



ASHLEY J. TELLIS

# OPPORTUNITIES UNBOUND

SUSTAINING THE TRANSFORMATION IN U.S.-INDIAN RELATIONS

CARNEGIE ENDOWMENT

FOR INTERNATIONAL PEACE

WASHINGTON DC ■ MOSCOW ■ BEIJING ■ BEIRUT ■ BRUSSELS

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# SUMMARY

The evolving U.S.-Indian strategic partnership holds great potential for both countries. India's economic growth and its ties to the United States can assist its global rise, which contributes to keeping the peace in Asia, provided New Delhi and Washington sustain concerted cooperation. And India's emerging markets promise to be the key instrument for enlarging India's power while remaining a rich opportunity for U.S. businesses.

The 2008 U.S.-India Civil Nuclear Agreement did away with the biggest obstacle in the relationship—India's murky status in the global nonproliferation regime. Both sides must now take steps to make the partnership fruitful.

## RECOMMENDATIONS FOR INDIA

- Expand the basis for collaboration. Indian policymakers should appreciate that the best way to deepen the U.S. commitment to the partnership is to work concertedly with Washington.
- Undertake planned second-generation economic reforms. India should do away with archaic protectionist policies and openly embrace economic reforms.
- Encourage foreign direct investment (FDI). New Delhi should open those sectors where FDI is currently not permitted and increase the caps on FDI in those areas where it is currently allowed.
- Improve defense cooperation with key states. India ought to take advantage of the wealth of technologies available only to Washington's closest partners and establish greater operational ties with the United States to boost its military effectiveness without forfeiting strategic autonomy.
- Influence Iranian calculations. As one of Iran's biggest trading partners, New Delhi should quietly urge Tehran to abandon its nuclear weapons program in order to avert a conflict that threatens important Indian interests.

## RECOMMENDATIONS FOR THE UNITED STATES

- Explore a free-trade agreement with India. Washington should pursue such an accord on a specified deadline while negotiating various arrangements to lower bilateral trade barriers in the interim.
- Sustain leadership attention. Even if New Delhi does not reciprocate every U.S. initiative and retains its traditionally independent foreign policy, the United States should devote senior leadership attention and create effective bureaucratic arrangements to expand the relationship with India.
- Seek a deeper partnership on Afghanistan. Washington should encourage the Indian government to increase its political and material contributions to the effort in Afghanistan.
- Build up India's defense capabilities. Adding to a strong foundation of military-to-military cooperation, Washington should make it easier for India to purchase advanced American defense technology and cement defense industrial cooperation.

# AWAITING A TRANSFORMATION

Since the end of the Cold War, successive American presidents have pursued a geopolitical project of great significance for stability in Asia: eliminating the estrangement between the world's oldest and largest democracies, the United States and India. The discordance that characterized the two countries' ties for close to forty years derived from many irritants, including the U.S. relationship with Pakistan and the competing Indian affiliation with the Soviet Union.

Perhaps the most vexatious, however, was India's problematic status in the global nonproliferation order. India is a state with nuclear weapons but not a "nuclear-weapon state" as defined by the Non-Proliferation Treaty because it demonstrated its nuclear capabilities only after the treaty entered into force. This ambiguous standing effectively made India a victim of various U.S. antiproliferation policies.

India's unimpressive economic performance during the era of bipolar competition did not help either. The disastrous interaction of autarky and dirigisme in its development strategy from 1947 to 1991 depressed Indian growth rates and constrained its linkages with the international economy. That made India less relevant to U.S. interests and deprived both countries of the opportunity to engage in the economic realm. Such cooperation might have otherwise served to limit the acrimony that arose from their disagreements over Cold War coalitions and nuclear proliferation.

The demise of the Soviet Union removed the problems caused by rival alliances at just about the time that the Indian economy, thanks to major liberalizing reforms, promised a dramatic increase in growth rates and renewed opportunities for deepened U.S.-Indian trading relations. U.S. President Bill Clinton sought to exploit this opportunity by designating India a "big emerging market," but the administration's efforts were handicapped by an inability to find a solution to India's anomalous nuclear status. This produced a paradox in which the United States, even as it sought to increase its trade and commerce with India, was actively constraining the transfer of high technology and dual-use commodities because that might advance India's civilian and military nuclear programs.

The tensions in this policy reached a boiling point when the Bharatiya Janata Party-dominated Indian government led by Prime Minister Atal Bihari Vajpayee detonated a

series of nuclear devices in 1998 and declared India to be a nuclear-weapon state. Despite concerted efforts by both the Vajpayee and Clinton governments to forge a rapprochement, U.S.-Indian ties still awaited a decisive transformation. Although bilateral relations had warmed considerably, especially after the strong U.S. condemnation of Pakistan during

the 1999 Kargil War and a triumphant visit by Bill Clinton to India in 2000, neither Washington nor New Delhi was able to resolve their fundamental disagreement about India's future in the evolving non-proliferation order.

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The divergence in U.S. and Indian positions on this issue had in fact

deepened further. In the aftermath of India's nuclear tests and New Delhi's defiant declaration of India's status as a nuclear-weapon state, the Clinton administration responded by seeking to institutionalize an expansive "restraint regime" in South Asia.<sup>1</sup> Despite its many sensible components, this initiative nevertheless required India to abandon its plans for weaponization and the creation of an active nuclear deterrent.

From New Delhi's point of view, accepting this U.S. proposal would have emptied its nuclear tests of all their strategic meaning. Consequently, India demurred, preferring to wait out the Clinton presidency in the hope that its successor would be both more accepting of India's nuclear weapons program and more willing to craft a new partnership with New Delhi centered on larger geopolitical calculations rather than on narrow nonproliferation objectives. On both counts, India would turn out to be right.

## WHAT A DIFFERENCE AN AGREEMENT MAKES

The first term of George W. Bush's presidency, which began in 2001, forged the conclusive transformation in U.S.-Indian relations. Bush's interest in, and admiration for, the success of Indian democracy spurred an intense presidential commitment to India, including a determination to forge the strategic partnership based on common values that had eluded both countries for many decades. This conviction, drawn from the idealist strands of American foreign policy, was complemented by an equally compelling necessity rooted in

realpolitik: the rise of China as a possible challenger to U.S. power and the need to build new ties with Asia's other rising behemoth, India, not in an effort to contain Beijing but to balance it.

Adding urgency to this calculation was the determination of senior Bush officials to build a new partnership with India because of the complications caused by September 11, 2001. After the attacks, the new sympathy generated in Washington for India's victimization by Pakistani-supported terrorism reinforced the administration's desire to sustain the Vajpayee government's commitment to the global war on terror and New Delhi's traditional equanimity vis-à-vis Islamabad. U.S. support in this context was intended to dissuade India from undertaking any punitive actions against Pakistan that might imperil the U.S. military operations then under way in Afghanistan, while providing some measure of compensation to India for the renewed, and visibly compromised, U.S. reliance on Pakistan.

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These factors, interacting with varying levels of intensity at different moments in time, pushed the Bush administration to invest in a thorough renovation of standing U.S. policy toward India. Recognizing that the maturation of India's nuclear weapons program, which had been marked by its 1998 nuclear tests and its subsequent efforts at weaponization writ large, essentially signaled the failure of U.S. nonproliferation policy toward New Delhi, Bush chose to take U.S. engagement in an entirely new direction. Responding enthusiastically to Vajpayee's own vision of a new bilateral relationship between the United States and India as "natural allies,"<sup>2</sup> Bush turned his back on policies that dated back almost thirty years and committed to new cooperation with India in four highly sensitive areas: civilian nuclear energy, civilian space programs, dual-use high technology, and missile defense.

The breakthrough represented by this decision, labeled Next Steps in Strategic Partnership and unveiled in early 2004, served as the earliest sign of a sea change in the bilateral relationship. Many American and Indian commentators at that time quibbled that the initiative was more sound than substance—but they missed the fundamental point. However modest the undertaking may have been in itself, it was in fact revolutionary because it codified the new way in which the Bush administration had chosen to approach strategic cooperation with India.

Instead of treating India as an inextricable part of the problem of proliferation—as every U.S. administration had done for thirty years before—Bush, in effect, "turned this approach on its head. Viewing India [now] as part of the solution to proliferation, the president embarked on a course of action that would permit India greater—not lesser—access to

controlled technologies despite the fact that New Delhi would not surrender its nuclear weapons program and would continue to formally remain outside the global non-proliferation regime.”<sup>3</sup> This course of action, moreover, would be sustained despite extant bilateral disagreements on other issues such as trade, Iraq, and the United Nations. The Next Steps in Strategic Partnership thus proved to be trailblazing precisely because it served notice that both countries would work together in precisely those areas where India’s possession of nuclear weaponry had previously made meaningful cooperation all but impossible.

In so doing, the Next Steps in Strategic Partnership memorialized the fundamental transformation that was occurring in U.S.-Indian relations, a shift that was made possible because both the United States and India now saw each other in an entirely different light compared to that of the Cold War. Both capitals viewed each other as genuine strategic partners, albeit of a unique kind, a perception that paved the way for a deep diplomatic engagement not witnessed in the bilateral relationship since the 1962 Sino-Indian War.

