

U.S.-INDIA RELATIONS

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Issue: U.S. relations with India have improved dramatically over the last decade, as symbolized by the efforts by the two governments over the past two years to conclude an agreement on civil nuclear cooperation. India is both an important country in its own right and a potential counterweight to China's growing wealth and power, even while India's non-aligned tradition retains deep roots in Indian society. Can the U.S.-Indian relationship be strengthened without assuming an anti-China character? Should a new U.S. administration seek a strategic partnership with India, and if so how?

Introduction

On March 27, 2008, five former U.S. secretaries of state – Henry Kissinger, James Baker, Warren Christopher, Madeleine Albright, and Colin Powell – took part in a roundtable discussion entitled, “Bipartisan Advice to the Next Administration.” During their conversation, this question was posed: “What should a new administration do in terms of dealing with India?”

Former Secretary Kissinger responded: “The relationship with India is one of the very positive things that is happening. We can cooperate with them both on ideological grounds and on strategic grounds. It's one of the positive legacies that the new administration will inherit.”

After decades of being “estranged democracies,” the United States and India have entered a new era that can best be described as “engaged democracies.” As former Under Secretary of State for Political Affairs Nicholas Burns has written:

The United States and India have quietly forged the strongest relationship the two countries have enjoyed since India's independence in 1947. For most of the past 60 years, the Cold War and vastly differing ideological and governing philosophies kept us, at best, fitful partners. That all began to change a decade ago, when President Bill Clinton's efforts led to the first great opening in our relations. In 2001 President Bush launched an even more ambitious drive, culminating in impressive agreements regarding civilian nuclear power, trade, science and agriculture with India's reformist prime minister, Manmohan Singh.¹

Burns added that with the rapid pace of progress between Washington and New Delhi and the potential benefits to American interests so substantial, “within a generation Americans may view India as one of our two or three most important strategic partners.” India's Ambassador to the United States, Ronen Sen, agrees this is the direction the two countries are heading in: “The relationship has been qualitatively transformed into what can be truly called a strategic partnership. By ‘strategic,’ I mean it's not based on any transient considerations, but on long-term national interests of both countries converging.”

Emerging India

In its 2004 report entitled, “Mapping the Global Future,” the National Intelligence Council (NIC) predicted the emergence of

India and China as new major global powers in the 21st century. According to the NIC, their emergence — “similar to the rise of Germany in the 19th century and the United States in the early 20th century — will transform the geopolitical landscape, with impacts potentially as dramatic as those of the previous two centuries. A combination of sustained high economic growth, expanding military capabilities, and large populations will be at the root of the expected rapid rise in economic and political power for both countries.”

India’s economic performance in recent years has been especially remarkable. With its economic growth rates at 9 percent and 9.4 percent the last two fiscal years, India now has the third largest economy in the world in purchasing power parity terms. The country’s gross domestic product (GDP) has crossed the trillion-dollar mark for the first time in history, joining the world’s elite 11-member nation Trillionaires Club. Its thriving information technology (IT) sector has some of the largest and best known IT firms in the world. General Motors’ CEO says India will soon emerge as the second-largest auto market in the world. In sum, as *The Economist* put it, “the question is no longer whether India can fly, but how high.”

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That same question can also be posed about what the future holds in store for U.S.-India relations.

Recommendations and Conclusions

Assuming the next U.S. president who takes office on January 20, 2009 views India in the same emerging global power context as the last two administrations – as is highly likely given the strong bipartisan support for improved U.S.-India relations – how should the new administration proceed to expand this new strategic partnership? Clearly that effort should be broad-based, befitting the range of bilateral, regional, and global interests shared by the two countries. Moreover, it should be ambitious, building on the foundation laid over the past several years. The following seven point agenda should therefore be considered.

1. Strengthen Strategic Ties

Many Americans understand the growing strategic importance of India. A strong India is important for balance of power purposes in Asia and for providing stability in the volatile and strategically important Indian Ocean littoral area.

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A cursory look at a map underscores the potential strategic importance of India. Jutting down 1,500 miles into the middle of the

Indian Ocean, India is in a position to safeguard sea lanes that are used to transport more than half the world's oil and gas. The navies of the United States and India have begun to conduct joint exercises aimed against piracy, terrorism, and any other threats to maritime commerce.

