

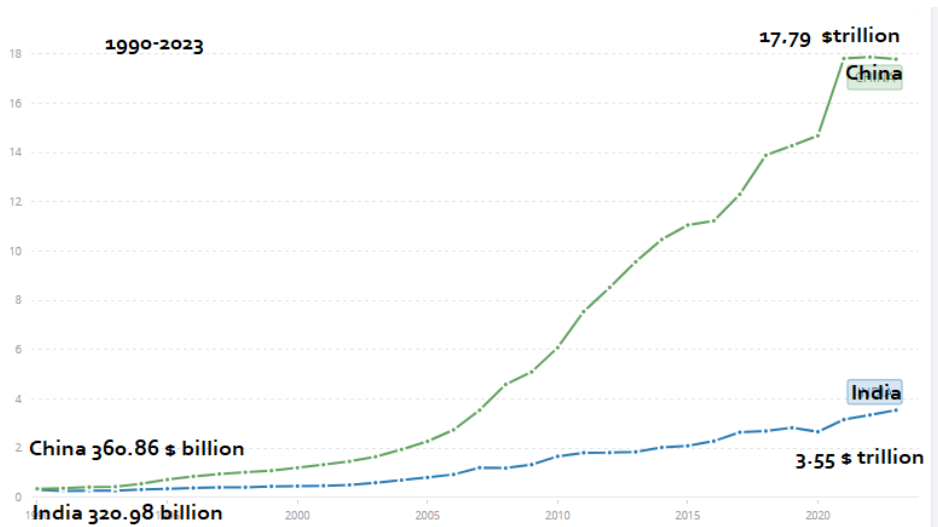
# The Structural Limits to India’s Bid for “Great Power” Status

By Stavros Romios, Riya Shah, Alexander Vogt, Mariam Qureshi

India’s 75-year trajectory since independence in 1947 has been marked by waves of optimism expressed by Indian leaders and echoed by internal and external observers. India’s first Prime Minister, Jawaharlal Nehru, set the course with his hope to establish the country as one of the poles, along with the United States, Soviet Union, and China, in the then-expected multipolar order. In the following decades, India's burst of successes in military, economic, and developmental sectors rekindled optimism of a grand future for India.

In 1998, shortly after India was declared a nuclear state, the Indian scientists A. P. J. Abdul Kalam and Y. S. Rajan predicted more Indian technological and scientific advancements in the new millennium. The 2000s were heralded as the ‘Asian Century’ to signal optimism for the rising economies of India and China. At the 2006 World Economic Forum in Davos, India was hailed by political and economic leaders as the “world’s fastest growing market democracy” and the promised land of Western liberal-democratic hopes. China's rise, which began shaping the global stage despite domestic socio-economic troubles, accorded some credibility to the promise of an Asian century. However, predictions about India seemed overly optimistic, with economic growth falling short of expectations and the country’s democratic credentials increasingly facing scrutiny.

Once again, Indian political leaders resorted to exuberant proclamations to make India a “leading power,” a Vishwa guru (teacher to the world) which actively influences and (re)shapes the global decision-making processes “the Indian way,” a continued evolution of Nehru’s ambition. Recent triumphs, such as the successful moon landing in 2023, promising economic indicators, and India surpassing China as the world’s most populous country, have rekindled Indian aspirations for more. And not just India. These claims have also gained momentum in the ‘West’ as the United States and other countries worried about a Chinese rise appear to bet on India to balance China. Such optimistic hope for India raises an essential question: does India possess the necessary attributes to attain great power status?



Data from [World Bank](https://data.worldbank.org/).

## **Structural Impediments to Economic Growth**

India's economy began to grow after its liberalization reforms in the 1990s. Its growth took a hit during the 2008 financial crisis and then again during the COVID-19 pandemic in 2020-2021 but maintained an [average growth rate of 6%](#) in the past four decades. It exhibited a stable post-pandemic recovery and continues to be a growing economy. However, this growth is disproportionate across sectors, rendering India vulnerable to challenges and unable to reap the benefits of stability associated with balanced development. This uneven progress suggests that the current statistics may only be short-term surges, not indicative of an economy that can sustain long-term growth.