In time, this partnership would pave the way for the great achievement that was to come early in Bush’s second term, the nuclear deal forged by the president with Vajpayee’s successor, Prime Minister Manmohan Singh. The 2005 U.S.-India Civil Nuclear Cooperation Agreement would bring to its apotheosis what the Next Steps in Strategic Partnership had first begun: the U.S. recognition of India as a de facto nuclear-weapon state. In a final and complete reversal of the inherited policy, this accord extended to India “the same benefits and advantages” enjoyed by “other leading countries with advanced nuclear technology, such as the United States.”<sup>4</sup> The most important of these privileges was the opportunity to engage in peaceful nuclear cooperation internationally without requiring the prior surrender of India’s past, present, or future nuclear weapons, as would be ordinarily required under the Non-Proliferation Treaty of all states other than the five recognized nuclear-weapon powers.

Through this singular action, Bush consolidated the transformation of U.S.-Indian relations that had begun in his first term. By decisively removing the albatross that had impeded close bilateral ties for over three decades, he opened the doors to a new relationship with an emerging power, a country that by the time Bush arrived in office was also rethinking its own place in the international system and was increasingly open to a new friendship with the United States. This transformation has now been carried forward boldly by President Barack Obama in various areas, ranging from negotiating reprocessing rights to publicly supporting India’s membership in all the major global nonproliferation regimes (not to mention in the United Nations Security Council).

Since early 2001, the U.S.-Indian interaction has grown to encompass intense cooperation in many traditional areas, such as national security, international relations, economics, science, and public diplomacy, while branching out to newer and ever more sensitive arenas, such as defense cooperation, intelligence sharing, law enforcement, cybersecurity,

and counterterrorism. Perhaps the most startling evidence of how much the bilateral relationship has been transformed in recent years can be found in the remarkable increases in defense trade and military-to-military cooperation—areas that were systematically sequestered from mutual engagement because of the deep suspicions nurtured by both Indian and American leaders for many decades about the other’s geopolitical objectives in the region.

## DIFFICULT CHOICES

Although it is convenient now in some quarters to claim that this transformation was predictable or that bilateral defense engagement would have occurred anyway “with or without the [nuclear] deal,”<sup>5</sup> the simple truth of the matter is that the strategic “reset” in U.S.-Indian relations was neither inevitable nor preordained. Rather, it occurred entirely because of deliberate and difficult policy choices made both in Washington and in New Delhi.

In Washington, the successive decisions pertaining to expanding civilian nuclear cooperation with India played a decisive role in conveying to Indian elites and the Indian public alike that the United States was serious in seeking a new relationship with their country. The effort to integrate India into the global nonproliferation regime involved high political and diplomatic costs on the part of the United States—burdens that were incurred in convincing both the U.S. Congress and the international community that India was worthy of being treated as an exception to the very nonproliferation rules that the United States championed, in concert with its allies, for many decades. That U.S. policymakers were willing to pay such a price signaled how valuable they deemed the U.S.-Indian partnership to be in meeting U.S. grand strategic objectives—a clearer signal than rhetoric could ever provide.

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Had such “costly signaling” not occurred,<sup>6</sup> Indian policymakers, brought up at the receiving end of three decades’ worth of nuclear isolation, would have simply dismissed the post-Cold War American overtures of partnership as empty bombast, not worthy of serious attention. At any rate, they would certainly not have seemed worth the risks of a

burgeoning defense supply partnership that could put India's military forces in jeopardy when they might be most vulnerable: in a crisis where the United States and India could have divergent objectives.

But Indian policymakers have overcome this hesitation in the face of still-significant domestic opposition to the United States in some quarters. Moreover, they continue to view the United States as an expanding, and ever more reliable, source of critical civilian, dual-use, and advanced military technologies. This new perception speaks volumes about the degree to which the burdens borne by various administrations to facilitate India's integration into the global nuclear regime have allayed the old fears of Indian policymakers about the viability of a genuine strategic partnership with the United States.

Thus, although it does not appear as such to many in Washington, the challenges of forging a new compact with the United States have been just as onerous in New Delhi. Indian leaders have persisted in sustaining the evolving relationship with Washington despite their concerns about the ongoing U.S. military assistance to Pakistan, which often directly undermines Indian security. They have stayed the course despite American inconsistencies vis-à-vis Beijing, which confront Indian policymakers with the opposing threats of either Sino-American collusion or confrontation. And they remain committed to deepening ties with the United States despite serious U.S.-Indian disagreements in various multilateral fora, such as the United Nations, and on issues of global order, such as the primacy of state sovereignty, which frequently threaten to undermine the gains made in improved bilateral relations. This persistence remains a testament to how Indian attitudes toward the United States have metamorphosed in recent years.

Thanks to the efforts of two administrations led by two different national parties in both the United States and India, the most significant source of alienation between the two countries has now been conclusively eliminated and consigned to the dust heap of history.

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**The corrosive suspicions entertained by each government about the other's motives, policies, and goals have completely disappeared.**

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To be sure, both states will continue to have many disagreements about policy. This is to be expected between nations of such large size and ambitions, not to mention the significant differences in their levels of economic development. But the corrosive suspicions entertained by each government about the other's motives, policies, and goals have

completely disappeared. The resolution of the nuclear disagreement has thus decisively opened a floodgate of opportunities, prospects that both sides have acknowledged using the locution "strategic partnership."

# CONTINUING THE RENOVATION

If where the bilateral relationship is today offers any indication—compared to where it was barely a decade ago—the transformation of U.S.-Indian ties has been a stunning success. Admittedly, many of the gains thus far have derived from the removal of several long-standing obstacles at the political, bureaucratic, and regulatory levels. And these successes have produced new and as-yet-incomplete tasks.

Addressing these issues should occupy the Obama administration in its second term as it looks to sustain the growing partnership. This goal, however, could prove challenging because continuing the renovation of U.S.-Indian ties represents an opportunity to be realized rather than a crisis to be resolved. Since the administration will likely confront a series of potentially serious dangers relating to Iran, Afghanistan, Pakistan, Syria, and possibly China—in addition to all the domestic challenges of accelerating a slow economic recovery—it is entirely possible that the task of exploiting breakthroughs will be shortchanged amid the struggle to avert calamities. In Washington, like in many other capitals, addressing the urgent invariably dominates engaging the important.

Should this outcome obtain, the momentum in sustaining U.S.-Indian engagement could flag considerably, with serious consequences for the most important American objective in global politics, namely, maintaining “a balance of power that favors freedom,”<sup>7</sup> as the former secretary of state, Condoleezza Rice, put it in 2002. To be sure, the United States will always gravitate toward this objective no matter what the pressures of the moment may be—a reasonable expectation given its importance for American interests. But the difference between a distracted and a concerted effort to sustain a favorable power balance in Asia could determine whether the evolving U.S.-Indian strategic partnership actually advances important common interests or simply languishes as yet another historical curiosity embodying some vague potential.

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# RECALLING THE STRATEGIC LOGIC OF U.S.-INDIAN RELATIONS

Perhaps the most important task in this context is for both countries to appreciate, first and foremost for themselves, the true meaning of their strategic partnership. The success in eradicating the decades of rift has resulted in confusion about what this professed affiliation is supposed to mean and how its benefits are to be conceived. In the United States, in particular, the costs borne by Washington for sponsoring India's entry into the global nuclear regime have raised expectations that New Delhi must demonstrate its gratitude through

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various compensating actions ranging from preferential procurement of American defense goods to sturdy diplomatic support for U.S. positions in various multilateral fora to visible bandwagoning with the United States against a rising China. From this perspective, the Indian failure to select an American product in its air force's medium

multirole combat aircraft competition, New Delhi's reluctance to support Washington's diplomatic positions on Libya and Syria and on the Arab awakening more generally, and India's unwillingness to publicly confront China in concert with the United States all provide supposed proof that India will never "be a dependable strategic partner for the United States" and "a truly trusted ally."<sup>8</sup>

If this is the yardstick by which the U.S.-Indian strategic partnership is measured, the prospects for success are bleak. India is simply too big, too independent, too ambitious, and too complicated to ever be a willing and deferential handmaiden of the United States. India will always march to the beat of its own drummer and will not conceive of itself and its policies as successful only to the degree that they comport with or advance American interests. The recent Indian manifesto on grand strategy, *Nonalignment 2.0*, clearly reiterated this position: "the core objective of [New Delhi's] strategic approach should be to give India maximum options in its relations with the outside world—that is, to enhance India's strategic space and capacity for independent agency—which in turn will give it maximum options for its own internal development."<sup>9</sup> Yet what is most problematic about this contention is less India's disposition and more American expectations, if these views are indeed held by U.S. policymakers rather than merely the chattering classes.

In either case, this tack is not representative of the strategic logic underlying the new association between the United States and India. The momentous transformation of U.S.-Indian relations was not pursued by President Bush because of an expectation that aiding India would result in reciprocal acts of generosity toward the United States. Rather, it was pursued fundamentally out of American self-interest and was shaped by what U.S. policymakers believed was critical to the success of American aims in Asia. Given the rise of Chinese power and the impossibility of limiting that power through the policies followed during the Cold War, the Bush administration settled for the only strategy that made sense in circumstances where geopolitical rivalry coexists with economic interdependence: forgoing containment in favor of balancing.

