

COUNCIL *on*
FOREIGN
RELATIONS

Independent Task Force Report No. 73

Charles R. Kaye and Joseph S. Nye Jr., *Chairs*
Alyssa Ayres, *Project Director*

Working With a Rising India

A Joint Venture for the New Century

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Foreword

Eighteen years ago, I chaired a Council on Foreign Relations–sponsored Independent Task Force on South Asia, *A New U.S. Policy Toward India and Pakistan*, which was followed up by a second Task Force report one year later after both India and Pakistan tested nuclear weapons. Rereading those reports serves to remind how two decades ago nonproliferation was the dominant lens through which Washington viewed its interests in India and South Asia. Today, with the end of the Cold War, the emergence of terrorism with a global reach, a long war in Afghanistan, the rise of China, and India’s economic growth, there is the reality of a much wider aperture.

U.S. relations with India have changed as well. Bilateral ties are closer than ever, including on sensitive strategic matters. India conducts more military exercises with the United States than with any other country, and increasingly, New Delhi and Washington confer on a wide range of issues, including global health, cybersecurity, clean energy, and democracy promotion. Prime Minister Narendra Modi has given special emphasis to India’s ties with the United States, having just completed his second visit to this country, and having welcomed President Barack Obama to India’s Republic Day parade, a first for a sitting U.S. president. Prime Minister Modi has made economics the cornerstone of his foreign policy, and has stated his goals of achieving faster economic growth and reducing the hurdles to doing business in India.

That said, many of the issues that previously limited the U.S. relationship with India remain, albeit to a lesser degree. While Washington and New Delhi have converged more closely on Asia-Pacific strategic matters and counterterrorism, Indian leaders do not always see Washington’s global policy goals as congruent with their interests, especially regarding Iran and the Middle East. Indian policymakers also remain ambivalent about the market-based, open competition that has potential to power their economy and expand the U.S.-India economic relationship.

In some ways, it is possible to speak of two Indias—one of great accomplishment and promise, another that never quite lives up to its potential. It is similarly possible to speak of two U.S.-India relationships, one that broadens and deepens, another marked more by mutual disappointment and frustration. It is against this backdrop that the Council on Foreign Relations launched this Task Force—the first to focus exclusively on India—to assess the current situation in India and the U.S.-India relationship, and to develop findings and recommendations for U.S. foreign policy.

This report urges U.S. policymakers to reframe the terms they use in crafting a partnership with a rising India that does not seek an alliance relationship with the United States. It recommends seeing U.S.-India ties more as a joint venture. This term has specific meaning. As in business, joint ventures do not presuppose agreement on every matter outside those objectives. Narrowing and managing those inevitable differences will be critical to the U.S.-India relationship.

The Task Force offers a limited, prioritized set of additional recommendations. Among the most important for U.S. policymakers is the call to support India's economic growth. Making this the top priority for U.S.-India relations will require the United States to rethink its economic approach to India. The report offers steps to do so, including supporting Indian membership in the Asia-Pacific Economic Cooperation forum, completing a bilateral investment treaty, starting high-level discussion of bilateral sectoral agreements, crafting a long-term pathway to a free trade agreement or Indian membership in the Trans-Pacific Partnership, and further increasing defense trade.

The Task Force also urges Indian leaders to deepen their country's economic liberalization, something essential if India is to achieve sustained high growth rates. On strategic matters, the Task Force commends the recent expansion of defense ties, and urges renewed attention to homeland security and counterterrorism cooperation. Looking at the region, the Task Force recognizes the challenge to U.S.-India relations posed by U.S. policy toward Pakistan, as well as the drag on India's rise presented by the risk of conflict with Pakistan. The Task Force recommends that India—for the sake of its own future—pursue an improved relationship with Pakistan. In parallel, the Task Force urges the United States to demand that Pakistan tackle terrorism, and prepare to cease U.S. funding for defense sales and coalition support funds should Pakistan prove unwilling. The report also makes recommendations about

priorities for collaboration on global issues, recognizing the cyber domain and global health as those with the greatest potential.

I would like to thank the Task Force's co-chairs, Charles R. "Chip" Kaye and Joseph S. Nye Jr., for their thoughtfulness, expert guidance, and commitment to producing a report that would result in real action by policymakers in both countries. I also thank the accomplished group of Task Force members and observers whose insights and knowledge contributed so much to the final product.