There has been a quantum jump in U.S.-India defense ties in the past several years — with joint military exercises, the signing of a 10-year defense framework agreement, and increased interest in defense procurement and collaboration between defense industries. In March, Defense Secretary Gates led a 50-member delegation of defense and business experts to New Delhi and spoke of an increased arms trade between the two countries, as well as an increased flow of high technology from the United States to India. Of special interest is Lockheed Martin and Boeing's bid to build 126 jet fighters for the Indian Air Force, a contract that could be worth \$10 billion dollars.

Another arena for greater strategic cooperation is in counter-terrorism. India has been a target of terrorist attacks longer than the United States. Expanding counter-terrorism cooperation requires increased information sharing and building tighter liaison bonds with India's intelligence and security services. Closer U.S.-India intelligence ties began with the establishment of a Joint Counter-Terrorism Working Group during the Clinton administration and have been accelerated by the Bush administration post-9/11.

Influential Indians such as K. Subrahmanyam also believe that increased U.S.-Indian security ties — broadly defined — make sense: "The U.S. and India have a convergence in terms of the central security challenges they will face in the future, such as terrorism; proliferation of chemical, biological and nuclear technologies; international crime; narcotics; HIV/AIDS; and climate change."

2. Realize Economic Potential

Underpinning the strategic partnership should be a concerted effort to realize the full economic potential of the U.S.-India relationship. Steps need to be taken to deepen commercial ties, identify and remove impediments on both sides (still far too many), and clear the way for a new era of trade cooperation. Innovative mechanisms like the CEO forum are also key drivers of the economic relationship, as it has brought to the table 20 top Indian and American chief executive officers representing more than a trillion dollars of capital.

Deeper economic ties will also have the added advantage of providing needed ballast in the overall relationship when political differences arise, as they surely will. A current example is Washington's effort to isolate Tehran, including opposition to the proposed Iran-Pakistan-India gas pipeline; and New Delhi's determination to remain engaged with the Islamic Republic.

While trade in goods and services between the United States and India has been expanding — bilateral trade is growing over 20 percent per year — India ranked only 19th in 2006 among U.S. trading partners, well below the capacity of the two large economies. Two-way trade amounted to \$31 billion dollars. By contrast, U.S.-China trade was 10 times that amount. Foreign Direct Investment (FDI) tells the same story. Overall, India's share of global foreign investment remains very low at less than 1 percent.

India is taking steps to attract more foreign investment. Officials have set a target of \$30 billion, more than doubling the last financial year's total. Of particular interest is infrastructure investment — including the development of power grids, ports

and highways, and communications networks – which are all critical to sustaining India’s high rate of economic growth.

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In addition, U.S. and Indian officials have set a goal of doubling bilateral trade over the next three years. It is time to accelerate the growth in these ties. The benefits flow both ways, as was evidenced in the conclusion last year of a longstanding market access dispute. Eighteen years since the initial Indian request, the first consignment of Indian mangoes shipped from Mumbai arrived in the United States, opening up the world’s largest market for mangoes to the world’s biggest producer of mangoes. The Indian commerce minister said the shipment was “a major breakthrough that augurs well” for Indian agricultural exports. More such breakthroughs are needed to realize the full potential of the U.S.-India economic relationship.

3. Pursue a Broader Nuclear Dialogue

It has long been a goal of the United States to engage India as a partner in global efforts to control the spread of nuclear weapons. But for more than a quarter of a century, the two countries have been on the opposite side of the nuclear divide – unable to reconcile India's nuclear weapons program and its security compulsions with the nuclear nonproliferation concerns and policies of the United States.

The U.S.-India civilian nuclear agreement announced by President Bush and Prime Minister Singh in July 2005 launched a major effort to bridge that divide. Mohammad El Baradei — the head of the International Atomic Energy Agency – announced his support, calling the agreement “a milestone, timely for ongoing efforts to consolidate the non-proliferation regime, combat nuclear terrorism, and strengthen nuclear safety.”

