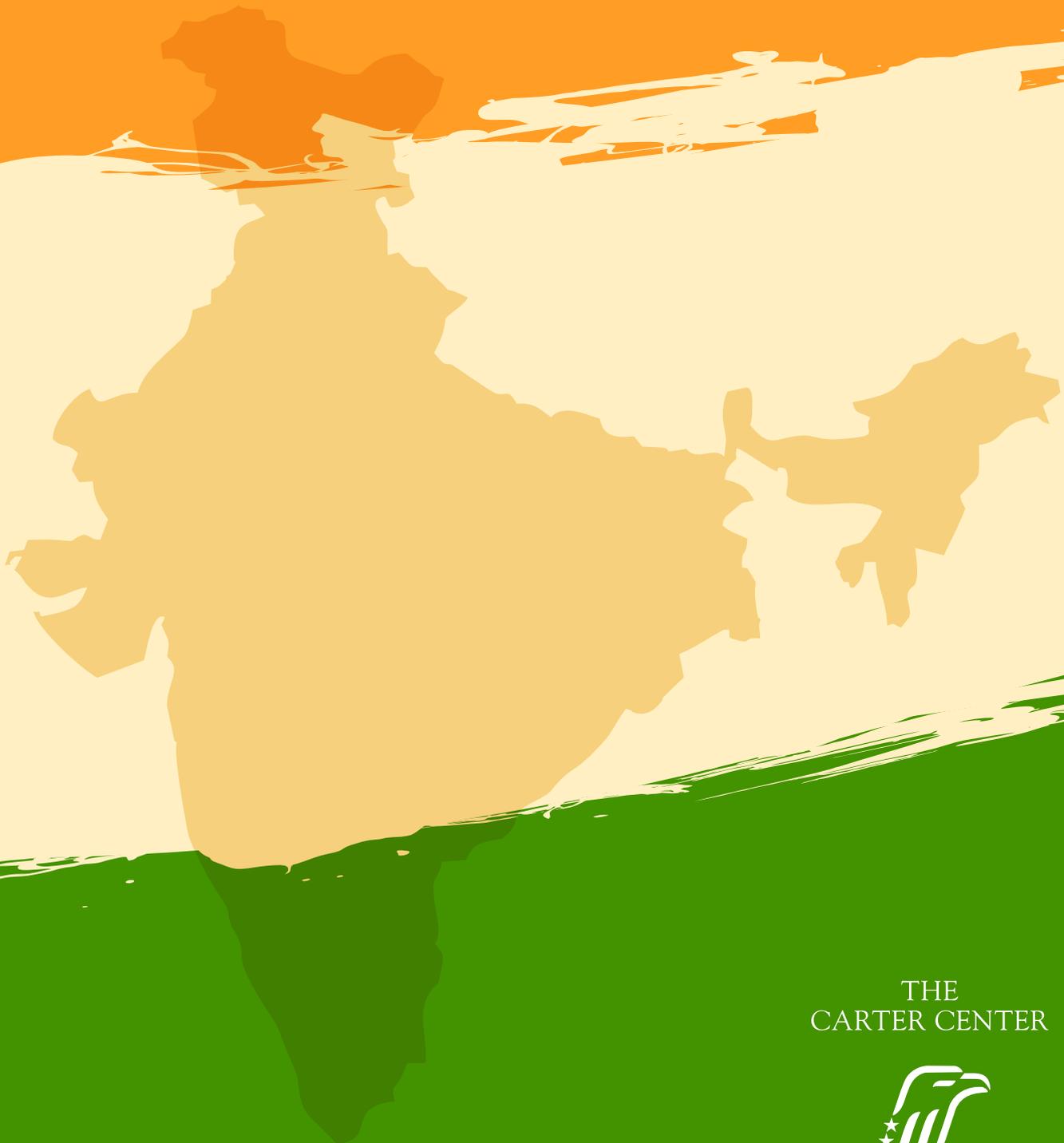


INDIA POLICY
COMMENTARY

How Supporting Democracy Benefits the U.S.-India Partnership

By Barbara Smith and Marti Flacks
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Shared democratic values have long been the bedrock of the U.S.-India partnership, as reinforced in the Biden administration's [National Security Strategy](#), which emphasizes shared interest in a "free and open" Indo-Pacific. However, these values are sometimes seen as distinct from the deep commercial ties between the two countries. The promotion of democracy and human rights should not be viewed as secondary to trade and investment priorities. Rather, the advancement of democratic values fosters, strengthens, and expands the economic possibilities offered by the U.S.-India bilateral relationship. In the long term, erosion of these values could pose significant risks to the future of U.S.-India cooperation, including by [impacting bilateral trade](#) relations. Nearly a year after the inaugural [Summit for Democracy](#), both countries should act to further strengthen participatory governance and human rights for all—with the knowledge that concretizing these commitments will foster mutual flourishing and economic growth.