This strategy operated on the presumption that China would continue to grow, among other things, because of its economic ties with the United States and the wider international community. All the countries enmeshed in this interaction profit from it, even if China accrues greater gains than most.

Because these economic benefits are valued by all of China's partners—including the United States—even when they are most anxious about Beijing's growing military capabilities, U.S. policymakers recognized that the solution to managing the rise of Chinese power could not consist of limiting it by cutting off China's economic relations with other states. Instead, the challenge posed by mounting Chinese strength would have to be handled by supporting the growth of other nations along China's periphery in recompense.

If the consequential states abutting China—for example, Japan, India, Vietnam, and Indonesia—could be aided by American power to realize their strategic potential and to increase their mutual cooperation, the net effect would be the creation of objective constraints that limit the misuse of Chinese power in Asia. These checks would not materialize because the Asian partners necessarily bandwagon with the United States or even champion all its policies vis-à-vis Beijing. Rather, the restraints would be produced by the growing capabilities of these key nations—aided by the United States—and their increased incentives for collaboration both mutually and with Washington. These forces, driven by the regional actors' own concerns about increasing Chinese power, would posture them in ways that were fundamentally congruent with American interests, especially the core objective of

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restraining the potential for Chinese aggressiveness, while at the same time providing “the necessary cushion that prevents tightened commercial interdependence [with China] from disrupting the delicate balance between economic gains and geopolitical risks.”<sup>10</sup>

The creation of such a regional equilibrium, deriving from the presence of many powerful states on China’s periphery, all cooperating among themselves and aided whenever necessary by the hegemonic power of the United States at the core of the global system, offered the potential for balancing China—and inducing good behavior on the part of Beijing—without any necessity for containment, let alone conflict. Early in her tenure as secretary of state, Condoleezza Rice alluded to this idea when she noted that

the U.S.-Japan relationship, the U.S.-South Korean relationship, the U.S.-Indian relationship all are important in creating an environment in which China is more likely to play a positive than a negative role. These alliances are not against China; they are devoted to a stable security, political, economic, and, indeed, values-based relationships that put China in the context of those relationships, and a different path to development than if China were simply untethered, operating without that strategic context.<sup>11</sup>

This approach generated a positive converse as well. Since the regional powers would be strengthened as a result of deliberate U.S. assistance (complemented by strong, ever-present U.S. military forces in the region), their incentives to sustain economic interdependence with China would only be enhanced because they would have no reason to fear that the material gains accruing to Beijing could be used to threaten their security. The logic of U.S. strategy, therefore, encouraged a concerted deepening of the economic integration already underway throughout the Indo-Pacific region, with both China and all its trading partners, including the United States, profiting from the increased wealth produced as a result.

The persistence of such a positive-sum game all around, then, mitigates interstate rivalry and its potential for undermining the larger gains in prosperity. At its best, therefore, the ever-deepening economic interdependence attenuates the prospect of vicious security competition while creating the conditions for increased cooperation. Yet the overarching U.S. approach simultaneously ensures that should any strategic dangers materialize, the key regional powers, in concert with the United States or independently, would be able to effectively neutralize these hazards. The Bush administration’s strategy of nurturing the growth of major powers along the Asian periphery in order to balance China without containing it, therefore, provided the regional system with the best of both worlds: an opportunity to limit Beijing’s capacity for malevolence without sacrificing the common prosperity arising from trade and interdependence.

The success of New Delhi’s part in this plan hinges not so much on what India does for the United States but on whether it rises rapidly enough to produce an Asian strategic balance

that advances American interests. The extraordinary investments made by Washington in India since 2001—and which it still continues to make—are thus oriented entirely toward supporting Indian ascendancy. India is critical in this context because it is one of the few continental-sized powers in Asia. Its advantageous location along the continent’s littorals enables it to shape both China’s terrestrial and maritime calculations. And it embodies vast latent capacities, which if transformed effectively, would permit India to counter China independently in a way that few other Asian states could. What makes this combination even more attractive from the viewpoint of the United States is the fact that India is a genuine democracy, has convergent strategic interests on critical issues of global politics, and, most important of all, seeks to balance China not as a favor to Washington but entirely out of self-interest.

The United States, therefore, does not need to cajole India to balance against Chinese power; India will do so for its own reasons, as it has in one way or another since 1950. All that the United States has to do is aid India in transmuting its potential capacities into actual strength. If this effort is fruitful, it will have contributed toward creating an Asian geopolitical equilibrium that automatically limits China’s capacity to harm—thereby producing good order throughout the Indo-Pacific. The success of the U.S.-Indian strategic partnership, accordingly, ought to be measured by the progress made toward reaching that pivotal goal, rather than by any picayune measures of Indian reciprocity.

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Still, it is amazing how many otherwise insightful analysts in the United States and elsewhere have missed this fundamental point. The recent literature on U.S.-Indian relations is dominated by the claim that “though there is a lot of expectation in Washington for India to assume a more active role as a regional balancer vis-à-vis China, New Delhi is far less eager to pursue this position against its northern neighbor”<sup>12</sup> because of the complexity of its own interests vis-à-vis the Middle Kingdom, its fears about becoming entrapped in Washington’s separate problems with Beijing, and its obsessive regard for preserving strategic autonomy. One commentator concluded, therefore, that “any notions of... enlisting India to manage China’s rise should be abandoned,”<sup>13</sup> while another scholar has argued that “the United States may have more effective ways to motivate China to cooperate in peacefully ordering international affairs than by overtly championing India to contest China, with an emphasis on military power.”<sup>14</sup> These judgments are problematic not only in themselves but also because they rely on a dubious theory of what the United States has sought to achieve in regards to both countries.

No American administration in recent years has ever sought to inveigle India into either a containment strategy or a military alliance aimed at China. Ever since the end of the Cold War, there has been a clear recognition in Washington that no matter what problems China's rise may pose for U.S. interests, attempting to contain China—amid the larger realities of economic interdependence—was simply a foolhardy venture. New Delhi's rivalrous relationship with Beijing notwithstanding, U.S. policymakers also appreciated the fact that India would want to have no part in such an endeavor—assuming it could be implemented. The former U.S. ambassador to India, Robert D. Blackwill, once wryly observed, “As you know, there is no better way to clear a room of Indian strategists than to advocate containing China.”<sup>15</sup> Furthermore, U.S. leaders understood that any attempt to recruit India into a military competition with China at the behest of the United States would be deeply counterproductive, not to mention rejected out of hand by India's security managers. Far from seeking to accentuate Sino-Indian tensions, the United States has therefore consistently sought the opposite: as former U.S. deputy secretary of state James Steinberg affirmed clearly, “the emergence of India as strong, stable, democratic and outwardly looking global player with global interests has the potential to enhance the effectiveness of the international system and the security and well-being of all, in a positive sum game.”<sup>16</sup>

The spurious critiques prompted by the failure to recognize these fundamental premises end up engaging a straw man of their own creation rather than the actual, and far more sophisticated, policies pursued by Washington toward Beijing and New Delhi. Walter Russell Mead summarized this appraisal well when he declared in a recent interview:

The United States is not looking for India to be our ally in containing China. That's a common view of what is going on, but I think the real policy is subtly different; the United States is seeking not to win a contest of containment with China, but to avoid the necessity of making the containment of China the core of our Asia policy for the next thirty years, and the way to do that, in our view, is for Asia to demonstrate that it is too big, too diverse, too dynamic for any single power to realistically aspire to the kind of domination say that Germany tried in Europe, or Japan in the 1930s.

The United States isn't trying to get India to join some sort of NATO alliance in South Asia against China, but it wants to see India emerge as a vibrant, dynamic, growing economy, as a power with regional interests and global interests and a vocation and a voice, and that in itself makes a U.S.-China clash much less likely. We're not trying to get India to do something about China, we're trying to get India to succeed and prosper and grow, because that advances a lot of our core strategic interests in a way that's better than an alliance would

do. We do want to see India, for its own reasons, grow and involve itself more in Asian affairs . . . in a way that promotes an interconnected and prosperous and peaceful Asia-Pacific region.<sup>17</sup>

In a nutshell, therefore, U.S. strategy toward India is not aimed at getting New Delhi to do anything against Beijing other than what it would do anyway for its own reasons. Helping India thrive as a “strong, democratic, (even if perpetually) independent” state is what the transformation of U.S.-Indian relations is actually all about.<sup>18</sup> That is because the success of this project would contribute immensely toward erecting those structural restraints that make for “a stable geopolitical order in Asia that is conducive to peace and prosperity” and, by extension, the preservation of American preeminence internationally.<sup>19</sup> The U.S. investment in India, among others, is therefore fundamentally rooted in self-interest and, hence, does not constitute a “giveaway,”<sup>20</sup> as is sometimes alleged. Daniel Twining captured this calculus succinctly when he described the U.S. strategy in Asia since 2001 as oriented fundamentally toward preserving “Washington’s strategic position in the region by facilitating the ascent of friendly Asian centers of power that will both constrain any Chinese bid for hegemony and allow the United States to retain its position as Asia’s decisive strategic actor.”<sup>21</sup>

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This approach, of course, does not relieve India of the necessity of making smart strategic choices. Any calculating policymaker in New Delhi, recognizing the logic of Washington’s strategy, would remain intent on inducing the United States to stay committed to its aim of expanding India’s national power. Since “the exchange of considerations”<sup>22</sup> remains the only “constitutive element of collaboration”<sup>23</sup> in the realm of competitive international politics, it follows that Indian statesmen should, also as a matter of self-interest, be looking for ways to cement their strategic partnership with the United States insofar as this relationship visibly buttresses Indian power. But even if this were not to be the case—because Indian leaders turn out to be myopic or distracted or astrategic—unilaterally bolstering the growth of Indian power, even if unrequited, still remains fundamentally in American interests. It holds the best promise of limiting future Chinese domination in Asia without necessitating the comprehensive containment that would imperil the gains from trade on which all regional powers, including the United States, have come to depend.

