolation

Like other rising powers, India seeks international status and recognition (Mukherjee 2022). Yet the trilemma's domestic operation generates systematic international costs that further constrain India's developmental options. While India articulates a vision of multi-alignment and strategic autonomy, the interaction of democratic pressures and civilizational assertions produces strategic opacity that undermines international partnerships precisely when they are most needed for development.

The Multi-Alignment Paradox

India's foreign policy doctrine, articulated most clearly by External Affairs Minister Jaishankar, posits that India can engage all major powers simultaneously without choosing sides (Jaishankar 2020). This multi-alignment strategy—distinct from non-alignment's ideological distance—promises to maximize partnerships while maintaining autonomy. The civilizational framing adds another dimension: India's an-

tiquity enables it to transcend binary choices that constrain ordinary nations.

Yet the practice of multi-alignment reveals fundamental contradictions. With the United States, India seeks strategic partnership through the Quad and defense agreements while resisting the democratic solidarity framework that Americans expect. India welcomes U.S. technology and investment but rejects pressure on democratic backsliding. The strategic relationship depends increasingly on China containment as the sole point of genuine convergence, a narrow foundation for comprehensive partnership (Tellis 2023; Madan 2025).

The Russia relationship exposes multi-alignment's costs most starkly. India's abstentions on Ukraine resolutions, expanded oil imports despite sanctions, and continued defense procurement including the S-400 system despite CAATSA threats all reflect genuine strategic calculations—defense dependence, energy needs, and China balancing. Yet these positions, however rational from India's perspective, erode trust with Western partners who view Ukraine as a fundamental test of international order. The attempted balance satisfies neither side: Russia sells advanced weapons to China while the West questions India's reliability (Madan and Raghavan 2022).

With China, the contradictions become almost paradoxical. India simultaneously treats China as a territorial threat requiring military mobilization and as an economic partner from whom it imports over \$120 billion annually. The border standoff since

Galwan coexists with deepening trade dependence—Chinese components remain essential for Indian manufacturing, from pharmaceuticals to electronics. This incoherent strategy—banning apps while importing the components of phones that run them and restricting important FDI in crucial industries such as electronic vehicles—reflects the trilemma's bind: democratic pressures demand tough posturing, developmental needs require Chinese inputs, and civilizational pride prevents acknowledging dependence (Scobell and Markey 2023; Reuters 2024; Sullivan and Bateman 2025).

The May 2025 Pakistan clash, analyzed in Section 3, crystallized multi-alignment's ultimate limitation: when India needed support, no major power strongly backed its position. The United States issued neutral statements, Russia abstained at the UN, China predictably opposed, and Europe urged restraint without acknowledging India's security concerns. This isolation wasn't random but reflected accumulated skepticism about India's strategic choices. Partners who feel India won't support their core interests reciprocate that transactional approach (Chellaney 2025c, 2025b, 2025a).

The deeper problem is that multi-alignment assumes India possesses sufficient weight to maintain contradictory positions without consequences. This might work for a \$10 trillion economy or a military superpower, but at India's current capacity, it appears less like strategic sophistication and more like strategic confusion. Demo-

cratic volatility, as discussed in Section 4, makes positions unpredictable, while civilizational rhetoric makes them seem non-negotiable, a combination that exhausts partners' patience.

Regional Alienation: The Structural Dilemma

India's size—population, economy, military—creates inevitable regional dominance, yet the trilemma prevents it from exercising benevolent hegemony that might generate willing followership. Democratic politics empowers domestic constituencies that constrain regional generosity, while civilizational assertions trigger sovereignty anxieties among neighbors.

The structural challenge is that India cannot escape geography. It shares borders with all South Asian states except Afghanistan and Maldives, accounting for over 70 percent of regional GDP and 80 percent of military capacity (Malone 2011).¹⁷ This asymmetry means India's choices disproportionately affect neighbors, yet neighbors' concerns barely register in Indian domestic politics except as irritants. The resulting dynamic—consequential for them, marginal for India—breeds resentment.