I am grateful to Chris Tuttle, managing director of CFR's Independent Task Force Program. His steady hand has been instrumental to the Task Force process. I would finally like to thank Project Director and Senior Fellow for India, Pakistan, and South Asia Alyssa Ayres for helping to guide the deliberations and drafting the important report that they produced.

Richard N. Haass

President

Council on Foreign Relations

November 2015

Acknowledgments

Seven years ago, in 2008, I served as project director of a Task Force on U.S. relations with India sponsored by the Asia Society. Our deliberations overlapped with the momentous completion of the U.S.-India civil nuclear agreement. It seemed at the time as if Washington and New Delhi had conquered the disagreements of the past and could only aim higher together. Our report envisioned an expansive partnership with India, one in which both countries' governments and private sectors could—and would—collaborate.

Cooperation grew closer, and across more areas. India and the United States elevated formal diplomatic consultation to a Strategic Partnership, and President Barack Obama declared support for Indian permanent membership in a reformed United Nations Security Council. But at the same time, the global economic crisis, slowing growth in both countries, strategic divergences over the Arab uprisings, challenges in Afghanistan and Pakistan, and particularly acute trade spats resulted in unanticipated turbulence for U.S.-India ties. In December 2013, when an Indian consular official was arrested in New York, India and the United States experienced a diplomatic rupture that lasted several months.

In India, the May 2014 election of Prime Minister Narendra Modi's government ushered in a "reset" for the country, economically as well as diplomatically. Washington and New Delhi have gotten back on track. Three summit-level meetings between Obama and Modi have taken place; once again, bilateral prospects look promising. This Independent Task Force spent six months deliberating over ways to keep U.S. relations with India looking promising, identifying ways to better conceptualize what it means to partner with a proud rising power, and thinking through how to best prioritize the most crucial areas for collaboration. The report that resulted here reflects concentrated effort by the dedicated members and observers of the Task Force, and I am

deeply appreciative of the time they gave and the talents they lent to this project.

It was a privilege and pleasure to work so closely with Task Force co-chairs Charles R. “Chip” Kaye and Joseph S. Nye Jr., both of whom brought the historical memory of longtime India watchers to the Task Force mandate. Most important, their global perspectives on matters economic and strategic ensured that the questions we asked—and attempted to answer—were contextualized against larger global trends and India’s role within that broader landscape. Both devoted many hours to the Task Force, leading meetings, reading and reviewing numerous drafts, and ensuring a refined set of priorities. Their colleagues Margaret Grunow and Jeanne Marasca helped coordinate us all. Chip additionally led a small delegation, co-led by Task Force member Marshall M. Bouton, to Mumbai and New Delhi in August. That intensive trip provided insights that shaped the report in significant ways. Many thanks to everyone who shared their views with our delegation; their input shaped the way the Task Force decided to narrow its findings and recommendations.

We also received helpful input from many CFR members. The Washington Meetings team organized an event in Washington, DC, to discuss some of the report’s findings and recommendations in progress, which Task Force member Nicholas Burns led with me. Thank you to Nick for making the trip down from Boston for the discussion, and to the CFR members who offered their diverse recommendations.

CFR’s Publications team did a superb job editing the report and bringing it to publication; CFR’s Communications, Congress and U.S. Foreign Policy Program, Corporate, National, Outreach, and Washington teams all helped amplify the reach. CFR’s Events teams in New York and Washington deserve plaudits for coordinating all of our meetings and events smoothly.

Chris Tuttle and Veronica Chiu of CFR’s Independent Task Force Program were central to this project from conception to completion, from the initial inklings through the selection of Task Force members, the meetings, the August trip to India, and then the work of reviewing numerous drafts. I am grateful to them for their camaraderie and support. My research associate Ashlyn Anderson deserves special thanks, especially for the role she assumed as Task Force rapporteur and organizational stalwart during our August trip to Mumbai and New Delhi.

In addition, Marisa Shannon and intern Alexandra Smith of CFR's Independent Task Force Program also provided valuable assistance.

Above all, I am grateful to CFR President Richard N. Haass for seeing this moment as opportune for examining U.S. relations with India through an Independent Task Force, as well as to CFR Senior Vice President and Director of Studies James M. Lindsay, both of whom gave me the opportunity to direct this effort.