[India's economy](#) was once dominated by the agricultural sector, which contributed to over 60% of employment in 2000, but dropped to 43% in 2022. But there has been an increase in employment in non-agricultural sectors such as [services](#) accounting for a mere 22% in 1991 to 31% in 2022. Unlike the trajectories of other developed economies, though, India's manufacturing sector has largely remained stagnant over the past two decades. The [GDP contribution](#) of the manufacturing sector increased meagerly from 15% to 17% from 2017-2022, whereas the contribution of the services sector increased from 44% to 55%. While this may result in a temporary boost in economic indicators, it flags vulnerabilities for the long term. The manufacturing sector, not the services sector, is labor intensive, thus allowing for greater employment opportunities. It also increases the possibility of innovation and offers better stability against economic shocks. The disadvantages of a poorly developed manufacturing sector are obvious.

India has been unable to increase its contribution in the international markets, [ranking 17<sup>th</sup> in global exports as of 2021](#). It has also been [unable to create job opportunities](#) despite 7 to 9 million job seekers entering the market each year. According to the Princeton Economist [Ashoka Mody](#), if India were to absorb all potential employees into its active workforce, it would have to create over a million jobs monthly. Middle-class Indians, increasingly educated and thus full of expectations, are desperately trying to find employment in the scarcely available white-collar jobs. This structural impediment has also deepened the rural-urban divide; despite nominally impressive economic growth in the past few decades, [approximately 64%](#) of India's population still lives in rural areas, and [44% of its workforce](#) is still employed in the traditional and low-productive agriculture sector.

## **Attempts to Remove Roadblocks to Economic Growth**

In 1991, India was at risk of defaulting on its international debt due to low foreign exchange reserves and a high fiscal deficit. Its economy was marred with challenges of stagnation and inflation exacerbated by its protectionist policies and closed economy. In the same year, facing a similar economic crisis, the Soviet Union collapsed. As a result, India was forced to open its economy to the global markets to avoid bankruptcy and a similar fate. The reforms of the 1990s stirred hope for development, employment opportunities, and growth of the manufacturing sector. The reforms were aimed at limiting governmental control to allow growth of the private sector, foreign companies to enter local markets, and increasing competition and investment. However, as of 2022, India stands [30<sup>th</sup> in Foreign Direct Investment \(FDI\)](#), primarily because of small-business resistance to the presence of foreign investors, which seems to play a

critical role in domestic policymaking. For example, local shops dominate the market in India, a way of business that is a staple source of income for the peasant class, which also constitutes a significant vote bank. These local retailers worry that if they are replaced with mega-stores backed by foreign investments, their sole source of income may be wiped out – and, by extension, the vote share of the political party that decides to shun protectionism.

Despite the 1990s economic liberal reforms, FDI for multi-brand retail companies – which could directly sell to consumers and were, therefore, a direct competition for the local shopkeeper – was prohibited. However, a cash-and-carry route for wholesale businesses permitted foreign companies to sell to businesses, not consumers. The ban on multi-brand retail companies was lifted in 2021, allowing [investment of up to 51%](#). This opened the Indian consumer market to companies like Carrefour. Nevertheless, political resistance favoring small and local businesses and pre-conditions for local sourcing and infrastructure investment eventually drove the company out of the Indian market. Although the exit was presented as an internal decision, Carrefour joined ranks with another French retailer, [Auchan](#), the American retailer, Walmart, and the Korean steelmaker POSCO in wrapping up their operations in India. This raised concerns over the extent to which the Indian government would be willing to implement flexible policies to enhance FDI in the country amidst domestic resistance.