Bangladesh illustrates the pattern. Despite India's crucial role in Bangladesh's independence and extensive development assistance, public opinion has soured dramatically. The Citizenship Amendment Act and National Register of Citizens, driven by domestic political calculations, were perceived as questioning Bangladeshi nationhood itself—implying that real Bangladesh-

is would naturally seek Indian citizenship (Chakravarty 2019; Ranjan 2020). Water-sharing disputes persist because West Bengal's political dynamics prevent concessions that would ease Bangladesh's seasonal crises (Crow and Singh 2009). The current relationship seemed to have depended precariously on personal equations with Sheikh Hasina, who was the long serving Prime Minister till the recent coup in 2024, rather than institutional foundations, making it vulnerable to political change.

Nepal's alienation reflects similar dynamics. The 2015 economic blockade—whether officially authorized or not—created lasting trauma about Indian bullying (Sharma 2019). The incorporation of Kalapani in India's new maps, responding to domestic political pressures after Article 370's revocation, inflamed Nepali nationalism (Nayak 2020). When Indian politicians invoke cultural connections—claiming Buddha as Indian or referencing shared Hindu heritage—it triggers fierce backlash from Nepalis asserting distinct identity (Times of India 2020). Young Nepalis increasingly, many of whom were instrumental in organizing a recent rebellion that overthrew the current government in 2025, view India as a hegemon to resist rather than a neighbor to embrace, opening space for Chinese infrastructure and influence.

Sri Lanka navigates between economic dependence on India and political wariness of Indian dominance. Tamil Nadu's regional interests intersect with New Delhi's Sri Lanka policy, particularly regarding fishing rights and most importantly issues of justice

for the ethnically Tamil population post the civil war (Basrur 2023). The Hambantota port episode, while primarily about Chinese debt-trap diplomacy, also reflected Sri Lanka's desire to balance Indian influence (Pande 2025). Even Bhutan, traditionally India's closest partner, now explores options with China, partly to gain leverage in hydro-power negotiations with India.

Pakistan represents the extreme case where democratic politics and civilizational narratives make normality a difficult proposition. Pakistan's existence as an Islamic state carved from ancient Bharat wounds civilizational narratives about undivided India. Any attempts at rapprochement must be balanced with realpolitik back home, in addition to, of course, complete unpredictability on who actually speaks for the Pakistani people. The May 2025 dynamics showed how this bilateral dysfunction exhausts international patience.

China exploits these regional tensions systematically. It offers infrastructure without political conditions, alternative markets without historical baggage, and most importantly, leverage against Indian dominance. The Belt and Road Initiative's regional success—every South Asian country except India and Bhutan participates—demonstrates neighbors' desire for options (Pande 2025). India cannot match China's financial resources, and the trilemma prevents matching China's strategic patience. Democratic pressures demand sharp edges in negotiations, while civilizational pride prevents the humility that might ease neighbors' concerns.

The Democracy Perception Gap

Perhaps the most consequential international cost emerges from the growing gap between India's democratic self-image and external perceptions of democratic decline. This perception problem transcends specific indices or Western bias—it reflects substantive concerns that affect India's soft power and partnership possibilities.

International assessments paint a troubling picture. Freedom House downgraded India to “Partly Free,” V-Dem's Liberal Democracy Index places India below Bangladesh and Nepal, and Reporters Without Borders ranks India 161st of 180 countries in press freedom (Reporters Without Borders (RSF) 2023; Freedom House 2024; V-Dem Institute 2024). While methodological debates, and frankly allegations of outright bias, about these indices have merit (Sanyal and Arora 2022); however, the trend across multiple measures does point toward a genuine problem.

India's responses often worsen perception problems. When BBC offices were raided following a documentary critical of Modi, it confirmed narratives about media intimidation (Committee to Protect Journalists 2023). FCRA restrictions on civil society organizations, however justified by sovereignty concerns, appear to external observers as suppressing dissent (Al Jazeera 2020). Academic researchers facing visa denials or detention—even those sympathetic to India—create influential critics in Western universities (TRT World 2025). These tactical responses to spe-

cific irritants generate strategic costs to India's reputation.

The democracy debate matters because it was India's key differentiator from China. During the Cold War and after, India enjoyed attention and sympathy disproportionate to its economic weight because it represented democratic possibility in the developing world. Indian Prime Ministers traveling abroad could claim moral authority partly because India, whatever its flaws, remained democratic. This soft power asset enabled India to punch above its weight diplomatically (Aiyar et al. 2021).