# THE CENTRAL TASKS FOR BOTH COUNTRIES

Because reinforcing Indian capabilities is essential for maintaining a favorable balance of power in Asia—which, in turn, is a prerequisite for preserving American primacy globally—strengthening the U.S.-Indian relationship quickly moves beyond being simply desirable into the realm of necessity. Not without reason, therefore, have successive U.S. administrations, Republican and Democratic alike, pursued this unique, admittedly asymmetrical, strategic partnership with India. President Barack Obama, in fact, has gone so far as to assert that this association is destined to become “one of the defining partnerships of the 21st century.” Reminding his administration of why this is so from a geostrategic perspective remains the first task for the second term where sustaining the transformation in U.S.-Indian relations is concerned.

Given the importance of U.S.-Indian ties for both countries, Indian policymakers are also confronted by a set of tasks that cry out for completion. In fact, it would not be an exaggeration to say that New Delhi bears primary responsibility in this regard. If the goal of American strategy is to nurture the rise of Indian power, then what Indian policymakers do to advance this aim will always and consistently be far more important than the contributions made by their American counterparts. Today, more than ever before, it is abundantly clear that strengthening U.S.-Indian relations *and* sustaining India’s growth in power both demand the same thing: that the government of India focus not so much on satisfying American entreaties as doing what is right by India itself.

This objective requires the Indian state to undertake the vast gamut of reforms required to raise the country’s growth rates to the highest levels witnessed during the last decade, if not higher. These much-postponed “second-generation reforms” are extensive, ranging from measures to rationalize subsidies, labor laws, and manufacturing policy; to reforming Indian agriculture, expanding public infrastructure, and restructuring inefficient public enterprises; to improving the financial sector and rectifying India’s increasingly dangerous fiscal imbalances.

Undertaking these actions requires, first and foremost, a willingness on the part of India’s elites to display uncommon courage by, as Shyam Saran phrased it, openly embracing economic reforms rather than resorting to “reform through stealth” or “reform through crisis.”<sup>24</sup> Unfortunately, such audacity has been conspicuously absent in India during the Singh government’s second term. Even though the prime minister’s personal convictions on this matter remain sturdy, his party’s fecklessness, the opposition’s expedience, and the easy addiction to statist solutions still pervasive in Indian politics makes implementing deep

reforms an uphill task. Yet, only a resolute defense of free markets will permit the Indian government to take the concerted action necessary to further liberalize the economy while simultaneously strengthening state capacity. Completing these twin tasks successfully would restore India's growth rates to their previously high levels and perhaps beyond. There is no doubt that even if India persisted with its

lower current annual growth rate of about 6 percent indefinitely, it would eventually have an impact on the Asian power balance writ large (particularly in the face of slowing Chinese growth) and would gain international attention as an emerging center.

But it is only the recovery of the higher growth rates witnessed during the last decade—7 or 8 percent or higher, consistently sustained over a long period of time—that “inexorably transforms India into a great power, positions it as an effective pole in the Asian geopolitical balance, and compels international attention to itself as a strategic entity with continent-wide significance.”<sup>25</sup> A return to such growth levels as a result of successful reforms and improved state capacity would automatically create expanded opportunities for U.S. participation in India's rise in the form of increased capital, technology, and expertise transfers. Not only would these activities help drive Indian growth while simultaneously generating gains for American business, but they would also—and equally importantly—increase America's stakes in India's success, thereby providing the best guarantees of permanent U.S. support for India even in the face of what may be political disagreements between the two nations.

The United States, however, can make a unique and distinctive contribution to this Indian effort. As the report that first laid out the justification for a civil nuclear cooperation agreement between the United States and India pointed out, if the objective of bilateral economic engagement is to accelerate the integration of the two economies in order to maximize joint gains, “a free-trade agreement between the United States and India would . . . do more to enhance the growth of Indian power—permanently—than many of the other instruments now being discussed between the two countries.”<sup>26</sup> To be sure, there are many persuasive arguments against bilateral free-trade agreements as substitutes for a global trade accord, but both Washington and New Delhi have now, setting aside their initial reluctance, moved with alacrity to conclude such agreements with others. There is no reason, therefore, why the Obama administration in its second term should not give serious consideration to exploring a free-trade agreement with India even though such a negotiation is certain to be difficult, may exclude some particularly sensitive areas initially, and may

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have to be implemented only gradually over the course of many years. If and when such an agreement is successfully concluded, it would open the door to inviting India to join the most ambitious free-trade agreement currently pursued by the United States, namely, the Trans-Pacific Partnership, which aims to create a unified free-trade area across the Pacific Ocean not merely by eliminating those traditional barriers to trade and investment but by confronting the behind-the-border impediments to commerce as well.

Democratic administrations have developed somewhat lukewarm feelings about free-trade agreements more recently because of their concerns about the impact of such covenants on middle-class employment and income levels in the United States. In contrast, Indian policy-makers—and big Indian industrial houses—have become much more enthusiastic about bilateral free-trade agreements, including the prospect of one with Washington. At any rate,

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the evidence thus far generally supports the view that open international trade, even in the absence of a bilateral free-trade agreement, has been beneficial for U.S. economic growth. The welfare of American consumers improves as a result of access to relatively inexpensive foreign goods, and the lower costs of labor abroad help make U.S. companies more competitive globally.

India's large pool of relatively cheap skilled labor, in fact, offers U.S. industry enormous benefits with respect to reducing costs and increasing efficiencies in diverse arenas ranging from manufacturing to healthcare and from legal services to information technology. Rationalizing the U.S. visa regime, therefore, to permit the flexible and expanded movement of highly skilled labor between the two countries would provide immediate payoffs to both sides, but, more importantly, it would enable U.S. business to further increase its competitive advantages relative to the rest of the world.

Reforming the visa system would also produce benefits beyond permitting freer flows of skilled labor. Even modest changes to the current visa program would stimulate a dramatic efflorescence of new start-ups in the United States, already the preferred destination for entrepreneurs the world over. No other country has an innovation and market system that is so appealing to adventurous individuals, and luring this category of entrants “would cost U.S. taxpayers practically nothing, and accelerate job creation and innovation without taking away jobs from native-born Americans.”<sup>27</sup> As Vivek Wadhwa and Alex Salkever summarize it, “for all intents and purposes, the debate about whether immigrants drive company formation and job growth in America is over. The evidence is overwhelming. We

need immigrants to drive job growth. We need skilled immigrants to drive technology job growth. We need immigrants to drive technology innovation in America and maintain this country's lead in the global race for technological supremacy."<sup>28</sup>

A bilateral free-trade agreement that accommodates more liberal movement of all factors of production would only accelerate the gains from international exchange further. It would enlarge U.S. export markets for everything from agricultural goods to shale gas (which under current U.S. policy cannot be sold to India in the absence of a bilateral free-trade agreement) to high-technology products as well as higher value-added services. And it would tighten the symbiosis between the American and Indian economies to the advantage of both nations.

Despite the domestic adjustment costs inherent in such a process and the acknowledged difficulties of concluding a bilateral free-trade agreement notwithstanding, the second Obama administration should initiate the pursuit of such an accord with India on a specified deadline while negotiating various arrangements to lower bilateral trade barriers in the interim, perhaps on a sectoral basis. In addition to benefiting U.S. competitiveness and growth, such initiatives would help New Delhi implement the difficult internal reforms that are necessary to sustain an efficient and capable economy. Above all, though, a bilateral U.S.-Indian free-trade agreement is attractive because it would constitute the most effective device for advancing the larger geopolitical objective of importance to the United States: the growth of Indian power.

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## NEXT STEPS FOR INDIA

Even as New Delhi focuses on the central task of accelerating economic reforms more generally, the Indian government can advance its partnership with America in three specific ways in the near term. These actions, although advantageous to the United States, are far more important for India's own success.

## ENCOURAGE FOREIGN INVESTMENT

New Delhi can focus concertedly on increasing foreign direct investment (FDI) in India both by opening those sectors where FDI is currently not permitted and by increasing the caps on FDI in those arenas where it is currently allowed. Providing increased opportunities for foreign investors across the board remains the single quickest way for India to overcome

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**There is no conceivable reason today why the Indian state should not fully open even supposedly sensitive sectors such as finance, defense, and atomic energy to FDI.**

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its vast development deficits with the lowest risks to the state, while simultaneously incurring the benefits of improved technology levels, increased revenues, and better management. There is no conceivable reason today—other than political diffidence—why the Indian state should not fully open even supposedly

edly sensitive sectors such as finance, defense, and atomic energy to FDI so long as these activities are adequately regulated.