Protectionism remains largely the driving mechanism of Indian fiscal policies, both domestic and foreign. India's larger ambitions of becoming a great power conflicted with its preference for protectionism when deciding [whether to be part of the Regional Comprehensive Economic Partnership \(RCEP\)](#). This free-trade agreement between member states of the Association of Southeast Asian Nations (ASEAN), China, Australia, New Zealand, South Korea, and Japan would have significantly boosted India's political and economic ambit in the region. However, India expressed reservations over trade particulars such as tariff commitments and investments. It reconsidered joining out of fear of isolation before finally deciding to opt out in favor of “national interests,” thus prioritizing protectionism over regional integration. This showcases how domestic factors may limit India's ability to pursue its international ambitions.

Social conservatism prevails in domestic policymaking for fear of social disruption and loss of electoral votes. The protectionist measure adopted in favor of local businessmen hampers foreign investment and industrial development, having long-term consequences on sustainable economic growth. When the Indian government attempts to break this cycle, it is met with fearsome social resistance.

In 2020, Prime Minister Narendra Modi tried to adopt [liberal economic policies in agriculture](#), passing three laws that would deregulate trade, facilitate private investment, and increase private sector participation in the agricultural industry. This would have reduced the state's control over prices and allowed corporations to pursue a profit-maximization approach to agriculture. The primary stakeholders – farmers – would have lost their profits due to competition from big corporations. Thus began a year-long protest, especially in the country's Northern half, bringing forth an alliance that cut across ethnic, religious, caste, and gender divides, given its far-reaching implications on the livelihood of much of India's population. With a simple law to enhance sustainable economic development, PM Modi not only risked losing his rural vote share but was left to settle a substantial social unrest.

The uprising proved successful as Modi's Bharatiya Janata Party (BJP) was forced to repeal the

legislation. The episode exposed the difficulty in pursuing such liberal policies, inevitably marred by social antagonism, as they represent an actual threat to the interests of the local stakeholders. Social antagonism and preference for protectionism are not the only impediments hampering attempts to boost economic growth. India's demographic makeup presents its own set of challenges that have an impact on long-term economic growth.

### **The Trouble with Social Demographics**

India, with a population exceeding 1.4 billion, has not yet capitalized on its demographic potential. About 50.2% of Indians are aged 25–62 years, promising [potential for productive labor](#) that could boost the economy. However, if India wants to rise as a great power, it should capitalize on this resource quickly before its window of opportunity closes.

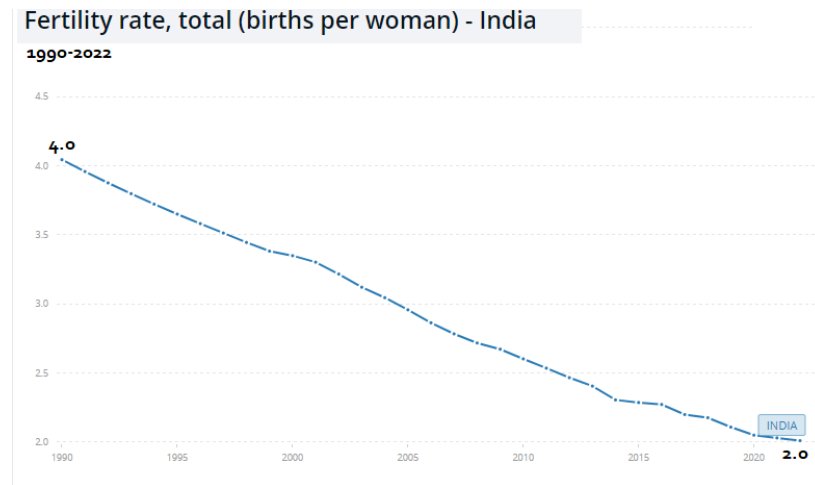
While India's population is increasing, its fertility rate has rapidly declined in recent years. Presently, an [average Indian woman](#) is expected to have two children in her lifetime, certainly more than the U.S. (1.6) and China (1.2) but much less than India in 1992 (3.4). The [infant mortality rate](#) has decreased by 70% in the past three decades, from 89 deaths per 1000 live births in 1990 to 27 deaths per 1000 live births in 2020, but it is still significantly higher than in the U.S. (5) and China (6). Nonetheless, for a country as large and diverse as India, demographic and social challenges restrict workforce participation, making it structurally difficult for India to take advantage of its large population.