Current trajectories risk squandering this historical advantage. When Western leaders meet Prime Minister Modi, they increasingly compartmentalize—strategic partnership despite democratic concerns rather than because of shared values. The Quad's emphasis on “democratic” cooperation becomes awkward when one member's democratic credentials face questioning. European parliamentarians pass resolutions on Kashmir and religious freedom that complicate trade negotiations (European Parliament 2019). American watchers on religious freedom try to designate India to be a country of “special concern” (Congressional Research Service 2024).

The civilizational defense—that Western democracy indices reflect colonial mindsets and India follows its own democratic traditions—has intellectual merit but diplomatic costs. When every criticism is dismissed as Western bias, genuine problems go unaddressed. When Jaishankar lectures

Western audiences about their hypocrisy, YouTube clips may go viral in India but diplomatic capital erodes. The defensive posture suggests insecurity rather than confidence.

Yet legitimate grievances exist. Western countries do apply double standards—Saudi Arabia and Pakistan face less criticism than India despite far worse human rights records. Business continues with authoritarian regimes while India faces scrutiny. The focus on India's religious tensions ignores Europe's own struggles with pluralism. These hypocrisies deserve recognition, but dwelling on them doesn't address India's actual challenges or rebuild damaged perceptions.

Synthesis of Impediments to International Engagement

The international consequences analyzed here—strategic isolation through multi-alignment's contradictions, regional alienation despite overwhelming power, and perception costs from democratic erosion—directly result from the trilemma's operation. Democratic pressures that turn populist drive performative toughness that alienates partners. Civilizational assertions trigger sovereignty anxieties and value conflicts. Both prevent the patient institution-building and consistent engagement that developmental partnerships require. These aren't temporary diplomatic setbacks but structural consequences of India's political-economy configuration, further constraining the international cooperation necessary for breaking out of middling outcomes.

Path Forward: Realistic Adjustments Within Constraints

The trilemma's binding nature does not condemn India to stasis. While the simultaneous pursuit of developmental transformation, democratic responsiveness, and civilizational assertion remains impossible, realistic adjustments within these constraints could improve outcomes. This section examines feasible pathways that work with India's political-economic structure rather than against it.

Why the Trilemma Persists

Before examining alternatives, we must acknowledge why the current configuration proves so durable. The Democracy + Civilizationalism equilibrium, while developmentally suboptimal, exhibits remarkable political stability. Electoral victories validate the strategy—the BJP has won multiple national elections and expanded its state-level presence, even as many other smaller parties have managed to hold on to power in their regional bastions. When growth disappoints, civilizational pride and simplistic welfare doles provide compensatory satisfaction. The opposition, rather than offering alternative economic visions, and often found short on competitive nationalism engages in competitive populism that reinforces the framework.

International developments paradoxically strengthen this equilibrium. Deglobalization trends make Indian protectionism seem less deviant. China's assertiveness validates strategic

autonomy rhetoric. Democratic backsliding worldwide (Diamond 2015) reduces pressure for liberal reforms. The configuration that seemed anomalous in the 1990s liberal moment now appears aligned with global trends toward populist nationalism (Fukuyama 2022).

Path dependence has also deepened. Years of civilizational rhetoric and short-term distributional fixes rather than sustained public goods provision create sunk costs that make reversal politically expensive. Atmanirbhar Bharat cannot be abandoned—it is too politically entrenched as a rhetorical and cognitive device. Protected industries have organized to defend their privileges. Welfare delivery above and beyond minimal social protection has also become an expectation, especially with increased effectiveness at targeting through digital technology. Bureaucrats have adapted to the prevailing framework, making alternative approaches seem unrealistic. These accumulated commitments create lock-in effects that persist even when original justifications weaken.

Realistic Pathways for Improvement

Given these constraints, three pathways offer potential for improvement without requiring fundamental political-economic transformation.

First, India could reframe its development strategy to align with structural realities rather than fighting them. Instead of forcing manufacturing through protection, India could embrace its service-led trajectory while embedding manufacturing within ser-

vice strengths. Engineering services, product design, and pharmaceutical research leverage India's human capital advantages while creating higher-value employment than assembly operations. The global capability centers that already employ over two million Indians demonstrate this model's viability (Ghani and O'Connell 2012; NASSCOM 2024; Rajan and Lamba 2024). More low skilled service jobs will accumulate through multipliers effects of rise in tradable services jobs, and greater degrees of urbanization, a claim bolstered by recent research (Avdiu et al. 2022).