Alyssa Ayres
Project Director

Acronyms

APEC	Asia-Pacific Economic Cooperation
BRICS	Brazil, Russia, India, China, and South Africa
GDP	gross domestic product
ICANN	Internet Corporation for Assigned Names and Numbers
ILO	International Labor Organization
IMF	International Monetary Fund
IT	information technology
NATO	North Atlantic Treaty Organization
PPP	purchasing power parity
TPP	Trans-Pacific Partnership
UNDEF	United Nations Democracy Fund
UNDP	United Nations Development Program
WTO	World Trade Organization

Independent Task Force Report

Executive Summary

Call it an American consensus: India now matters to U.S. interests in virtually every dimension. India's economy is a fast-growing emerging market, increasingly important for international business, and Indian businesses have become investors in the United States. Geopolitically, India's growing military capabilities can help protect the sea lanes and deliver humanitarian assistance quickly throughout the South Asian region, and increasingly across the greater Indo-Pacific. India's long-standing stability anchors the volatile Indian Ocean region and helps ensure that no single power dominates the Asia Pacific, leading to a stable balance of power. India's sheer scale means that complex global challenges, such as climate change, cybersecurity, and health, cannot be solved without it. Additionally, India's diverse, plural democracy stands out in a world in which authoritarianism poses new threats to the interests of the United States and its allies.

Today, India has a window of opportunity for significant change. There are two Indias, one that appears poised for global success, and one that continues to struggle with weighty economic, social, and developmental challenges. Both exist at the same time—but against the backdrop of slowing global growth, India has a greater chance to stand out. With Prime Minister Narendra Modi elected to office on a campaign focused on job creation and economic growth rather than the welfarism of the past, India may at last be able to translate its long-heralded power potential into reality.

In light of this potential for change in India, and with the 2016 presidential election gearing up in the United States, the Council on Foreign Relations (CFR) sponsored an Independent Task Force on U.S.-India relations to examine developments in India and weigh those against U.S. foreign policy. Successive U.S. administrations have worked to improve ties with India, but even with the high-level focus on strategic partnership, the relationship has encountered difficulties. The Task

Force considered India's current political and economic preoccupations and its ambitions for the next decade, reflected on how those mapped onto U.S. national interests, and developed a slate of findings and recommendations for the United States (and to a limited extent, India) to consider.

FINDINGS

1. India's shift away from nonalignment remains incomplete, but continued geopolitical changes around the world, the importance of economics, and China's rise have all created a landscape in which Indian and U.S. interests are in a process of *structural realignment*. The Task Force finds that this structural realignment increases opportunities for the United States and India to pursue mutual self-interest through closer cooperation.
2. The Task Force finds that if India can maintain its current growth rate, let alone attain sustained double digits, it has the potential over the next two to three decades to follow China on the path to becoming another \$10 trillion economy. This places India at a unique moment in which the right choices could propel it to far greater relevance for global gross domestic product (GDP) growth in the decades to come. Consequently, nothing is more important to India's future success—across all facets of national power—than achieving sustained high levels of annual economic growth.
3. Because of the *combined* economic, national security, and global policy potential India presents, the Task Force finds that a rising India offers one of the most substantial opportunities to advance American national interests over the next two decades.
4. The Task Force finds that for India to realize its ambitions, for its society as well as its economy, it will need to tackle barriers that hold back women and girls.
5. The Task Force finds that India risks being left behind in international trade. India has reached a turning point and will have to decide whether it wants to become a major part of global trade flows and deeply integrated into global supply chains. Doing so would boost India's efforts to grow its manufacturing sector and its economy; choosing not to will make that ambition harder to achieve. India

might become an outlier to major trade flows—and the opportunity they bring—if it chooses to remain apart from the arrangements being put in place by the ambitious sectoral and regional trade negotiations under way. Opening more fully to global trade and investment will allow the Indian economy to draw upon the external resources necessary to shift its economy into the higher gear it seeks.