Although the most recent reforms announced in September 2012 offer some hope, the overall liberalization of FDI thus far has been uninspiring and in many instances has included counterproductive components that betray a poor understanding of a market economy. A good example of such unhelpful policies is the “local content requirements” that litter many otherwise sensible Indian efforts at increasing FDI. The term refers to the requirement that foreign manufacturers use a certain proportion of locally made materials, parts, or components in the goods they produce through direct investments in India. While the intentions behind mandating local content requirements are noble—strengthening Indian-owned industries—they often turn out to be deleterious because foreign investors may shy away from investing domestically if they are required to use indigenous components that do not comport with their international standards.

The logic of the market dictates that foreign investors in India *will* use local components irrespective of any legislative mandate if these materials meet their quality requirements and are available at lower prices compared to those procured from suppliers abroad. The profit motive ensures such behavior better than any regulatory stipulations. But efforts to force the process only restrain FDI, not encourage it.

The historical record too corroborates the proposition that foreign investors, once established in India, constantly develop local sources of inputs not because they are required to do so but because it represents a smart investment strategy that improves the bottom line. The government of India occasionally fails to appreciate this reality, illustrating how deeply rooted the forces of dirigisme still are in the political psychology of some decision-makers. If New Delhi aims to encourage indigenous industries, targeted and time-bound

tax incentives to foreign investors are a much better way of ensuring the use of local content and are preferable to statist solutions that are completely at odds with market operations.

In all these matters, the first rule should be “do no harm.” As the Indian Ministry of Finance’s current chief economic adviser, Raghuram Rajan, admonished the Indian government before he assumed his present position:

Be kinder to foreign investors—they are not the enemy but a necessity—we need their money to fund our spending to the tune of four percent of GDP. No doubt, however badly we treat them today, they may eventually want to be in India, but crisis [sic] are always about timing. We need them now, when India looks increasingly tattered compared to alternative investment opportunities, not five years from now when growth recovers.<sup>29</sup>

As India continues to liberalize its FDI policies, decisionmakers in New Delhi should look at the bilateral investment treaty currently being discussed with the United States not as a hurdle but as an opportunity. Most standard texts of this nature concentrate on protecting foreign private investments in a given country through measures

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focused on ensuring fair and equitable treatment, protection from expropriation, free transfers of earnings, and impartial resolution of disputes. The “high-quality agreement” proposed by the United States to India includes these components, but it also adds additional transparency and market-opening mechanisms that make New Delhi queasy.<sup>30</sup>

Indian policymakers, however, ought to approach the discussions on the treaty with a more welcoming attitude. The enhanced text would not only enable them to increase the attractiveness of their evolving FDI policies, but it could also serve as a means of exploiting binding external commitments to push domestic reforms further in the face of objections by various rent-seeking constituencies. Absent the discipline imposed by such devices, India’s FDI liberalization is likely to remain weak and vacillating with injurious consequences for the country’s long-term growth.

The frustrating dynamic of “two steps forward, one step back,” which unfortunately has marked India’s FDI liberalization decisions thus far, is evident in other areas as well, and none has received more unwelcome attention than the Indian government’s efforts at completing its nuclear liability legislation. Although this measure was initiated in response to American pleas, the Singh government failed to control the legislative process effectively

enough to ensure that its original preferences, which were to pass legislation conforming to international standards, carried the day. The end result of the intersection of unfortunate political timing, an agitated though ill-informed legislature, and poor floor management in parliament was the passage of a law that not only contravened emerging international standards but actually undermined Prime Minister Singh's vision of rapidly expanded nuclear power investments in India—an ambition that drove his desire for the nuclear cooperation agreement with the United States and for which Singh risked the survival of his government during his first term.

There has been much commentary in Washington that erroneously portrays India's problematic nuclear liability legislation as directed at U.S. reactor manufacturers—and, therefore, constituting yet another example of Indian ingratitude toward the United States. The fact of the matter, however, is that the Indian law does not discriminate against the United States singularly. Rather, it impairs uniformly the ability of *all* private suppliers, foreign and domestic, to participate in India's planned nuclear renaissance. This awkward consequence has now undermined not simply American efforts to enter the Indian nuclear market but French and Russian endeavors as well—not to mention the numerous domestic suppliers who, as one former chairman of India's Atomic Energy Commission put it, “prefer to move to non-nuclear activities, even though they have acquired valuable nuclear expertise on work done earlier.”<sup>31</sup>

At a time when brownouts and blackouts are casting dark shadows over India's industrial landscape, the country's traditional penchant for walking straight in crooked lines is turning out to be dangerously counterproductive for India's own interests. The nuclear liability legislation, therefore, at least merits the institutionalization of a durable workaround that increases India's energy security through new FDI in nuclear power generation while concurrently advancing U.S.-Indian relations.

## IMPROVE DEFENSE COOPERATION

Indian policies relating to defense acquisition and industrialization provide an important avenue for expanding U.S.-Indian trade relatively quickly and with great benefit to India's national security strategy. India's continuing objective in these areas remains self-reliance. Toward this end, the Indian state maintains a huge defense research and development enclave that, at its most ambitious, seeks to produce a wide variety of advanced weapons ranging from combat aircraft to missile defense systems and much else in between. The imperative of sustaining this enterprise derives largely from India's fears about the vulnerability produced by dependence on foreign sources of arms. This dependence creates anxieties about both India's ability to steer an independent foreign policy and the exposure to foreign coercion arising from possible sanctions and supply interruptions during a crisis.

However justified these concerns may be, it is by now obvious that India's strategy of attempting to develop most of its major weapon systems indigenously has failed. This should not be surprising: the country's technology base is still relatively poor and its military expenditures are simply not large enough to sustain the independent development of so many complex weapons simultaneously. The Indian objective of self-reliance in this form also runs counter to the post-1991 national strategy of accepting globalization, which, if it means anything at all, implies specializing in those arenas where India has comparative advantage while relying on trade to provide those commodities in areas where India lacks such benefits.

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If Indian policymakers applied their new national strategy to defense, they would shift many of the resources currently absorbed by indigenous development to procurements from abroad, where they could purchase better weapons on a more responsive timeline to the military's needs. The residual investments in domestic research and development would focus mainly on strategic systems (which cannot be procured from foreign suppliers) and the design of specific subsystems in order to develop both niche expertise and specialized components (which can then be incorporated into the platforms or systems procured from elsewhere). Israel has done the latter with remarkable success.

Such an approach not only coheres well with India's current technological level but it also avoids dissipating national resources in developing complex platforms that require enormous proficiency in systems integration, which India does not yet possess outside of a few areas. At the same time, it will offer opportunities to improve India's technological sophistication in an evolutionary way, thus permitting the nation to progressively fit into the global supply chain pertaining to the manufacture of advanced technology components. The problems of vulnerability arising from this broad strategy would be mitigated by a combination of supplier diversification, rigorous contract guarantees, requiring foreign original equipment manufacturers to create domestic support and overhaul facilities, and most importantly, developing preferential partnerships with a small group of friendly countries, including the United States.

Investing in partnerships of this kind—that promise both advanced equipment and a strong political commitment to India—requires the continued reform of India's defense-procurement system. Despite continuing improvements, the Indian acquisition system is still burdened by numerous problems. Lacking an independent capacity for cost assessment and program evaluation, India's Ministry of Defense, for instance, is still unable to price the quality of competing weapon systems, foreign or indigenous, effectively. The

no-cost-no-commitment trial system, which dominates the Indian government's approach to major capital acquisitions, imposes extraordinarily high costs on both foreign and domestic private vendors. And the lengthy and often erratic processes of tendering, which frequently result in aborted tenders if corruption or procedural irregularities are suspected, end up imposing onerous burdens on foreign suppliers who have little to show for the time, money, and energy invested in such infructuous bids. Addressing these issues, among others, quickly would enable U.S. companies, all of which are largely private entities, to participate more successfully in India's defense-procurement efforts to the benefit of both the Indian military and the U.S.-Indian strategic partnership.

As New Delhi focuses on these hurdles, it should also address the other challenges associated with its defense industrialization. In recent years, even as India procured advanced weapons from abroad, it has increasingly required foreign suppliers to help develop its domestic base through coproduction and offsets as part of any successful contract. This is, in general, a sensible policy aimed at improving India's technological capacity. However, New Delhi ought to be conscious of the fact that demanding offsets requirements can undermine its strategic objectives. A litany of complications could discourage potential overseas suppliers. If the offsets cannot be satisfied either because Indian industry sometimes cannot provide the goods and services required to meet the contractual obligations or because the offsets credits are not flexible enough, foreign suppliers could balk. If the financial penalties for failure to fulfill obligations are unreasonably high or if the period of performance is too short to enable satisfactory compliance, international providers could also be scared away.