In recent years, both the United States and India—commonly called “the world’s oldest democracy” and “the world’s largest democracy,” respectively—have fallen in global indices that measure the health of democratic practices and institutions. In 2021, Freedom House [classified](#) India as only “partly free” due to “a multiyear pattern in which the Hindu nationalist government and its allies have presided over rising violence and discriminatory policies affecting the Muslim population and pursued a crackdown on expressions of dissent.” While the United States maintains its “free” classification, Freedom House reports an [erosion of democratic institutions](#) and growing polarization and inequality. But both countries—and the relationship between them—would benefit from changing this trajectory.

The conventional wisdom has long been that autocrats, free from worrying about the needs and desires of the people, can deliver economic growth more easily than democratic leaders. As [the authors wrote last year](#), this assumption is not borne out by evidence—and [the latest research](#) demonstrates that in fact, democratic systems do more to assure economic prosperity in the long term. Democratic systems are more likely to enact economic reforms, increase civic participation in electoral and political life through the provision of education and healthcare, and attract investment opportunities. Moreover, since democracies must respond to the needs of the populace, democratic systems are more likely to avoid catastrophic events like famine, and they [direct more resources](#) towards poverty alleviation. As such, President Biden’s call for world leaders to reaffirm a commitment to democracy and human rights is both ethically and strategically important for policymakers and business leaders across the globe.

India’s history further attests to the mutually beneficial relationship between democracy and economic growth. As noted by the former chief economist of the World Bank and chief economic adviser to the Government of India, Kaushik Basu, India’s investment in democracy greatly benefitted the country following its independence from British rule. In addition to supporting outstanding achievements in higher education, research, and creative industries in the long term, India’s protection of civil rights and liberties fostered the growth of the [service sector](#), contributing to rapid economic progress in the 1990s. In the early 2000s, India became one of the world’s fastest-growing economies. Investment in the so-called democratic dividend will enable India to maintain that growth over the long haul, attracting new commercial opportunities from democratic partners overseas.

On the other hand, the erosion of the rule of law—in India’s case, marked by the [politicization of the judiciary](#), an uptick in [violence against minorities](#), the [breakdown of due process](#), and

abuses of human rights—undermines the ability of international business to invest with confidence. Recently, forced labor in the apparel industry in India led U.S. Customs and Border Protection to issue a withhold release order preventing goods produced by an Indian apparel company from being imported into the United States—a restriction that was lifted only after the [company agreed to work](#) with Indian trade unions, labor rights groups, and global apparel brand H&M to strengthen protections against gender-based violence in their factories.

Strengthening the rule of law creates a stable, credible climate for investment, ensuring citizens and businesses that their property rights, contracts, and operations will be protected. Therefore, if the U.S. seeks to deepen economic ties with India, U.S. policymakers should focus on helping India bolster rule of law and create stable conditions for citizens and businesses alike. The United States is not the only country whose companies are scrutinizing the human rights records of potential trading partners. An Indian trade association—with Japanese funding—recently [published guidance](#) on the business and human rights landscape in India for Japanese companies. Although trade ties between the United States and India continue to increase, the trendline around declining rule of law and increasing democratic backsliding in India is one that policymakers would do well to consider as they forecast risks in the medium- and long-term horizons.

The [National Security Strategy](#) emphasizes the importance of a democratic India when discussing cooperation on fostering economic growth, combating climate change, fighting the Covid-19 pandemic, and addressing the challenges posed by China in the region. The strategy frames deepening the U.S. partnership with India and other like-minded states as “creating a latticework of strong, resilient, and mutually reinforcing relationships that prove democracies can deliver for their people and the world.” India’s economic success, therefore, is not just about improving the lives of Indian people and furthering U.S. economic interests; it is also about proving to those living under authoritarian regimes that democracy can bring prosperity, too.

Democracy in India also benefits U.S. businesses, and these companies should vocally and consistently support democratic governance in the region. Indian citizens should also expect these companies to [pay their fair share of taxes](#), promote [transparent business practices](#), and help raise overall quality of life within their country’s borders. Supporting democratic values and the creation of democratic systems, in both private and public institutions, lays the groundwork for the type of shared prosperity that is the desired outcome of the U.S.-India partnership.

Government and business leaders in both the United States and India should view democracy and trade not as two separate domains but as intertwined systems that mutually enhance one another. The United States cannot overlook democratic backsliding in the hopes of maintaining robust economic ties. Developments in Indian democracy will necessarily impact both U.S. and Indian trade and business concerns, and leaders from both countries have a vested interest in encouraging and preserving sustainable participatory democracy for all.

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