But almost three years later, and after the U.S. Congress overwhelmingly approved implementing legislation, the prospects for concluding the agreement before the Bush administration leaves office are fading. Most recently, it has run into stiff opposition from members of the leftist parties in India's ruling coalition who are strongly opposed to any suggestion of outside interference in India's internal affairs, especially by the United States. This is a longstanding point of contention within the Indian body politic that will have to be taken into account as the two countries address other sensitive political issues, even as the level of confidence and trust between the two countries and their official and private-sector representatives continues to grow.

Still, with the announcement of the agreement, the United States has explicitly recognized India's status as a full-fledged nuclear

power, and commits itself to a partnership in the realm of civilian nuclear energy. Over time that may open the door to an even broader nuclear dialogue the United States and India could pursue, one that is attracting increasing international attention.

In an important article first published in January 2006 entitled, “A World Free of Nuclear Weapons,” former high-ranking U.S. officials George Shultz, William Perry, Henry Kissinger, and Sam Nunn argue that the world is entering a new nuclear era, more dangerous than before, with nuclear know-how proliferating and non-state terrorist groups seeking to obtain and use weapons of mass destruction. They argue that a bold new vision is needed by the international community to reverse this trend. They cite a former American president and Indian prime minister as inspiration for their declared goal of a “nuclear free world”: Ronald Reagan and Rajiv Gandhi.

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The United States and India should pursue this new nuclear dialogue with or without finalizing the civilian nuclear agreement — but it will have more credibility if that deal is consummated. At the same time, it is also essential to recognize that the civilian

nuclear agreement is an important part – but not the sum total – of the much improved and expanding broad-based relationship between the two countries that already includes sensitive areas once virtually off limits to any form of cooperation, such as high technology transfers and joint ventures in space. Indeed, India will soon launch its first unmanned mission to the moon. Chandrayaan I will carry two American NASA payloads.

4. Highlight Higher Education

A 2005 policy report by a high-level panel of U.S. and Indian experts states: “Higher education is among the most important, and least appreciated, foundations of the budding partnership between India and the United States.” (Report of the Joint Task Force of Pacific Council on International Policy and Observer Research Foundation, “India-US Relations: A Vision for the Future”). The report further says that India has the capacity to become a knowledge producer rather than a supplier of talent, that it should aspire to become an education hub for the region, and that American universities and research institutions could aid that process through joint ventures and collaborative efforts with Indian academic institutions.

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5. Support India's United Nations Bid

Enhanced U.S.-India cooperation should also extend to the institutions of global governance. Here the United States is missing an excellent opportunity to do what the Bush administration has said is its goal: “To help India become a major power in the 21st century.” It is time for the United States to publicly support India's bid for a permanent seat on the UN Security Council and to work actively with India (and others) to accomplish the goal of Security Council expansion. With its thriving democracy, its billion plus population, its expanding economy, and its longstanding contributions to UN peacekeeping, the case for a permanent Indian seat has never been stronger.

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6. Collaborate in the Neighborhood

Another area for greater collaboration should be at the regional level, in the subcontinent itself. Both India and the United States want a South Asia that is prosperous, stable and democratic. Already, the United States and India are working together in Nepal as it pursues a permanent peace and a new political dispensation. India and the United States should also cooperate in trying to stabilize Sri Lanka and Bangladesh, both of which face significant internal political difficulties.

India and the United States have a shared interest in a secure and stable Afghanistan. India's leaders are rightly alarmed at the resurgence of the Taliban since 2005 and the regeneration of al-Qaeda and other extremist elements in the tribal areas along the Afghanistan-Pakistan border. New Delhi is prepared to do more to help in Afghanistan and should be encouraged by the United States and the United Nations to do so. One obstacle, however, is finding a way to overcome Pakistan's suspicions of India's involvement in Afghanistan, and vice-versa.

The toughest longstanding issue in the South Asia neighborhood remains India's relations with Pakistan and attempts to advance the nascent Indo-Pakistani dialogue. In recent years, this dialogue has produced some practical steps on normalizing ties and confidence building measures; and the two sides are now engaged in perhaps their most serious exploration of the underlying source of friction: the Kashmir conflict. With the establishment of a new democratically elected civilian government in Pakistan, the two countries resumed their "composite dialogue" in May when India's External Affairs Minister, Pranab Mukherjee, traveled to Islamabad to meet with his new counterpart, Foreign Minister Shad Mehmood Qureshi. The United States should signal its strong support for

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7. Promote a Cooperative Triangle

Along with the much-improved U.S.-India relationship has come questions about the underlying motivations for this new direction in American foreign policy, specifically whether it represents a hedge by Washington against a rising China – India’s most consequential neighbor and, as of 2006, India’s largest trading partner.