Moreover, India is ethnically and religiously diverse, housing over [3,000 different castes and 25,000 sub-castes](#), a tradition that has survived for more than 3,000 years and has contributed to social conservatism and discrimination. The Indian Constitution banned discrimination based on caste in 1950, but this has not been sufficient in changing the social realities. The division is more pronounced in rural areas where most of the population resides. Castes are inherently hereditary social classes, with status in the social hierarchy, prospects of social mobility and careers, and even social life, including decisions to marry – all defined at birth. This is evident, for example, in how Dalits, the lowest [caste pejoratively known as “untouchables”](#), are excluded from the social spheres and restricted to menial jobs. This particularly restricts the mobility and free market of the labor force, critical conditions for sustained economic development.

There are more than 2,000 ethnic groups in India, but ethnic fragmentation is especially pronounced with the North-South divide. The Indo-Aryan peoples of the north share more cultural similarities with Persia than with the Dravidian people inhabiting the south of the peninsula, who are discriminated against for their darker complexion and linguistic style.

However, despite the discriminatory attitude towards the South, India's southern cities, such as Chennai and Hyderabad, are economic hubs because of the booming IT & software services, manufacturing, textiles, and tourism. Similarly, while considered underdeveloped compared to the North, southern states such as Kerala have an impressive [96% literacy rate](#) and a [poverty rate below 0.5%](#). However, the prevailing Indo-European rhetoric that dominates mainstream Indian media, culture, and politics has led to major grievances by South Indians. They lament that despite the economic success, they do not receive

adequate recognition or social and political representation (there has never been a Dravidian Prime minister, for instance), further deepening the demographic divide rather than becoming a source of unity.



Data from [World Bank](#).

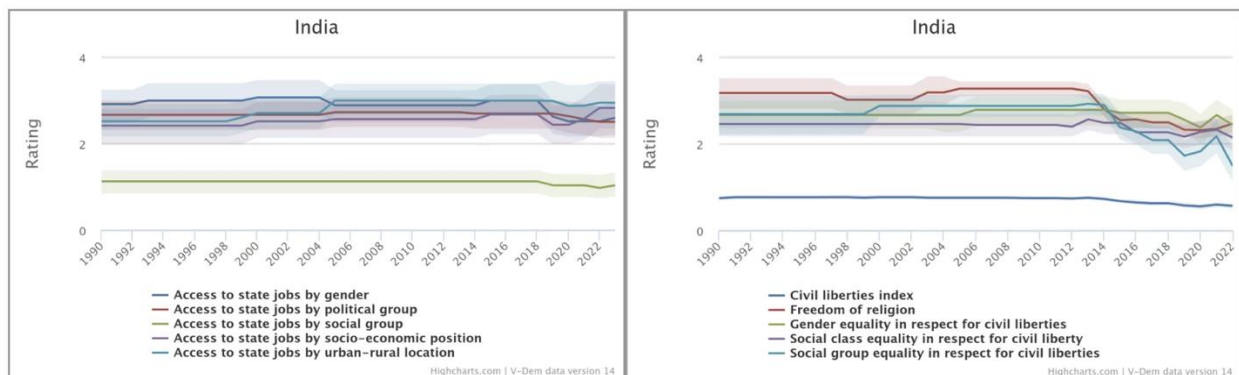
### The Rippling Effect of Social Demographic Tensions