Beyond these specific problems, however, India needs to squarely face up to the fact that its current offset policies are ill-designed to advance what is ostensibly its principal goal: improving the level of technological sophistication so as to enable the country to develop and produce advanced weapons systems indigenously. The failures here reside less in the offset policies per se than in the structural context of their implementation. As a superb study of arms procurement reforms recently pointed out, India's offset policies are simply "not conducive to joint technology-intensive ventures with leading global suppliers of key technologies." That is not only because the country lacks "a sufficient stock of highly specialized technology manpower to undertake and sustain the [desired] high-tech production" but also because it does not yet possess "access to R&D capabilities with advanced technology infrastructure and laboratories supported by a robust policy to systematically pursue the task of acquiring critical technologies."<sup>32</sup>

The Indian government's quick fix to this problem is unlikely to work either. Merely requiring Indian private or state-owned entities to develop joint ventures with foreign counterparts in order to hurriedly acquire advanced technology will not be sufficiently attractive to any foreign partner if there are uncertainties about the durability of these cooperative arrangements, the denial of majority stakes to the outside investor, and weak protections accorded

to the intellectual property shared in such associations. The larger premises of India's current defense production policies, therefore, require further introspection and review.

The Indian Ministry of Defense, to its credit, has been remarkably responsive to the concerns of private industry (including U.S. firms) and has repeatedly demonstrated its willingness to reconsider its standing procedures on procurement and production. But further improvements in this area, complemented by dramatic policy changes that permit open, unconstrained foreign direct investment in defense, are essential and will do even more to deepen the U.S.-Indian strategic partnership than redressing the routine American complaints about India's unwillingness to sign the "two key defense agreements usually demanded of U.S. allies."<sup>33</sup>

India should also revisit its general approach to defense cooperation with the United States. During the second Singh term, even more than before, the Indian government hewed strongly to the view that bilateral defense collaboration is valued primarily because Washington remains a peerless source of high-quality military goods and technology as well as a matchless font of operational expertise. The American view, meanwhile, conceives of defense trade and military-to-military exchanges as part and parcel of a larger relationship ultimately aimed at participation in combined operations. S. Amer Latif succinctly summarized these expectations when he noted that the strategic aims of U.S.-Indian defense cooperation for Washington center on the creation of "a more stable Asia-Pacific region where the United States and India could consistently and seamlessly work together on areas of common interest through common defense equipment to include disaster response, humanitarian assistance, counter-piracy, and peacekeeping."<sup>34</sup> In sharp contrast, New Delhi has resolutely insisted that its defense interactions with Washington presume no expectation of Indian participation in any U.S.-led coalition activities (except possibly within a United Nations framework). This position represents a continuation of India's long-standing policy, which was maintained even more emphatically with Moscow throughout the high tide of the Indo-Soviet relationship during the Cold War.

The determination to stay clear of any operational partnership with Washington—even as the larger defense collaboration expands apace—is colored by a particular view of what is required to protect India's strategic autonomy, a weltanschauung that resides most identifiably in the Congress Party with its legacy of nonalignment. But it has occasionally been reinforced by some senior Indian military officers who believe that their armed forces do not

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stand to gain very much from pursuing interoperability with the United States—beyond what already accrues from defense purchases and standing military-to-military cooperation. Given the strategic logic of U.S.-Indian relations, Washington should respect these Indian preferences. After all, they could change in the direction of deeper association in the future, as was the case in 1998–2004 during Vajpayee’s tenure as prime minister. In addition, a capable Indian military is important to U.S. interests, even if it does not routinely collaborate operationally with its American counterparts. For some time more, therefore, the U.S. armed forces will have to be reconciled to working with their Indian peers in parallel rather

than combined, which should suffice given that most of the likely collaboration in the foreseeable future will be focused mainly on constabulary tasks anyway.

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The government of India, however, ought to reconsider the wisdom of its current position on interoperability for important reasons. If

India chose to expand cooperation with the U.S. military—through, for example, posting Indian officers in U.S. combatant commands, sharing intelligence to create a common operating picture in critical battlespaces, or even participating in various “coalitions of the willing” intended to produce certain global public goods—such actions would not necessarily undermine India’s desire for strategic autonomy. As Senator John McCain argued eloquently in 2010, “the decision about *whether* to cooperate with the United States will always rest with India’s democratic leaders; greater interoperability simply creates more options for *how* to cooperate if India chooses to do so.”<sup>35</sup> Because investing in the technologies or the institutional arrangements that permit interoperability when required does not in any way limit India’s freedom of action, but rather only expands it, New Delhi should reevaluate its present approach since it betrays a diffidence born of weakness rather than reflecting the confidence of a rising power.

Most importantly, however, increased Indian participation in U.S. military activities at the operational level would pave the way for New Delhi to receive both a wealth of critical intelligence about various developments in its areas of interest and certain military technologies that are shared only with America’s closest partners. Such contributions, for example, in the arenas of maritime domain awareness, space security, electronic warfare, and ballistic missile defense, promise a dramatic increase in India’s own military effectiveness—which cannot be secured currently by autonomous Indian efforts. It therefore behooves New Delhi to reexamine its policy on operational cooperation with the United States in light of its own larger strategic interests.

## INFLUENCE IRANIAN CALCULATIONS

New Delhi can also assist the United States on one issue where the stakes are especially high for both countries: preventing a conflict with Iran over the country's nuclear program. There is widespread recognition throughout the U.S. government that India is walking a tightrope here. While India argues that Tehran should have the right to pursue peaceful civilian nuclear energy, it staunchly opposes Iran's acquisition of nuclear weapons because, among other things, it does not want to see another nuclear-weapon state in its neighborhood. Consistent with this interest, India has insisted that Iran must provide a full accounting of its nuclear activities to the satisfaction of the international community, has voted consistently in the International Atomic Energy Agency Board of Governors against Iran on this issue, and honors United Nations (though not "unilateral" U.S. and European) sanctions on Iran.

The Indian desire to maintain ties with Tehran, despite its suspicions of the regime's nuclear intentions, is shaped partly by its continuing dependence on Iran for energy. However, retaining Iranian goodwill is seen as even more important because of the common objective of preventing a Taliban return to power in Kabul—a goal shared by the United States—and because of New Delhi's critical interest in maintaining its only landward source of access to Afghanistan, given Pakistan's refusal to permit the use of its territory for that purpose. As the security transition in Afghanistan proceeds, India simply cannot risk losing its ground lines of communication through Iran without grave risk to its own (and American) interests in Afghanistan. For all these reasons, the Obama administration, while urging India to reduce its dependence on Iranian oil—a demand with which India has quietly complied in order to avert congressional sanctions—has been cognizant of the compulsions that prevent New Delhi from pressing Tehran further.

Yet, India, perhaps more than any state in Iran's general neighborhood, still has residual influence with Tehran because New Delhi remains a large importer of Iranian crude and is the most important supplier of food and agricultural goods to Iran. This makes India particularly well suited to act as an intercessor with Iran, but more importantly, playing this role is eminently in India's own self-interest. If a satisfactory solution to the Iranian nuclear crisis cannot be found soon, there is every likelihood that a major military confrontation between Iran and Israel or the West will erupt sometime in the near future. While India admittedly may not have, in the final analysis, the leverage required to prevent such a meltdown, it would be affected most disastrously by this cataclysm. As oil prices rose following such a conflict, India's economic

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growth would be put at risk. Its physical access to, and interests in, Afghanistan too would not survive a protracted regional war. And India's internal communal harmony, given its large Shia population with old civilizational links to Iran and New Delhi's complex ties with Iran's Arab neighbors, would also be in jeopardy.

Consequently, although India's clout with Iran should not be exaggerated, it is nonetheless in New Delhi's interest to make the case for Iranian compliance with the relevant United Nations Security Council resolutions on Tehran's nuclear program more forcefully. This is because of the impact a crisis would have not only on India's relations with two of its closest partners—the United States and Israel—but ultimately on India's national interests itself.

## NEXT STEPS FOR THE UNITED STATES

As India moves in these specific ways to strengthen the U.S.-Indian strategic partnership in the short term—beyond the major structural opportunities produced by its continuing economic reforms—Washington should complement India's efforts with a few initiatives of its own. Again, three specific ideas may prove to be of value.

### SUSTAIN LEADERSHIP ATTENTION

The first and perhaps most important action that the United States can take to sustain the ongoing transformation in bilateral relations is to treat India seriously and pay it consistent attention even though India will never be a danger to be defused or a threat to be countered. For all the irritants in the bilateral relationship, Washington ought to be grateful that the U.S.-Indian relationship does not embody the risks comparably posed by Pakistan or China to U.S. interests. With American attention focused on more acute perils, there is an ever-present temptation to pocket these benefits and shift focus away from India. Avoiding this problem requires senior leadership attention and sound bureaucratic arrangements.

It is ironic that despite Manmohan Singh's visit to the White House as the first state guest during the Obama first term, the president's own highly successful subsequent trip to India, and the cordial personal relationship between Obama and Singh, the administration found it very difficult to keep India in focus particularly during the first two years of the Obama

presidency. In part, this was because the global financial crisis dominated U.S. policymaking, but even when this was not the case, the administration's effort to craft a new rapprochement with China and revamp the relationship with Pakistan ended up weakening the partnership with India.