This reframing need not abandon civilizational rhetoric and certainly not civilizational aspirations. "Knowledge economy" aligns with ancient India's intellectual traditions better than factory assembly. Nationalist terminology could celebrate innovation rather than import substitution. The Vishwaguru narrative fits better with India becoming a global knowledge and high-tech services hub than a manufacturing platform competing with Bangladesh and Vietnam for low-wage assembly. To be sure, India would do well to capture those industries as well, but it does not need to go all guns blazing on attempting to mimic the East Asian model, what (Pritchett, Woolcock, and Andrews 2013) call isomorphic mimicry. Democratic politics could claim credit for wealth creation through high-skill jobs and tradable services and services embedded in manufacturing, and the concomitant distribution through the expansion of the welfare state.

Second, human capital investment represents the binding constraint regardless of development strategy. India's learning crisis—documented extensively in ASER reports—undermines both manufacturing and service overlook. Yet addressing this requires patient investment that democratic cycles discourage and civilizational projects displace. The solution lies not in grand schemes but in incremental improvements that generate visible benefits within electoral timeframes. Commitment to decentralization in governance through funds, functions and functionaries seems like the optimal solution (Rajan and Lamba 2024).

Technology offers possibilities here. Digital education platforms could improve learning outcomes more quickly than traditional infrastructure development. The JAM trinity (Jan Dhan-Aadhaar-Mobile) that revolutionized welfare delivery could be repurposed for education and health. Direct benefit transfers for learning outcomes could align incentives. These approaches could work with democratic pressures for visible delivery while building long-term capabilities.

Third, federal experimentation could bypass central government constraints. States like Gujarat, Tamil Nadu, Karnataka, and Telangana have pursued distinct development strategies despite national rhetoric. Their success in attracting investment and creating employment demonstrates that sub-national units retain policy space. The trilemma binds less tightly at state levels where pragmatic governance some-

times trumps ideological positioning.

This federal pathway requires accepting greater divergence in outcomes (Singh 2015). Successful states would pull further ahead while laggards stagnate. Yet this inequality might prove more politically sustainable than uniformly middling outcomes. Dynamic states could demonstrate alternative models that, if successful, might gradually influence national policy.

Managing International Relationships

Within multi-alignment's contradictions, pragmatic adjustments could reduce costs. Rather than claiming strategic sophistication, India could acknowledge tradeoffs more honestly. With the United States, focusing on specific areas of genuine convergence—technology cooperation, China balancing—while acknowledging values differences might prove more sustainable than pretending comprehensive partnership. With Russia, accepting that the relationship is historic but still transactional rather than strategic could reduce disappointments.

Regional relationships require particular recalibration. The civilizational rhetoric that alienates neighbors serves little purpose—Bangladesh and Nepal won't accept Indian hegemony regardless of historical narratives. Pragmatic engagement focused on mutual benefits rather than cultural claims could reduce tensions. The Gujral Doctrine's non-reciprocal generosity, while politically difficult domestically, generated more regional goodwill than current transactional approaches.

Synthesis towards a Productive Path Forward

Most importantly, India needs internal clarity about priorities. The attempt to simultaneously be a democratic exemplar, civilizational state, and developmental success story creates strategic confusion. Choosing priorities—even implicitly—would enable more coherent policy. If growth matters most, some civilizational rhetoric must be softened. If democratic values are paramount, certain efficiency losses must be accepted. If civilizational assertion is essential, developmental disappointments, at least in the short to medium term, become inevitable. The current attempt to maximize all three guarantees achieving none fully.

These adjustments, while modest, could improve outcomes within structural constraints. They require no constitutional changes, no abandonment of democracy, and no revolutionary transformation. They work with India's federal structure, service-oriented economy, and democratic politics rather than against them. Most importantly, they acknowledge that the trilemma cannot be solved, only managed. The choice is not between transformation and stagnation but between pragmatic adaptation and ideological rigidity. India's future prosperity depends on recognizing this distinction.