The divisions based on caste and ethnicity are further complicated by divisions based on gender. Women's participation in the workforce is disproportionate across sectors, with most women contributing to agriculture in rural areas, the informal sector, or are self-employed. In 2022, women's labor force participation rate in India was only [32.8%](#), significantly lower than in the U.S. ([56.8%](#)) and China ([61.1%](#)). The participation rate of men was 2.3 higher in India ([77.2%](#)) but only 1.2 times higher in both the U.S. ([67%](#)) and China ([72.6%](#)). While the gap is significant for India compared with the leading powers, increasing female participation in the workforce and proportionately across sectors is not easy. While for men, unemployment in white-collar jobs is mainly due to the unavailability of these jobs, for women, it is not just the lack of unavailability of the jobs but also the societal pressures and discriminations that force them to opt-out from contributing to the workforce. According to [Amnesty International](#), India is the fourth worst country in the world for being a woman and the worst among the G20 countries due to the prevalence of domestic violence, abuse, harassment, economic discrimination, gender-based abortions, and even [dowry deaths](#). Unsafe working conditions and limited resources for protection, coupled with social conservatism and discrimination, paint a bleak picture for women's workforce participation in India in the future.

And these are not the only social concerns blocking India's path to long-term development. Religion remains a more pronounced and contentious issue, given how it led to the partitioning of India in 1947, just as it gained its independence from British colonial rule. The dominant religion is Hinduism, accounting for approximately [80%](#) of the population; however, a far-right ideology of 'Hindutva' has steadily gained center stage, especially with the rise of the BJP in recent years. This ideology presents an ethno-nationalist vision for India, which sees all other religions as 'outsiders' with no legitimate place in India. This deepens the religious fault lines, leading to discriminatory practices, particularly against the

second-largest religious minority group: Islam. With over [200 million Muslims](#) residing in India, accounting for 15% of the total population, it is one of the largest Muslim populations in the world but dwarfs in comparison with the dominant Hindu population, leading to religious tensions. For example, many Indian states have implemented strict laws against cow slaughter – the cow is considered sacred in Hinduism, but cow sacrifice is an integral [Muslim religious activity](#) – and [laws banning headscarves](#) in schools. The largest religious minority continues to face discrimination, with surveys reporting that the police are less willing to protect them due to [anti-Muslim bias](#). Under the “Anti-Conversion” laws, a marriage is declared void if pursued after religious conversion. This discriminates against the Muslim minority, as their belief restricts women from inter-faith marriages and encourages men to prefer conversion over inter-faith marriages. Similarly, [the Citizenship Amendment Act \(CAA\)](#) facilitates a path to Indian citizenship to people of Hindu, Jain, Buddhist, Sikh, Parsi, or Christian faiths if they are from the neighboring countries of Pakistan, Bangladesh, or Afghanistan, but exclusively denies this right to Muslims. This makes the CAA inconsistent with the values of equality and religious non-discrimination enshrined in the Indian Constitution.

Such measures not only limit social potential from contributing to economic growth but also have a detrimental impact on India’s image as the [‘biggest democracy’](#) upon which the 'West' has also placed its bets. India's democratic credentials have increasingly come under scrutiny, with questions arising over the extent of freedom and protection of rights and provision of the rule of law and civil liberties in the country. This questions the optimistic hopes for India as a rising ‘liberal democratic’ state, a potential balancing force on behalf of the ‘West’ against China in the region. However, domestic socio-economic limitations and questionable democratic credentials are not the only concerns dampening Indian hopes of becoming a great power; its military and foreign policy outlook also does not exhibit a sustainable promise.



India's selected democratic indicators rated from 0 (non-democratic) to 4 (democratic).