Indeed there are geopolitical thinkers in each capital who seek improved relations against the third party. Some in Beijing and New Delhi see strengthened Sino-Indian ties as a constraint on American hegemony. Others in Washington and New Delhi are suspicious of China and seek to build U.S.-India relations (particularly military ties) as a strategic counterweight to growing Chinese power.

These manipulative temptations should be resisted. Strengthened U.S. ties with India have their own strategic logic and imperatives and should not be part of a China containment strategy, some-

thing Indian officials would strongly oppose. On his March visit to New Delhi, Defense Secretary Gates attempted to assuage Indian concerns in this regard, especially as they relate to growing U.S.-India military ties:

“I don’t see our improving military relationship in this region in the context of any other country, including China. When you look at the kinds of activities that we are engaged in and the kind of exercises that we conduct...these expanding relationships don’t necessarily have to be directed against anybody.”²²

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While a new interactive dynamic has begun between the United States and Asia’s two continental powers, the task for all three is to manage ties as a cooperative – not a competitive – triangle. One way to further a closer, cooperative relationship between the United States (and the leading industrialized nations) and India and China would be to make these two global powers formal members of an expanded Group of Eight. As former UN Ambassador Richard Holbrooke has noted, G-8 initiatives on energy, climate change, AIDS, Africa, and poverty will have little effect without China and India.

Two critical issues that the three countries should address are energy and the environment. The United States and China are the world’s

two largest importers of energy. India is the world's sixth largest consumer of energy resources. With an energy competition looming, India and China have signed an agreement to promote collaboration between their enterprises, including joint exploration and development of hydrocarbon resources in third countries. This is an initiative the United States should encourage: the growing interdependence of the United States, China, and India, including in the vital area of energy and its environmental consequences, will only increase in coming years. So will demands from the international community for all three countries to become full participants in dealing with the dangers posed by climate change and global warming.

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Another issue on which India, the United States and China are uniquely poised to cooperate is international health. India and China have two of the world's largest populations of HIV-infected people; both have had experience with avian influenza; China was the original home to severe acute respiratory syndrome (SARS). At the same time, both countries have large pools of trained manpower. The United States has scientific links with both. With greater transparency and an international cooperative mechanism, they could become invaluable resources for dealing with deadly global epidemics.

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Recommendations and Conclusions

The National Intelligence Council's 2004 report predicting India's rise as a "new major global power" in the 21st century has raised expectations for that country's long-term prospects. But the NIC also called attention to several factors that could impede India's emergence as a major global player:

While India has clearly evolved beyond what the Indians themselves referred to as the 2-3 percent 'Hindu growth rate,' the legacy of a stifling bureaucracy still remains. The country is not yet attractive for foreign investment and faces strong political challenges as it continues down the path of economic reform. In many other respects, India still resembles other developing states in the problems it must overcome, including the large numbers, particularly in rural areas, who have not enjoyed the major benefits from economic growth.

As the United States pursues its policy of greater engagement with India, these factors should not be overlooked. At the same time, it is clear that a new era has begun for U.S.-India relations, one that, not long ago, only a few individuals could imagine.

One of those was Chester Bowles, a distinguished former American ambassador to India, who lamented in a 1969 interview that one U.S. administration after another “ignored a major nation which is going to have in the future a very big impact on the world. But I was never able to persuade the White House and the State Department of its key importance.” The late Ambassador Bowles can now “rest in peace” because the White House and State Department finally have recognized India’s significance. The last two American presidents – Clinton and Bush – recognized that fundamental change was under way with India as an emerging global power and acted accordingly. A strong foundation for a vibrant U.S.-India relationship has been established, upon which the next U.S. administration can build.

¹ “Heady Times for India and the U.S.,” *Washington Post*, April 29, 2007.

² “US-India Hi-Tech Trade Set to Zoom,” *Indian Abroad*, March 7, 2008.