Conclusions

This essay has argued that India faces a governance trilemma—three irreconcilable imperatives

that cannot be simultaneously satisfied given its institutional context. The developmental need for rapid economic transformation requiring sustained 9-10 percent growth conflicts with democratic pressures for immediate redistribution and accommodation of diverse interests. Both clash with civilizational assertions that frame economic policy as identity statements about India's distinctive path. The result is a politically stable but developmentally suboptimal equilibrium: Democracy plus Civilizationalism without full Development. This configuration, reinforced through feedback loops of policy path dependence and institutional degradation, explains why economic nationalism persists despite disappointing outcomes and why it cannot be channelized to rally around economic growth as in the East Asian and arguably even earlier in European narratives. The impossibility of satisfying all three imperatives simultaneously is not a policy failure but a structural constraint arising from India's specific conditions—premature democracy, extreme diversity, service-led economic structure, and late development in a fragmenting global order.

Limitations and Caveats

Any attempt to explain phenomena as complex as India's development trajectory through a single theoretical framework inevitably involves simplification. This essay covers enormous empirical ground—from trade negotiations to industrial policy, from regional relations to global perceptions—through the lens of the trilemma. Such breadth necessarily leaves loose ends that don't fit neatly

into the framework and invites counterarguments about alternative explanations. The trilemma is offered not as a complete theory of everything about India but as a useful analytical tool for understanding why certain patterns persist despite their apparent irrationality, at least from an economic perspective.

Most importantly, this analysis should not obscure India's remarkable achievements. As Lamba and Subramanian (2020) document, India's sustained growth while maintaining democracy represents a historical anomaly. Among countries that were poor in 1960, India is virtually alone in maintaining both sustained economic growth and continuous democracy for over four decades (since 1980). This "improbable" achievement—growing at 4.5 percent per capita for 40 years while preserving democratic institutions and pulling hundreds of millions out of poverty—deserves recognition. That India achieved this while managing extraordinary linguistic, religious, and cultural diversity makes the accomplishment even more remarkable. The European Union struggles to maintain cohesion with 27 member states; India manages comparable diversity within a single democratic polity.

This essay should be read as a positive account rather than a normative exercise. The Democracy plus Civilizationalism configuration may be entirely rational given India's constraints. Prioritizing democracy over developmental transformation may be the only way India can manage its contradictions

and maintain national cohesion. Without democratic pressure valves, the tensions from rapid economic change could tear apart a society as diverse as India's. China can suppress regional and ethnic tensions through authoritarian control; India lacks this option and perhaps should be grateful for that constraint. Democracy may slow growth, but it prevents catastrophic errors—no Great Leap Forward, no Cultural Revolution, no forced population controls (for the most part) with devastating social consequences.

Similarly, civilizational assertions, while constraining economic optimization, may serve essential psychological and social functions. When the temporal horizon extends to infinity—thinking in civilizational rather than quarterly earnings timeframes—cultural continuity may rationally override economic maximization. India's five-thousand-year civilizational consciousness creates a different calculus from societies thinking in decades or even centuries. The Vishwaguru aspiration isn't merely about GDP rankings but about sustaining a distinctive worldview through historical time. Economic power matters, but perhaps not enough to sacrifice democratic accountability or civilizational identity. After all, the Soviet Union achieved rapid industrialization but disappeared in seventy years; India's civilizational continuity can claim to span millennia.

The framework may also underestimate adaptation and learning. While the current configuration appears locked in, political-economic

equilibria can shift. The 1991 reforms seemed impossible until crisis made them inevitable. The demographic transition now underway—India’s fertility rate has fallen below replacement—will ease some pressures while creating others. Technological change, particularly in services where India has advantages, might enable growth through different channels than manufacturing-led industrialization. The trilemma binds tightly now but might loosen under different conditions.

Theoretical Implications and the Global Order

The theoretical implications of India’s trilemma, initially outlined in Section 2.5, contribute to three established literatures—democratic development theory, studies on nationalism and civilizational states, and late development. Having examined the empirical evidence, transmission mechanisms, and comparative cases, we can now see how India’s experience illuminates broader transformations in the contemporary global order.