Only through the valiant bureaucratic efforts of then undersecretary of state William J. Burns, backstopped by the assistant secretary of state for South and Central Asian affairs, Robert Blake, and his staff, and Anish Goel, then director for India on the National Security Staff in the White House, was a modicum of attention to India sustained. Throughout this period, Secretary of State Hillary Clinton and Deputy Secretary of State James Steinberg remained strong intellectual champions of the relationship with India, but their attention was often dissipated by other serious global problems and their enthusiasm repeatedly challenged by the languid Indian approach to bilateral engagement that was manifest early in Prime Minister Singh's second term.

As the administration's initiatives with China and Pakistan faltered, and the challenges in Afghanistan grew more complicated, the attention to India was renewed and progressively grew in intensity. Luckily for both countries, the U.S.-Indian relationship found its bearings again, despite previous disappointments, during the second half of the first Obama term as the United States, seeking solutions to the long-term problems in Afghanistan and the Asia-Pacific, once again sought to engage India actively.

The role of key individuals in producing this felicitous outcome cannot be underestimated: Secretary Clinton, the current deputy secretary William J. Burns, the assistant secretary for South and Central Asian affairs, Robert Blake, and the assistant secretary for East Asian and Pacific affairs Kurt Campbell, in the Department of State; and Secretary Robert Gates and later Secretary Leon Panetta as well as Deputy Secretary Ashton Carter in the Department of Defense. For all of President Obama's interest in India, the absence of the White House in energetically shaping the evolving U.S.-Indian partnership is conspicuous—a testament to the still pressing problems posed by the slow economic recovery in the United States and the relatively weak national security bureaucracy currently residing in the executive office of the president.

If the fortunes of Washington's India policy are to improve in the future, their prospects must be enhanced by durable institutional solutions and not simply reliance on the lucky coincidence of having the right people at the top—though that never hurts either. During the Bush administration, the U.S.-Indian relationship profited immensely from the presence

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of a strongly driven president, to be sure, but one aided by several individuals such as the national security adviser and later secretary of state, Condoleezza Rice; the deputy national security adviser and later national security adviser himself, Stephen J. Hadley, State Department Director of Policy Planning Richard N. Haass; the counselor in the State Department during the second Bush term, Philip D. Zelikow; the undersecretary of state for political affairs, R. Nicholas Burns (who played an extraordinary role in the civil nuclear negotiations with India) and his immediate successor, William J. Burns (who completed that accord); the indefatigable U.S. ambassador to India, Robert D. Blackwill; and a few other individuals who played key roles such as the under secretary of commerce Kenneth I. Juster and the under secretary of defense Douglas J. Feith.

There have been fewer analogues to these individuals in the Obama administration and it is not clear how many of those identified earlier will continue to serve in the second term. The significance of effective bureaucratic mechanisms, then, becomes all the more important.

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**Rationalizing the bureaucratic structures pertaining to South Asia policy must be complemented by designating a senior official with specific responsibility for India since it must be expected that Pakistan and Afghanistan will naturally consume substantial leadership attention in the foreseeable future.**

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The second Obama administration should restructure both the organization of the White House and the State Department to ensure that American interests in India are consistently protected in decisions about the wider region. An important institutional improvement has already taken place in the White House with the integration of the India, Pakistan, and Afghanistan bureaucracies under a single directorate. It is to be hoped that the State Department will follow suit in the coming year. Unfortunately, however, no senior official sufficiently familiar with India served in the White House during the first Obama term—

except for a brief period when Anish Goel served as senior director on the National Security Staff—and there appears to be no one with special expertise on India anywhere in sight in the near future.

Rationalizing the bureaucratic structures pertaining to South Asia policy, therefore, must be complemented by designating a senior official with specific responsibility for India since it must be expected that Pakistan and Afghanistan will naturally consume substantial leadership attention in the foreseeable future. Paying consistent attention to India is essential because, despite being a high-maintenance relationship, it is also extremely complex and extremely important both in itself and especially in the wider Indo-Pacific context. Amid

all the distractions of recurring crises, this tenet should not be forgotten. Building on the evolution in American policy toward India since Bill Clinton, President Obama has already left behind in his first term policy guidance that defines India's strategic significance for the United States in clear and incontrovertible idioms. Future initiatives should build on that vision but, even more importantly, the second term provides him with the opportunity to translate it into an "all-of-government" effort that deepens the partnership on multiple dimensions. If this ambition is to be realized, however, a presidential commitment of time and attention will be indispensable, something that has been conspicuously absent during the last four years.

## **SEEK A DEEPER PARTNERSHIP ON AFGHANISTAN**

The second idea that the United States can implement with great payoff in the near term is one that it has already begun to implement: maintaining the cooperation with India on Afghanistan as the security transition is completed in that country. U.S. policy on this issue has now come full circle. In the early days of the Bush administration, the United States strongly discouraged Indian participation in Afghan reconstruction out of deference to Pakistani sensitivities. Today, a decade later, partly because of its disenchantment with Islamabad's duplicity in counterterrorism operations and partly because of the recognition that ordinary Afghans often welcome Indian reconstruction activities more warmly than they do other international efforts, the Obama administration has strongly endorsed Indian contributions in Afghanistan and urged their expansion. This shift in policy is sensible. India has pioneered low-cost solutions that are not only sustainable by Afghan standards but also are supported by every major Afghan ethnicity (including the Pashtuns, who enjoy a plurality in Afghanistan) and are implemented in a way that directly strengthens the legitimacy of the national government in Kabul.

In the months ahead, Washington should persist in encouraging the Indian government to increase its contributions with an eye toward enabling a successful transition. Worthwhile Indian contributions include continued investment in Afghan infrastructure and resource extraction, agriculture and agro-industry, small- and medium-sized industries, and education and health. New Delhi could also assist Kabul in developing a national investment framework and could provide Afghanistan with duty-free access to the large Indian market. Supporting the education of Afghan civil servants and mentoring programs for Afghan government officials, providing accelerated training of Afghan military officers in Indian service academies, and contributing to the repair and maintenance of Afghanistan's Russian-origin military equipment are all areas in which India could have an impact. Last, New Delhi could help accelerate the indigenization of the Afghan National Army, which will be unable to sustain its current capital-intensive, North Atlantic Treaty Organization standard of operations over the long term.

Beyond these material efforts, India's most significant contribution to success in Afghanistan could be political—flowing from its close ties with the Afghan government and *all* the major ethnic groups within the polity. India is one of the few countries—and perhaps the only one in the region—that enjoys the advantage of having intimate relations with both Afghan government and opposition leaders simultaneously. It is thus in a position to influence their choices in a way that few countries other than the United States can. As Washington presses ahead with its secret efforts at rapprochement with the Taliban, an endeavor that India is now reconciled to so long as it enjoys Afghan confidence and supervision, the Obama administration must maintain full transparency about these conversations with New Delhi because India's choices—along with Pakistan's—will be one of the most critical external determinants influencing the success of this undertaking.

India's goals in this regard are identical to those of the United States. Indian policymakers seek an Afghan government after 2014 that is durable, capable of preserving Afghanistan's independence as well as its internal and external security, hostile to terrorism and extremist ideologies, and temperate enough to preserve both Afghanistan's multiethnic character and the social, political, and economic gains witnessed since 2001. Contrary to some recent commentary, India is actually quite sensitive to Pakistani fears about its activities in Afghanistan, and it has consciously declined many entreaties by the Afghan government for deeper involvement because such action may threaten Pakistan.

Without a doubt, therefore, India does not, as one scholar has claimed, “hop[e] that an ongoing civil war in Afghanistan will distract the Pakistani military from the eastern front.”<sup>36</sup>

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On the contrary, New Delhi dreads the prospect of renewed internal conflict in Afghanistan, not only because such an eventuality would put all its own investments in Afghanistan at risk, but also, more importantly, because the onset of major strife would create the perfect

incubator for terrorist groups that threaten India, as happened throughout the late 1990s. The resurgence of anti-Indian terrorism operating from secure bases in Afghanistan scares Indian policymakers more than any threats posed by the Pakistani military. Because mitigating the terrorist threat to the United States and its friends—whether from al-Qaeda or others—will remain of continuing interest to Washington, it is therefore imperative that all American initiatives regarding conflict resolution in Afghanistan involve India appropriately because of New Delhi's similar and equally strong national objectives.

As the bureaucratic structures pertaining to Afghanistan and Pakistan policy in the U.S. government mutate in the months ahead, continued engagement with India will remain

vital. The successes chalked up here during the last eighteen months of the first Obama term are indeed praiseworthy, coming as they did after a series of dangerous early missteps. Sustaining this improved interaction with New Delhi will become even more vital after 2014, particularly if the Afghan state proves fragile and India begins to reconsider its contributions to Afghan reconstruction. In such circumstances, a strong and durable U.S.-Indian partnership on Afghanistan could well make the difference at a time when there may be few regional partners that are both capable and trusted in Kabul.

## **BUILD UP INDIA'S DEFENSE CAPABILITIES**

Third and finally, Washington should now seriously implement its long-professed strategic intention of building up Indian defense capabilities. For some time, the effort to strengthen Indian capacities in advanced technologies was hindered by persistent uncertainty about whether New Delhi would be a trusted U.S. partner. In practice, this implied that India's access to critical technologies, both military and dual use, was contingent on either New Delhi's signing of certain "foundational" agreements—such as the Logistics Support Agreement, the Communication Interoperability and Security Memorandum Agreement, and the Basic Exchange and Cooperation Agreement for Geospatial Cooperation—or its support for various American positions on foreign policy or global issues.