6. The Task Force finds that Indian ambivalence about the role of markets and open competition—and therefore a more limited role for government intervention—will continue to constrain its economic growth.
7. The Task Force finds that barriers to a much deeper relationship continue to exist, tied to U.S. policy toward Pakistan. Indian officials remain skeptical that the United States can ever fully be trusted as a security partner when they see Washington appear to acquiesce to Islamabad’s continued inaction on terror groups that have targeted India and the United States. Indian officials also view with skepticism the sale of defense equipment Washington authorizes to Pakistan.
8. Pakistan has innumerable problems independent of its issues with India. India is poised for power and prosperity if it can remain focused on its domestic transformation, and the risk of conflict with Pakistan threatens to drag India down. India should not have to, nor should it want to, endure further decades of having its strategic options limited by Pakistan.
9. The Task Force finds that U.S. policy toward Afghanistan has created particular difficulties in the U.S.-India bilateral relationship due to the increasing threat of greater instability resulting from internal Afghan divisions, the many violent threats to the country’s stability, and the drawdown of U.S. and other external forces. New Delhi also fears that what it perceives as American eagerness to extricate itself from the region could lead to more influence on the part of China and Pakistan.
10. The Task Force finds that defense ties and strategic consultations have progressed well compared with the past but still have much room to grow. Cooperation can develop much further along both the strategic-operational as well as the defense-industrial and technology tracks. Homeland security and technical counterterrorism cooperation has begun but not progressed as deeply as it could.

11. In cybersecurity and in global health, India has advanced technical capabilities and large, highly capable talent pools with experience working seamlessly with American partners, as has been demonstrated in the information technology (IT) and medical industries. The Task Force finds that India and the United States share significant interests—and unique capabilities—in both cyber and health issues, which offer the capacity for potentially transformative bilateral cooperation.
12. The Task Force finds little likelihood that India’s development pathway and domestic political dynamics would permit its government to change its views on a commitment to legally binding emissions frameworks anytime soon.
13. The Task Force finds that, as the world’s two most populous democracies, India and the United States should be obvious partners in work to share lessons from and promote democracy elsewhere in the world.

RECOMMENDATIONS

1. India’s size, its class-of-its-own sense of self, and its fierce independence all make for a bilateral relationship—both today and tomorrow—that little resembles American ties with other countries. India does not sign on to formal alliances and does not seek one with the United States. To capture this opportunity for increased cooperation while acknowledging the inherent limits to partnership with India, the Task Force recommends that U.S. policymakers explicitly emphasize a “joint-venture” model for U.S.-India relations, focused on a slate of shared pursuits on which interests converge—and with clear mechanisms for coordinating and managing the known and expected disagreements. The strategic convergence between Washington and New Delhi, including on the Asia Pacific, should not be construed as directed at any other country and is not an alliance against China.
2. Recognizing that India’s success is inherently in U.S. interests, the Task Force recommends that Washington and New Delhi transform their economic relationship just as significantly as the civil nuclear agreement transformed their strategic ties in the previous decade.

U.S. policymakers should elevate support for India's economic growth and its reform process to the highest bilateral priority, committing to ambitious targets for bilateral economic ties along with clear steps to get there. This will require a shift in U.S. government strategy toward India.

3. Similarly, the Task Force recommends that the government of India increase the pace and scope of economic liberalization with the goal of expanding markets, including opening the Indian economy more deeply to trade and foreign investment. The Task Force urges Indian political leaders, in both government and the opposition, to coalesce around a reform agenda, persuade their publics of its urgency, and implement with dispatch.
4. To reduce the chances of conflict that could delay or hinder India's global rise, the United States should encourage India to improve its relationship with Pakistan—as an investment in its own rise—particularly, at least to start, through greater trade connectivity. As important, the United States should demand that Pakistan meet its obligations as a state to tackle terrorism emanating from its territory, in both India and Afghanistan. If Pakistan is not willing to rein in terror, Washington should be prepared, at minimum, to end U.S. taxpayer funding for defense equipment sales and reimbursement of coalition support funds.
5. The Task Force recommends that the United States extend its commitment to Afghanistan—even beyond President Obama's decision to slow the withdrawal of U.S. troops from Afghanistan and retain a force of some 5,000 U.S. troops in the country into 2017. The United States should commit to a doctrine stating that future decisions regarding the size, scope, and timeline for deployment of U.S. forces will be determined by on-the-ground realities and not artificially imposed schedules, and without a declared date of departure. Such a move would help assure India and others that U.S. actions will not undermine the goal of long-term regional stability. The United States should also continue to reinforce India's helpful role in development, infrastructure, and diplomacy with Afghanistan, ensuring that India is a standing member of regional consultative mechanisms focused on Afghanistan.
6. The Task Force recommends that the U.S. government, building on the consultation and increasing levels of interaction in recent

