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WORKING PAPER

U.S.-India Initiative Series
The United States and India 10 Years Out

By Teresita C. Schaffer



**Center for a
New American
Security**

About the U.S.-India Initiative Series

This paper is one of a series commissioned in conjunction with a major Center for a New American Security (CNAS) study on the future of the U.S.-India relationship. The study, co-chaired by former Deputy Secretary of State Richard L. Armitage and former Under Secretary of State for Political Affairs R. Nicholas Burns, and directed by CNAS Senior Fellow Richard Fontaine, has produced a comprehensive blueprint for the next phase of the U.S.-India strategic relationship. The full text of the final report can be found at www.cnas.org.

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The United States and India 10 Years Out

By Teresita C. Schaffer

About the Author

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India and the United States have transformed their relationship in the past 20 years.

Looking ahead a decade or more, this trend is likely to continue. The two countries can expect strong economic ties and a lively security relationship, including increased defense trade and especially stronger cooperation in the Indian Ocean. Economic issues will remain important drivers of Indian foreign policy. Cooperation on the global scene will have ups and downs, but the two countries will gradually find more areas where they can work together. As India's international trade encompasses more sophisticated and knowledge-based products, India will pursue economic interests that do not necessarily dovetail with those of the developing countries as a group. India-Pakistan relations are likely to remain brittle. India will continue to see China as its major strategic challenge.

Over the next decade, India will become more comfortable with a higher international profile – but slowly, and with considerable nervousness about the risks involved in departing from its comfort zone focused on the nonaligned movement. The “wild cards” most likely to produce real discontinuities in U.S.-India ties relate to the domestic coherence and international behavior of Pakistan and China, to international conflict involving Iran and to changes in the global distribution of power over the next decade. In addition, externally driven changes in climate or technology could limit India's economic growth and in the process make India a much more inward-oriented country.

Looking behind this broad-brush projection, it is instructive to take apart the elements of continuity and change, and to see what lessons these hold for policymakers.

Growing Economies, Expanding Linkages

India's economic growth after 1990 was one of the most important factors in transforming U.S.-India relations. This economic growth had two consequences, both of which are likely to continue through the next decade: It led to an increasingly large and vibrant U.S.-India economic relationship, and it put economic success – trade, investment and securing energy supplies – at the heart of India's foreign policy and strategic calculus.

Projections for India's economy over the next five years consistently foresee growth rates of upwards of 8 percent, possibly higher. Even if India's economic expansion falls somewhat short of these levels, one can expect economics to remain one of the drivers of U.S.-India relations, and a very positive one. In the next decade, trade will continue to grow as a share of India's economy. The United States will remain one of India's top three trading partners, and probably the largest when one includes services and information technology trade as well as goods. India's economic growth will make it an increasingly important partner for the United States, though its share of U.S. trade will not be as impressive (about 1.4 percent of U.S. trade in 2009; even dramatic growth will leave it well short of the top tier). The geography and composition of India's trade will be increasingly diverse. India has already begun implementing free-trade areas with the Association of Southeast Asian Nations (ASEAN) and Korea, and will negotiate one with Japan. With each new trade opening, the next one will become slightly easier, and India will approach the next multilateral trade negotiation with more flexibility and a greater expectation that it can benefit from global trade liberalization. A free-trade agreement with the United States is conceivable toward the end of this period, but only if the U.S. economy picks up

enough to counteract the politics of getting such an agreement enacted by the U.S. Congress.

Investment flows will continue to increase, both into and out of India. As a result, Indian companies will become increasingly active participants in the U.S. economy. In particular, the close personal and corporate linkages that bind the leading information technology firms in both countries will continue. Trade and investment are private activities. They can be intensified through government policies that sustain India's own economic growth, but fundamentally they will carry on regardless of the ups and downs in government-to-government ties. They will also help stabilize the rest of the relationship.

Security and the Indian Ocean

By the same token, India's growing recognition that its economy is not only a critical domestic priority but also a determinant of its national power will reinforce ties with the United States – not only in the economic sphere but also in the security area. One of the established pillars of U.S.-India ties is a common interest in Indian Ocean security. For India, this is critical not only for the safety of the immediate neighborhood but also for the security of its most important economic supply routes. This common concern will reinforce the importance of naval cooperation and more generally of security ties.