Today, there is increasing recognition within the U.S. government that India is unlikely to sign the foundational agreements any time soon. Unfortunately, there is still substantial confusion in New Delhi about what these agreements actually entail. Additionally, there are significant constituencies within the Indian government that fear India's acquiescence might either compromise or limit its freedom of action.

The fears about these documents stem entirely from misunderstandings—a problem only compounded by politicization of these discussions in India. Yet, strengthening India's military capacity does *not* require New Delhi to sign these foundational agreements. These accords serve more to improve U.S.-Indian interoperability rather than India's military capacities per se. Where military capacity is concerned, the critical documents are the end-user-monitoring and the enhanced end-user-monitoring agreements, which ensure that U.S.-supplied military equipment is not illicitly sold, transferred, or modified. And India has already signed both of them.

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The U.S. government has also recognized by now that India is unlikely to compromise its independent foreign policy even for the sake of privileged access to certain critical technologies. But, more importantly, the Obama administration has reached the conclusion that the Bush administration had earlier adopted as its governing premise. Because there are no fundamental conflicts of interest between the two nations, building India's strategic capacity, especially its defense-industrialization efforts, remains an abiding U.S. interest irrespective of whether New Delhi supports specific American policies in their detail or whether differences persist between the two states in tactics or style. Indian support for the United States would obviously be welcome whenever such is forthcoming—and Indian policymakers, simply for self-interested reasons, ought to be looking for ways to extend such support whenever possible. However, U.S. investments in building Indian military capacities should not be contingent on the prospects of Indian support.

The senior leadership at the U.S. Defense Department has internalized this conclusion completely and is now committed to building Indian defense capabilities as part of the larger U.S. rebalancing to the Asia-Pacific region. As Secretary of Defense Leon Panetta recently stated, "I want to stress that the United States is firmly committed to provid-

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**The Obama administration should pursue specific initiatives to take U.S-Indian defense relations to the next level.**

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ing the best defense technology possible to India."<sup>37</sup> Accordingly, the Obama administration should pursue specific initiatives to take U.S-Indian defense relations to the next level. These efforts should focus on direct defense-industrial collaboration, since military-to-military relations and defense sales

have already done very well. Yet there is room for great improvement even there. Current initiatives in both areas should be expanded because raising the operational proficiency of the Indian military and expanding India's inventory of U.S. defense equipment obviously serve American interests.

Although the U.S. contribution to increasing India's combat proficiency today occurs mainly through bilateral military exercises, there is a compelling argument for supplementing these efforts by expanding the slots available to Indian military officers in the U.S. International Military Education and Training program to include advanced instruction in certain critical combat specialties. Where land warfare is concerned, the Indian military would benefit most by increased training for its special forces, its helicopter attack aviation units, and its joint terminal-attack controllers. In the naval arena, honing airborne anti-submarine and integrated anti-air warfare skills have long been an Indian priority. And in the realm of air warfare, teaching Indian operators to effectively use their new airborne early-warning platforms and remotely piloted aircraft would hugely benefit what is already

a highly proficient force. The United States has unparalleled expertise in each of these areas, and increasing the Indian military's access to its dedicated training programs would make a consequential difference to India's combat effectiveness.

Similarly, the United States should adopt a more liberal license release policy with regard to weapon sales to India. Unfortunately, there is still a residual belief in some components of the American bureaucracy that such transactions ought to be metered with an eye toward preserving a desirable military “balance” between India and Pakistan. Such attitudes are both anachronistic and counterproductive.

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The vast differential in India's and Pakistan's economic performance ensures that the notion of a military “balance” between the two is increasingly quixotic, and even if it is somehow tenable in the abstract, there is no way that the United States can assume responsibility for preserving such an equilibrium in the face of the dramatically divergent growth trajectories of the two countries. Moreover, India's focus on China as a military challenge—which has long displaced Pakistan as *the* planning factor in all Indian threat assessments—implies that any modernization oriented toward neutralizing this threat inevitably widens the gap with Islamabad even further. There is no easy solution to this triangular dynamic and certainly none that the United States can either adjudicate or enforce, given the multiplicity of defense suppliers now available to India. In such circumstances, any U.S. effort to withhold defense goods sought by India that can be easily procured from elsewhere will only result in lost business and mislaid opportunities to further deepen bilateral defense collaboration. The unhappy saga surrounding the U.S. efforts to supply the Javelin anti-tank guided missile to India in the face of competition from a less effective Israeli system serves as a reminder of this problem.

Expanding the gains chalked up so far in military-to-military cooperation and defense sales should obviously continue, but the time is now ripe to build on these achievements by strengthening the Indian defense industrial base directly. Three initiatives are worth pursuing in this regard.

For starters, the departments of State and Defense should review and fix the bureaucratic impediments to releasing licenses for information that can be shared by U.S. defense companies when responding to requests for information or proposals issued by the government of India. Creating a mechanism to expedite the release of such licenses, on the presumption that export-control authorizations would follow if U.S. manufacturers are successful in the bidding process, would do a great deal to resolve many irritants that currently plague

bilateral defense trade. Where the sales of advanced defense commodities are concerned, the U.S. government should accord India the presumption of approval so long as the technology in question will not fundamentally negate any critical U.S. warfighting advantages, can be parried by existing or prospective U.S. countermeasures or superior U.S. operating regimes, and will be rigorously protected against loss or outward proliferation to potential U.S. adversaries.

Further, the important decisions recently made by the Obama administration to upgrade India's standing where export controls are concerned need to be clearly conveyed to Indian policymakers. Describing the innovations in rationalizing U.S. export-control processes—as the administration has already done—is key, but it cannot substitute for a clear indication of how exactly India stands to gain in terms of improved access to the items on the State Department's Munitions List and the Commerce Control List.

Finally, the Defense Department should move quickly to conclude a small number of joint research and development pilot programs to prove the possibility of genuine defense cooperation that goes beyond equipment sales—in line with recently expressed Indian preferences. Many of the advanced technologies in the United States reside in private companies, but the U.S. government is often the formal owner of the technologies developed by and residing in private entities. As a result, the implementation of joint research and development efforts invariably involves license liberalization. Beyond that, the large number of U.S.-government-controlled laboratories offers opportunities for laboratory-to-laboratory collaboration with various Indian governmental counterparts. The Pentagon's leadership ought to identify and quickly implement specific proposals for joint collaboration with Indian research and development entities both to demonstrate the U.S. capacity to improve the Indian research and development base and to consolidate the partnership with key bureaucratic entities within the Indian Ministry of Defense.

A concerted effort along these lines would pay great dividends in expanding the U.S.-Indian defense relationship. Again, to the credit of the Obama administration, many of these initiatives have already begun. During the last year, Deputy Secretary of Defense Ashton Carter led a remarkable department-wide effort to hammer together a set of proposals for expanded U.S.-Indian defense industrial cooperation. This initiative has been unprecedented in the history of bilateral defense interactions and, if pushed successfully to completion in the second Obama term, would take the United States “well beyond purely defense trade with India towards technology sharing and coproduction” for the first time.<sup>38</sup>

# AN OPEN DOOR TO GENUINE PARTNERSHIP

Freed from the encumbrances of their enervating nuclear disagreement, the United States and India now have the opportunity to nurture their deep-rooted shared interests that make a genuine strategic partnership possible. This partnership will not be driven by flashy achievements of the sort represented by the civilian nuclear cooperation agreement. That compact was exceptional and represented an extraordinary solution to a peculiar predicament. The gains of future partnership, in contrast, will be characterized by the dominance of ordinariness deriving from the actions of countless citizens in both countries motivated either by profit or by a desire for social collaboration—but outside the direction and control of their respective governments. The best thing governments on both sides can do to aid this process is to get out of the way.

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The U.S. and Indian governments need to concentrate on what they alone can do—create effective institutional and regulatory frameworks that permit their citizenry to engage in what the political philosopher Robert Nozick once colorfully described as “capitalist acts between consenting adults.”<sup>39</sup> Such actions alone will transform the cooperation currently under way in agriculture, education, energy, health, infrastructure, science and technology, and trade and investment into real drivers of partnership because of their impact on the lives of millions of people in both countries. Given the right shifts in policy, there is no reason why these private activities cannot extend productively even to the hitherto segregated areas of counterterrorism, defense, space, and nuclear cooperation.

Indian actions are undoubtedly central in this regard because, to the degree that meaningful liberalization takes place in all these arenas in the years ahead, American partners can contribute not merely to deepening the bilateral partnership but to actually advancing India’s own goal of comprehensively increasing its national power. The opportunities confronting the United States and India are truly boundless. Both sides have only just scratched the surface of their potential cooperation. But with the removal of the most important impediment facing their bilateral relationship during the last thirty years—India’s exclusion from the global nonproliferation regime—both governments need to get down to business if they are to achieve the meaningful strategic partnership that eluded them throughout the Cold War. At a time when the United States and India face the common challenge of maintaining a favorable balance of power in Asia, they cannot afford to fail.



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