[Graph created using Data from V-Dem.](#)

### Can the Indian Military support its Great Power Aspirations?

A stunted manufacturing sector has implications for military and defense as well. Ideally, a great power must have a strong and stable economy to support manufacturing and the development of an equally strong military. India hopes to achieve this with its vague narrative of [“Atmanirbhar Bharat”](#) (Self-reliant India) for growth and development.

Indian military faces deep-rooted administrative barricades inhibiting its development. There is limited capacity and coordination among national security stakeholders, resulting in a lack of doctrinal clarity and strategic planning of India’s arm-centric, reactive military. The military thus remains disorganized, hindered by internal conflicts, slow development, and the inability to implement structural reforms. India’s limited manufacturing potential and innovation capabilities that restrict it from developing a self-sustaining military production ecosystem capable of adapting to contemporary warfare demands.

That is not to say that India has not taken steps towards improvement. The nuclear-powered state has increased its defense budget and exports over the past ten years but is still much behind in exhibiting promising great power potential. India announced a military budget of about \$75 billion for the fiscal year 2024–25, accounting for 1.9% of its GDP. This may dwarf when compared with China’s whopping \$222 billion budget for the same period but is an almost 5% increase from previous allocations. Similarly, while it has maintained a steady growth in defense exports, it is still largely a net importer. As per SIPRI, India has remained the biggest net importer, accounting for a 12% share of global arms imports in 2013–17 and 11% in 2018–22. Almost two-thirds of Russian exports have gone to India in the past decade. While Russia remained the number one exporter of weapons to India for the periods 2013–17 and 2018–2022, the difference in exports decreased by 37%. This difference was composed by French arms exports to India, making India the largest recipient of French exports in 2018–2022. While this signifies that, militarily, India is lagging from being self-sufficient, its shift in trends has implications for India’s broader foreign policy approach.

Exporters	Top recipient and their share of exporters’ total exports for 2018–22
Russia	India (31%)
France	India (30%)

India’s Top three Suppliers and their % share of total Indian imports for 2018–22	Russia (45%)	France (29%)	USA (11%)

Table created with data taken from SIPRI Factsheet “Trends in International Arms Transfers, 2022”, March 2023.

### India’s Regional and International Engagements

In its immediate sphere, India’s persistent – but perhaps not urgent – concern is Pakistan. The rivalry dates to the secession of Pakistan from India in 1947, with territorial and river disputes causing both states to go to war four times in the previous century and develop nuclear weapons. However, given Pakistan’s declining economic and military power and growing instability in the past few years, the threat has been reduced to an extent. Nonetheless, Pakistan tends to use non-conventional tactics, such as the use of proxy groups, to stir disruption within India. Post-Soviet-Afghan War and War on Terror, Pakistan’s close contact with the terrorist groups operating in neighboring Afghanistan (and its soil) has raised concerns that terrorism may spill over to India. Therefore, Afghanistan remains a bone of contention between India and Pakistan, with each trying to gain influence: India through investments and Pakistan through its

covert military and political ties, altogether aggravating the security concerns. And given the overall sour diplomatic relations between both states and Pakistan's growing alliance with China – India's other arch-rival – the Pakistani threat cannot be ruled out altogether.

An ill-defined border has also created tensions between India and China over the decades. However, India is steadily reliant on China for economic trade. While India maintains vigorous trade [with the U.S.](#), accounting for \$191 billion in 2022, [China-India trade](#) climbed to \$135.98 billion in 2022. India and China have worked diplomatically in regional organizations such as BRICS and SCO, which are dominated by China but are seen as opportunities for India to enhance its image in the 'Global South.' However, the grand ambitions and underlying territorial concerns have recently exacerbated tensions between the two neighbors.