Beyond the specific contributions to these three literatures discussed earlier, India’s trilemma reveals something more fundamental about the emerging world system. India represents a democratic variant of the civilizational state, contrasting sharply with authoritarian versions in China, Russia, and Turkey. While Xi Jinping’s “Chinese Dream,” Putin’s “Russian World,” and Erdoğan’s “New Turkey” deploy civilizational narratives to justify concentrated power and suppress dissent, India’s civilizational assertions must operate within

democratic constraints (Coker 2019). This creates fundamentally different dynamics—civilizational rhetoric in India requires electoral validation and faces parliamentary opposition, media scrutiny, and judicial review. The result is civilizational democracy rather than civilizational authoritarianism, a distinction with profound implications for both domestic governance and international behavior.

This distinction matters because civilizational assertions are proliferating globally, even in societies without India’s historical depth. From Orban’s “illiberal democracy” invoking Hungary’s Christian heritage to Trump’s “Make America Great Again” reimagining American exceptionalism, political movements increasingly frame contemporary policy choices through mythologized history (Krastev 2018). This represents what Larry Diamond calls the “democratic recession”—democracy retreating not through military coups but through elected leaders systematically undermining liberal norms while maintaining electoral legitimacy (Diamond 2015). India’s experience suggests this isn’t simply democratic failure but perhaps the emergence of a different democratic form—one that prioritizes identity over efficiency, historical continuity over economic transformation, cultural authenticity over technocratic optimization.

For the post-1945 multilateral order, these trends pose existential challenges. International institutions from the UN to the WTO were designed assuming states would prioritize eco-

conomic welfare and security cooperation over identity assertions. The architects of Bretton Woods and San Francisco expected nationalism to fade as interdependence deepened. Instead, we see multiple powers simultaneously pursuing civilizational rather than interest-based foreign policies. The WTO cannot adjudicate between different conceptions of historical justice. The UN Security Council cannot reconcile incompatible aspirations when permanent members see their roles as civilizational rather than merely sovereign representatives. Climate negotiations exemplify this challenge. Technical solutions exist for emissions reduction and adaptation financing, but they founder on historical battlegrounds.

Yet India's trilemma also suggests possibilities for navigating this new landscape. If civilizational democracy represents a stable equilibrium—neither rapidly transforming into prosperity nor collapsing into authoritarianism—then patient engagement rather than transformative pressure might be appropriate. Understanding why democratic developing countries choose identity over growth, stability over

transformation, civilizational framings over economic optimization, might enable more realistic cooperation. Rather than assuming all countries will converge on similar developmental paths, recognizing different political-economic equilibria might permit more modest but achievable coordination.

A High Level Take Away

A key insight is that the trilemma isn't merely India's challenge but increasingly a global condition. As more societies face tensions between economic optimization, democratic pressures, and identity assertions, India's experience becomes less exceptional and more exemplary. The question isn't whether countries can escape these trade-offs but how they manage them. India's particular resolution—accepting slower growth to maintain democratic accountability and civilizational pride—may frustrate economists and disappoint developmentalists. But in a world where purely technocratic governance has lost legitimacy and purely authoritarian models face their own contradictions, India's imperfect balance might offer lessons for other diverse democracies navigating similar pressures.

Acknowledgements

I am indebted to Arvind Subramanian and Raghuram Rajan for their intellectual generosity; many of the ideas here have evolved in joint work with them. Thanks also to Rohan Mukherjee, Rani Mullen, Suyash Rai, and Vinay Sitapati for their generous advice, and to Thomas Robert Travers and participants at the South Asia Program Seminar at Cornell for their thoughtful comments. Two anonymous referees provided invaluable feedback. I used Claude AI to check references and edit the final draft.