India and U.S. security perspectives on East Asia will remain closely aligned. Ten years hence, India will be more fully integrated into Asia than it is now. India's leadership will continue to see China as their primary strategic challenge. Its foreign policy will seek friendly engagement with China, and this will lead to instances where India draws closer to China on certain global issues (as happened, for example, at the climate change meeting in Copenhagen, Denmark). But India's leaders are acutely conscious that an assertive China will challenge India's security and economic interests. India will compensate through growing economic and political ties with Japan, Korea and the ASEAN

countries, which will also make it more of a player on the larger Asian scene. This approach has strong parallels with the way the United States looks at China. It will also, however, make India especially sensitive to any suggestion that the United States is giving preference to China in its approach to Asian security and institutions.

India's Emerging Global Role: Opportunities – and Friction

India's policy with respect to global governance is not likely to change much. It will pay considerable deference to the United Nations – except when India's specific interests are engaged (e.g. Kashmir). India will be active in the G-20, especially on financial issues. It is likely to join the U.N. Security Council (UNSC) in a non-permanent seat in January 2011. After this term ends, it will continue to try to enhance its leadership role, including seeking a permanent UNSC seat. Each step up the leadership ladder will bring some level of anxiety about the price India will pay for offending its international friends by taking a stand on international issues. India will become more comfortable with this exposure, but for much if not all of the next decade, this ambivalence will exert a drag on India's willingness to work with the United States on the global stage.

A final area of continuity lies in India's foreign policy philosophy. The concept of "strategic autonomy" – the idea that India must not allow any other country excessive influence over its foreign policy, and that it seeks a global role balancing major power centers – will remain a matter of strong consensus among India's political and policy elites. Even those most committed to international economic integration and to partnership with the United States are also strongly attached to Indian exceptionalism. Examples of the latter include both broad policy issues (such as India's interests in Iran) and India's discomfort with defense sales provisions that the United States considers routine procedural matters (e.g. the question of end-use monitoring of military purchases). This means that there will continue to be a prickly quality to U.S.-India relations beyond the bilateral realm.

What Could Change?

Four potential discontinuities in particular bear watching. They involve Pakistan and Afghanistan; U.S. or Israeli military action in Iran; a more assertive China; and perceptions that U.S. international standing is weakening significantly.

In principle, a breakthrough in India-Pakistan peace talks could provide a tremendously positive boost for U.S. relations with both countries. This is a long shot, however. The government in Pakistan is unlikely to be strong enough to sustain a real breakthrough in the next five years.

Somewhat more likely, and much more dangerous, is a security crisis in the subcontinent. This could result from either further erosion of Pakistan government authority or a more assertive Pakistani policy. It could also be a by-product of a messy U.S. departure from Afghanistan, something India would regard as a serious security problem. Any of these scenarios could include increased militant activity in Kashmir or violence elsewhere in India. Especially if India were convinced that the Pakistan army and Inter-Services Intelligence (ISI) were behind a spike in militant activity, this would put the Indian government under strong pressure to retaliate and raise the risk of India-Pakistan war.

In such circumstances in the past, U.S. diplomacy has focused on crisis management. Each crisis is unique, however, so there is no reason to assume that the old crisis-management playbook can simply be dusted off. A crisis between India and Pakistan could all too easily become a crisis between the United States and both countries. Both countries will be looking for U.S. sympathy; both will be quick to claim that the United States is hypocritically ignoring their security concerns. If the United States is to have a significant influence on India's policy in a future crisis, it will need to make an investment now in working closely with India on terrorism issues, including those that involve people working from Pakistan against India.

Second, U.S. or Israeli military action against Iran's nuclear capacity could spark popular disturbances against the United States or problems for U.S. military access throughout the Persian Gulf and in Pakistan, and that explosion would echo in India. This could involve violent demonstrations by India's Muslim population and possibly wider Hindu-Muslim violence. Internationally, China and Russia would probably position themselves as supporters of the Muslim world. India would in all likelihood distance itself from the United States. Even if India is able to reduce its dependence on Persian Gulf oil (currently over half its oil imports), India would position itself closer to the Persian Gulf countries in an effort to mitigate the domestic political fallout. It would move closer to Russia and China in the process.

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Third, at this writing a more assertive China seems like a strong possibility. Since mid-2009, China has been challenging India on a number of fronts: reasserting its claim to the Indian state of Arunachal Pradesh, contesting development loans for that state in the Asian Development Bank, insisting on

stamping visas for Indian residents of Kashmir on a blank sheet of paper instead of in their passports, announcing that it is moving ahead with civilian nuclear supply for Pakistan and ramping up significantly its military cooperation with Sri Lanka. China's statement that it plans to participate in anti-piracy operations in the Indian Ocean could represent the beginning of a long-term Chinese presence there, a major security worry for India.

