

MEMORANDUM

TO: President Obama
FROM: Tanvi Madan
DATE: January 17, 2013
BIG BET: The India Investment



Your administration has made the correct judgment that the rise of India and its increasing role and influence in the international system benefit U.S. interests. This assessment has been articulated repeatedly and enjoys bipartisan support. While Indian policymakers have not been as vocal, their actions have indicated that they too recognize the importance of the bilateral relationship. U.S. relations with India are broader and deeper today than they have ever been. The danger to the relationship is that it will suffer from inattention – on the Indian side, because of the lack of bureaucratic and political capacity, and policymakers’ domestic preoccupations; on the U.S. side, because of the lack of a crisis or a single high-profile initiative focusing bureaucratic and political attention, and other more-pressing domestic and international concerns. Furthermore, the return on the U.S. investment in India will likely only manifest itself in a major way in the medium to long term. That, combined with political and economic circumstances in India, might lead to “India fatigue” in the United States.

Recommendation:

You have already made a bet on India. In your second term, as you try to shape the emerging global order in a liberal direction, India’s role will become ever more important because of its size, geostrategic location, economic potential and democratic institutions. Accordingly, you need to ensure that your administration stays invested in that bet and perhaps even ups the ante. In many instances, it is India that needs to put more chips on the table. However, there are steps that the United States can take to help increase the momentum, as well as shape the context in which Indian decisions are made. These include working with Indian counterparts to implement existing agreements, conclude current negotiations, and explore new areas of collaboration, in particular in the energy and education sectors. Your administration should also signal sustained commitment to the relationship through continued consultations, high-level visits and timely personnel appointments. Active efforts are also needed to encourage

movement on the Indian side, increase public outreach and facilitate the consolidation and creation of constituencies for the relationship beyond government.

Background:

The relationship with India has been one of the little-heralded foreign policy successes of your first term. The momentum, however, will not sustain itself. Along with the danger of drift, there is likelihood that bilateral differences rather than achievements will take center stage. Past irritants are likely to re-emerge. Your administration and the Indian government successfully navigated the tricky Iran sanctions-Indian oil imports issue last year. However, if the situation with Iran worsens and conflict breaks out, Delhi and Washington might find themselves on opposite sides. The U.S. relationship with Pakistan, in the context of the withdrawal from Afghanistan, might create another area of potential difference. The United States has recently encouraged Indian involvement in Afghanistan and a U.S.-India-Afghanistan trilateral is in place. There are already concerns in India, however, that the U.S. desire to assuage Pakistan to facilitate the Afghanistan withdrawal might lead to a reversal of that position. There are also concerns that the United States will be less likely to pressure Pakistan on counter-terrorism issues related to India. Any renewed drive for the Comprehensive Test Ban Treaty (CTBT) might spark bilateral strain as well. U.S.-India relations have changed since the debate over the CTBT in the 1990s. But the CTBT issue could once again lead to contention between the two countries, which will not be restricted to the private sphere. Finally, as you carefully calibrate the relationship with the new leadership in Beijing, dormant Indian concerns about a G-2 or Sino-U.S. condominium will also likely arise again.

Avoiding drift and the dominance of differences will necessitate getting more deliverables from the numerous U.S.-Indian official dialogues. This means implementing agreements that have already been reached. In some cases, the major obstacles to implementation lie on the Indian side – the civil nuclear agreement is one such example – but there are others where the United States needs to act, including in the defense and technology areas. The expeditious completion of negotiations on other agreements would also help, including those related to bilateral investment, as well as defense technology and trade. These agreements have the potential to create opportunities for the U.S. private sector to invest in India and generate jobs here at home. It can also create new constituencies for the relationship, including at the state level, in both countries and demonstrate that the United States is interested in strengthening

India's economy and security, as well as those of the United States. New assessments will be needed of other areas in which there can be substantive cooperation: space, maritime, and cyber-security offer opportunities. The United States and India should try to move from consultation in these areas to joint initiatives. An updated feasibility study on a free trade agreement with India could also clarify the desirability of moving on that front.

While diplomatic, defense and economic engagement get the most attention, cooperation elsewhere could bear fruit, particularly in the energy and education sectors. Your administration's efforts should include urging Indian reform of its higher education sector to allow the participation of American universities. Meanwhile, research collaboration, academic exchanges, and university linkages should be facilitated, and you should encourage India to review visa procedures to facilitate more American citizens studying and working there. U.S. immigration reform that includes addressing the question of the mobility of high-skilled workers could strengthen the U.S. hand in encouraging these changes. On the energy front, the administration should work to allow the export of natural gas to India, while explaining that this is not the major solution that many in India seem to think it is. Furthermore, there should be additional progress on cooperative clean energy initiatives and the opening up of the energy infrastructure sector in India to greater U.S. investment.

Progress in these areas will require difficult domestic decisions for the Indian government. Yet recent statements and actions from Delhi have shown that it recognizes the magnitude of the problems and the need for foreign investment and cooperation. Progress on these issues would also encourage engagement from state governments, corporations, civil society and individuals on both sides. Finally, while offering opportunities for the American people and corporations, these initiatives would also help build physical and human capacity in India, and demonstrate U.S. investment in India's future.

The quality of bilateral interaction will also need to improve further. As personnel change on the U.S. end and, potentially, on the Indian side, there is a need to ensure that the level of trust and working-level cooperation that has been established is not lost. The relationship requires White House attention and coordination, which would be facilitated if an official responsible for India policy is appointed. Furthermore, India-related positions across government need to be filled speedily and not left vacant as they were in some high-profile instances in the first term. This is especially important since post-Afghanistan withdrawal and with

the possible consolidation of South Asia bureaucracies, there is a danger that India will revert to being seen in the government as just another South Asian country. India's involvement in the rest of the world is only going to increase. If the United States does not continue to engage with it on regional and functional issues outside South Asia, it will miss an opportunity to cooperate and increase the possibility that India will hinder U.S. interests.

There is a continuing need for attention and commitment at senior levels. You could make evident your personal interest by visiting India during your second term, making you the first U.S. president to visit India twice. A reciprocal visit from the Indian prime minister should also be encouraged. Such visits would be especially important if there is a change in leadership at the top in India.

An overarching challenge is how to facilitate movement with India without stepping on Indian sensitivities and becoming an issue in Indian domestic politics. First, your administration should continue to share with the Indian government your concern that "India fatigue" will make further progress on our end harder. India will need to help cultivate constituencies in the United States that support the relationship. In certain instances, pressure will be called for; ideally, it should be applied privately. Second, through a more vigorous and consistent public outreach effort in India, your administration needs to explain the content and objectives of its policies and agreements, as well as how India benefits. If the United States does not fill the vacuum, others will do so with misinformation or disinformation. Such an effort should also engage critics and, while keeping the sitting government informed, opposition leaders.

Conclusion:

You will need to manage the differences that the United States will continue to have with India and not underestimate the difficulties India's rise might create for some U.S. interests, for example at the U.N. or in global trade talks. However, your judgment that the United States and India are natural partners and that the benefits of India's rise outweigh any costs remains sound. But the relationship needs continued nurturing. It also requires sustained buy-in from legislators, corporations and individuals who have been key in driving the relationship; more recently their support has been flagging. Importantly, India needs to do its part too. It is likely that it will. India is concerned about an economic slowdown and the security situation in its neighborhood, especially involving China and Pakistan.

It also continues to aspire to a greater role on the world stage. And Indians realize that the United States can play a critical role in helping India achieve its security and economic goals to an extent that perhaps no other country can.