In 2020, the armed personnel of both armies were involved in a deadly skirmish in Ladakh, resulting in casualties and heightened tensions between both states. In 2023, the territorial dispute was reignited when China [released a 'distorted' map](#) showing the disputed territories of Arunachal Pradesh and Aksai Chin plateau as part of its territory. Not only this, India and China have uneasy [naval engagements](#) as well; the Indian Ocean and the South China Sea — are an important economic and security concern for India, increasingly beset by Chinese naval ambitions. More specifically, China's '[string of pearls](#)' strategy chokes Indian waterways by establishing control on ports in Sri Lanka, Pakistan, Bangladesh, and Myanmar. This limits India's ability to increase its influence beyond its borders. China's superior military and economic prowess dwarfs the Indian power potential, leaving it to look towards like-minded states – such as France and the United States – also concerned by China's rise for support.





Traditionally, India has maintained a [non-alignment strategy](#) since its inception but developed close ties with Russia after signing a Treaty of Friendship in 1971. Since then, India has relied heavily on Russia for military procurement. In 2004, it sought to diversify its foreign policy portfolio by signing a strategic partnership with the U.S. but remained cautious of increased reliance on the latter. The increasing rapprochement with the U.S. raises the possibility of a stronger Indian role in Asia, where it can act as a significant impediment to China's regional and broader global ambitions. But India remains apprehensive of changing its "strategic alignment" with the U.S. into an "alliance," lest it traps itself into a Western dependency, shunning the hopes of becoming a truly "leading" power.

This is part of India's [multi-alignment strategy](#), which allows it to develop alignments with multiple major powers. However, it also keeps India isolated in the international system because these fractured alignments keep it from committing to one ally or presenting itself as a reliable partner on the global stage. Therefore, while India no longer wishes to limit itself to Russia, it also does not want to limit itself to the U.S., thus attempting to widen the circle of its military connections. The Quadrilateral Security Dialogue (Quad) is a prime example of this momentous shift in India's global stance, using multilateral platforms to counterbalance China's rise. This regional integration also allows India to develop closer ties with Japan and Australia to balance against [American superiority](#).

This presents a major challenge to India, which hopes to integrate its regional and economic power potential through foreign policy and diplomatic efforts. India remains lacking in relations in terms of supply chains and trade. Associations such as [ASEAN and SAARC](#) (South Asian Association for Regional Co-Operation) do not offer the perhaps desired benefit of regional integration – India and the smaller regional powers remain deadlocked in a circle of mutual suspicion.

A multilateral and multi-alignment approach to regional and international politics may not provide India with the broader scope to rise as an influential great power, and its domestic limitations in terms of economy and military will undoubtedly impact the extent to which India can realize its great power objectives through foreign policy.

### **India: Important but not Great**

Exuberant claims of the 'Asian Century,' the positive inclinations of the U.S. and its allies, and India's optimistic socioeconomic indicators have certainly stirred the debate about whether India has what it takes to become the next great power. While there is no doubt that India is emerging as a significant player in the international system, the extent to which it can achieve great power status remains unclear.

Upon closer inspection, the underlying social factors have deeply constrained India from using its demographic advantage to strengthen its economy. As it stands, India's currently promised economic success, followed by its political and military success, rests entirely on the projected outcome of its demographic dividend. If the country fails to bring this asset to full fruition, there is little scope for increased power and prestige on the world stage. Not only this but structurally, its economy does not exhibit the signs required to ensure stable and sustainable growth, a critical aspect for any state aspiring for great power status. The services-reliant, manufacture-limited, and job-poor economy is likely to increase rather than mitigate economic vulnerabilities in the future.

Such a vulnerable economic structure also does not hold the potential to support India's hope of having a self-reliant military, rendering it dependent on external support for weapons procurement. Additionally, India's awkward foreign policy engagements further present it as a state reluctant to adopt policies necessary to establish itself as an independent and leading state on the global stage. At present, it appears to be steered by domestic and international considerations when making its foreign policy, rather than steering its foreign policy according to its interests.

While India has the potential to rise, it currently lacks the foundational structure necessary for long-term sustained economic growth, essential to support its military and political ambitions. Consequently, the likelihood of India emerging as a great power in the near future is limited.

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