How a more direct challenge from China affects U.S.-India relations depends on how confident India feels that the United States will back it up. The "China connection" has always been an unspoken foundation of U.S.-India relations. Both countries want to engage China and neither wants to treat it as an enemy, but both see it as a potentially dangerous strategic competitor. If New Delhi sees Washington as responding to China's forward thrusts with quiet firmness, Chinese assertiveness could result in closer and more candid strategic coordination between India and the United States. On the other hand, if the United States is seen as enhancing China's international stature or giving it special standing in the management of world problems – the Indian shorthand for this is "creating a G-2" – India will work hard to put more substance into its relations with Japan and Russia, to create other balancing relationships in Asia.

A fourth discontinuity has to do with India's perceptions of U.S. power. India's security leaders built up their relations with the United States at the height of the "unipolar moment." India never liked the idea of unipolarity, but was willing to work with the only remaining superpower to propel India into the global role it coveted.

Some loss of relative U.S. power is virtually inevitable, given China's and India's rapid economic growth and the expansion in both countries' international role. Indeed, the United States is already managing this process with some grace, for example by taking the lead in reallocating voting shares in

the international financial institutions (benefiting India and especially China). In Indian policy circles, U.S. economic strength and innovative capacity are viewed as durable sources of U.S. international power, and the prevailing expectation is that these will keep the U.S. in a powerful position for at least the next decade.

However, a major U.S. international reverse would raise serious questions in India about the durability and value of its American connection. Examples might include defeat in Afghanistan or, perhaps even more sharply, a circumstance in which China appeared to be gaining a dominant role in Asia at the expense of the United States. Under these circumstances, India would probably preserve the bilateral relationship with the United States – the economic ties, the Indian Ocean security connection – while working hard to create a partnership with China and Russia on the Asian scene and in global institutions. This would be a tough formula to implement. Chinese and Russian interests are not very well aligned, and China's especially do not conform well with India's. However, in a circumstance of perceived U.S. decline, India's propensity to try to balance global power centers would almost certainly drive policy.

These discontinuities grow out of concerns that have been part of India's foreign policy from its earliest years: the determination not to be undercut by Pakistan-based security threats and the drive to balance powerful countries on the global and Asian scene. Other potential changes might arise from exogenous causes. One example might be the long-term effects of climate change, such as extreme drought or flooding that could give rise to major changes in food production or to massive flows of people across India's eastern borders. Another externally generated "wild card" might be disruptive technology development, perhaps in the electronic or energy field, that significantly undercuts India's advantages in the most dynamic areas of its growth. Either of these contingencies could

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seriously hamper India's economic growth, leading the government to turn away from international engagement with the United States in its preoccupation with domestic problems.

Three themes stand out in this discussion of the strategic surprises U.S. policymakers could face in India in the next decade. The first is the importance of how the United States now deals with India's concerns about Pakistan, and about Pakistan-based terrorism. This is an area where India and the United States are very likely to have serious policy differences. This is the time for the United States to make clear that it takes India's security concerns seriously – despite the painful issues that confront both countries in Pakistan and Afghanistan. The second theme is China's quest for a dominant role in Asia. U.S. policy has begun to treat India as a player on the Asia-wide scene.

This will be increasingly important – but at times also increasingly difficult, especially given India's ambivalence about how much of a region-wide character it wants to impart to its partnership with the United States.

The third theme is the tension between India's international and domestic focus. This runs deep in India. As already noted, there is almost universal agreement on the importance of “strategic autonomy” in India's foreign policy, and Indians and Americans share a belief in their own exceptionalism. Since about 1990, India has both opened to the world and engaged more deeply with the United States. Continuation of these trends will make India's domestic preoccupations and its philosophical commitment to strategic autonomy easier to reconcile with a strong relationship with the United States. The externally driven contingencies addressed here would push India in the other direction – toward a more inward-looking policy, which would almost inevitably reduce its interaction with the United States. This would not bring the relationship back to the level of the 1950s and 1960s: The economic development that has taken place in the interim practically rules that out. But it would put the two countries on a different and slower trajectory.

About the Center for a New American Security

The mission of the Center for a New American Security (CNAS) is to develop strong, pragmatic, and principled national security and defense policies that promote and protect American interests and values. Building on the expertise and experience of its staff and advisors, CNAS aims to engage policymakers, experts and the public with innovative fact-based research, ideas, and analysis to shape and elevate the national security debate. A key part of our mission is to help inform and prepare the national security leaders of today and tomorrow.

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