Notes

- 1 See (Lamba and Subramanian 2020) and references therein for the claims made here, including on the improbability of India's success as a democratic country at low levels of per capita income and high levels of diversity, still achieving high enough economic growth. The only other country along with India that managed sustained high economic growth with reasonable levels of democracy is Botswana.
- 2 The trilemma framework in that sense is inspired from Dani Rodrik's political trilemma of democracy, national sovereignty and deep global economic integration (Rodrik 2011).
- 3 References to academic scholarship backing assertions made here and in the preceding paragraph are provided in Sections 2 and 3.
- 4 There are various numbers on this and because of poor data quality it is hard to say with certainty. But, most estimates in the last few years peg the number of new entrants into the labor force at more than 10 million.
- 5 Civilizational framing has long shaped Indian policy, but its character has mutated over time. Nehruvian India invoked ancient heritage for nation-building yet embedded these assertions within a syncretic framework that prioritized minority protections (Khilnani 1997). For instance, while the Hindu Code Bills of the 1950s modernized Hindu personal law, Muslim and Christian personal laws were largely left in their traditional forms to avoid deepening post-Partition insecurities. However, critics argue the status quo has remained for reasons of electoral politics and that this approach suppressed the articulation of historical trauma stemming from centuries of Islamic rule—specifically regarding iconoclasm, discriminatory taxation (*jizya*), and religious violence (Naipaul 1977; Majumdar 1951–1977). Under Narendra Modi's leadership since 2014, civilizational assertion has shifted toward a clearer Hindu-centric nationalism, drawing on historical grievances, and signaling a majoritarian departure from the previous consensus on minority accommodation.
- 6 One can argue that Rao's time saw the demolition of the Babri Mosque and demands for Ram Temple, and may not fit this configuration precisely. However, two factors diminish its impact on democracy and development. First, as with Gandhi's murder in 1948, the fact that mosque had actually been destroyed reduced the moral force of the Hindu nationalist movement in practical and secular matters of governance, even if temporarily; and second, both the Rao and Vajpayee governments largely kept the agenda of technocratic reforms separate from culture wars (Sitapati 2016, 2021; Choudhary 2025).
- 7 In fact, Liah Greenfeld has also argued that even before democratic demands became a norm, nationalism, and the dignity that it brought the masses, was a driving force behind economic growth in England, France, Russia, Germany and the United States (Greenfeld 1992, 2001).
- 8 It is important here to underscore selection bias in choosing East Asian countries for Configuration 2—there is a long list of autocracies or semi-autocracies where in-

cumbents do not face democratic contestations and also do not produce sustainable development. The argument is not that Configuration “does,” but that “it can” deliver development at the back of a civilizational glue.

- 9 If the primary objective of the state is stability, to keep the nation together, then deepening democracy at the cost of any development would be optimal, for it can be argued that given India's size, diversity and poverty at the time of independence, democracy was the only pressure valve through which social mediation could be designed while keeping firm the contours of the nation.
- 10 Data here are based on World Development Indicators, World Bank and Government of India reports.
- 11 This is, of course, before the renewed tariff wars across the globe, initiated in part by the US under President Trump in the beginning of 2025.
- 12 This has been widely reported in the media—for example, the Prime Minister invoking slavery to foreign goods in speeches in 2022 and 2023 and Gandhiji's Talisman to withdraw from RCEP in 2019, etc.
- 13 The current Chief Economic Adviser of India, V. Anantha Nageswaran, has also pointed out the suboptimality of this strategy—continuously surging imports from China, even as Chinese FDI remains barred (Reuters 2024).
- 14 Many scholarly studies analyze pieces of the mechanisms asserted here. For example, (Chhibber and Verma 2018) argues Indian politics is, and has been, deeply ideological. However, this ideology is not based on the traditional left-right (class-based) spectrum of Western Europe. The Indian party system is structured by two stable competing ideological cleavages that have their roots in the country's founding debates: the politics of statism and the politics of recognition.
- 15 The feedback loop reflects Hirschman's “exit-voice” dilemma (Hirschman 1970). Indian citizens facing disappointing outcomes have no meaningful exit options, making democratic voice through electoral channels their only response mechanism. However, short electoral cycles channel this voice into demands for immediate welfare relief rather than patient capacity-building. Unlike developmental states where authoritarian control suppressed political voice but export discipline created market-based exit pressure forcing efficiency, India faces intense domestic voice with weakened exit discipline from international competition. The result is a voice trap where democratic pressure itself degrades the state capacity needed to address the problems generating that pressure.
- 16 To be clear, this is not a value judgment for the diversity described here is fundamental to the Indian conceptualization of its own core, the pluralism inherent in the culture. The argument is the tension of its co-existence with the development and democratic imperative of the modern nation state, especially in comparison to the rapid growers of the twentieth century.
- 17 To be formally correct, India shares a maritime border with Maldives and a 106 km land border with Afghanistan in the region of Gilgit-Baltistan, which is currently administered by Pakistan but is disputed land claimed by both India and Pakistan.

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