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India's Fall Elections & Impact on U.S. Engagement with India

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Five Indian states will hold elections in November and December this year- Chhattisgarh, Madhya Pradesh, Mizoram, Rajasthan, and Telangana. These five states have 204 million residents in total - about the population of Brazil. The results will be announced on December 11. To most foreign analysts, these state elections are viewed largely through the prism of political prognostication ahead of the spring 2019 national election. But these elections are important for numerous other reasons, affecting India's development trajectory and even foreign relations in a range of ways.

Political Bellwethers:

The importance of the Chhattisgarh, Madhya Pradesh, and Rajasthan state elections in predicting the forthcoming national elections can easily be overrated, though there is some value. For now, we will leave out Telangana since this is an unusual election schedule, and Mizoram since it is quite small.

All three states are largely binary elections between Congress and BJP. Going back to 2003, the party that won the state election won a majority of Parliament seats from that state in the ensuing national election. With 65 Parliament seats from these three states, these states are important political prizes. However, looking at the last three election cycles, electoral victory in these state elections does not guarantee a victory in the national elections that follow. The BJP swept these three state elections in 2003 yet went on to lose the 2004 national election. In 2008 the BJP won two of the three state elections yet lost ground in the 2009 Parliament election. In 2013 the BJP won all three state elections and then won the 2014 national election.

Bureaucratic Shifts:

Most state-level projects in India require some level of support from senior bureaucrats in that state. When incumbents lose state elections, the incoming party will typically **shift out** any bureaucrats **seen as "too cozy"** to the previous government and install their own favorites. This means that organizations partnering with states on projects such as healthcare delivery, education support, and other important social programs must move quickly to maintain senior-level support for their projects.

Impact on Federal Projects that Involve the States:

Indian states are required to implement many central government projects, such as the 175-gigawatt renewable power target, implementation of the new health insurance program Ayushman Bharat, and the toilet-building program under "Swachh Bharat." If a party in opposition to the BJP is elected, they may not support the implementation of these programs, harming India's national development goals.

KEY DATA

+14.5%

U.S.-INDIA GOODS TRADE, 12-MONTH YOY
COMPARISON, PER [U.S. CENSUS BUREAU](#)

-20.8%

FOREIGN DIRECT INVESTMENT, 12-MONTH
YOY COMPARISON, PER [RBI](#)

+16.0%

FII ASSETS UNDER CUSTODY, 12-MONTH
YOY COMPARISON, PER [NSDL](#)

Rolling Back Reforms:

The instinct of a newly-elected government is often to roll back any reforms adopted by the previous government that cause short-term pain to key voting constituencies. Primary targets include a prior government's decision to increase power rates, or to rationalize out-of-control subsidy programs. For example, rolling back electric power reforms were among the first pledges by the incoming governments after Y.S. Reddy's defeat of Chandrababu Naidu in 2004, or Aam Aadmi's victory in Delhi in 2015. Rajasthan, which has been among the national leaders in initiating key reforms such as relaxing onerous labor rules or franchising poorly-performing district electricity utilities to the private sector could see such reforms reversed to the detriment of the state's long-term growth prospects if the government changes.

State Governments and Foreign Relations:

A state government can also have a real impact on India's relations with the rest of the world. A good state chief minister can become a powerful brand ambassador for India in engaging the world. State leaders have tremendous power to ensure on-the-ground implementation of projects, whether it is in the social sector or a business investment. Devendra Fadnavis of Maharashtra and Chandrababu Naidu of Andhra Pradesh are two examples. Certain state governments also have an outside influence on India's foreign relations, such as West Bengal's influence on India's relations with Bangladesh, or Tamil Nadu's push to support the Tamil rebels in Sri Lanka.

Collectively, Indian states have far more importance to India's development trajectory than India's central government. Later this year, five states representing 16% of India's total population will vote for their state governments. These elections should be watched closely by foreign governments and investors, not merely because they offer a glimpse into India's evolving voter preferences ahead of next year's national election, but can also alter the nation's development trajectory, trigger a review of key state-level partnerships, and even impact India's foreign relations.

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