- years, invest further attention in the security relationship with India across the entire spectrum. Homeland security and counterterrorism cooperation should receive added emphasis.
7. Regarding global issues, in the cyber domain, multilateral Internet governance cooperation has progressed well in 2015 and should continue. Bilateral collaboration should move beyond consultation to focus on more robust law enforcement cooperation, joint training, warning, and heightened security to continually upgrade protection for this critical infrastructure. As with their collaborations in the clean energy space, India and the United States should create signature joint ventures in global health.
 8. On climate change, Washington should continue to impress upon New Delhi the urgency of emissions action, pressing India to commit to improve its energy intensity or declare a per capita income level at which it would be willing to cap emissions, if it cannot commit to emissions caps at present. Doing so would signal India's commitment on the world stage. But given India's domestic political constraints, Washington should emphasize collaboration through technical consultation on matters like grid capacity, energy efficiency, automobile fuel efficiency, and financial tools to mobilize domestic capital for electricity-sector investment. Consultations on civil nuclear energy should continue. In recognition of the practical reality of India's development pathway, Washington should revise its policy, which at one time promoted technical assistance for clean coal but no longer does.
 9. The United States should approach India as a frontline partner on technical training and capacity building for democracy around the world.

Introduction

India is the world's largest democracy, managing its multireligious, multiethnic, and multilingual diversity at an unprecedented scale. It is a growing emerging market that is increasingly a destination for international business, and Indian businesses have gone global with endeavors in every region of the world. If it can maintain high rates of growth, India will become the world's third-largest economy at market exchange rates within a decade. India has established itself as a land of low-cost innovation, growing through ideas and entrepreneurship, changing the shape of international commerce, and becoming an increasingly important center for global corporate research. It is a member of the Group of Twenty and seeks a permanent seat on the UN Security Council, which President Barack Obama has endorsed.

That is one India. Another exists at the same time.

Despite India's growing wealth, it has the largest number of poor in the world—one-third of the world's 1.2 billion people living in extreme poverty.¹ India's population will soon overtake China's. India faces enormous challenges of education, training, and human development. It also faces daunting infrastructure needs, estimated at \$1 trillion over the next decade. Some 25 percent of Indians lack access to electricity—more than 304 million people, concentrated across rural areas.² Corruption scandals have captured the headlines in recent years and brought governance concerns to the fore in politics. Internationally, even as it rises as a world power, India continues to see itself as a leader of the global south. India is a tough—indeed, difficult—voice on global trade, at times willing to scuttle global consensus, and without a clear idea about whether openness will help or harm its economy. India also sees itself as an exceptional power, a *sui generis* nation unique in its own way, and for that reason is not often persuaded by precedents elsewhere.

During the Cold War years, the United States and India had a fraught relationship. The United States saw itself as the leader of the free world,

and India, despite its democracy, positioned itself as a leader of the Non-Aligned Movement. But, as has been well documented, the end of the Cold War and India's economic reform process created once-in-a-generation structural changes in world politics. Indian strategic thinkers began to see an opportunity for their country to emerge as a major power. They also started to see the United States, with its economic and technological might, as a way to leverage India's rise. The United States, too, sought a new relationship with India. In 2005, Washington and New Delhi overturned decades of mistrust with the initial announcement of a civil nuclear agreement. The process established a new strategic partnership. Many in the United States began to see India as a U.S. ally, a natural partner with shared values, including democracy, pluralism, and freedom of speech. India's shift away from nonalignment remains incomplete, but continued geopolitical changes around the world, the importance of economics, and China's rise have all created a landscape in which Indian and U.S. interests are in a process of *structural realignment*. The Task Force finds that this structural realignment increases opportunities for the United States and India to pursue mutual self-interest through closer cooperation.

Successive U.S. administrations have bet on India, seeing its rise and its emerging capabilities as squarely aligned with U.S. national security interests. Call it an American consensus: India now matters to U.S. interests in virtually every dimension of geopolitics. India's growing military capabilities can help protect the sea lanes and deliver humanitarian assistance quickly throughout the region, as its leading response to the Nepal earthquake and the evacuations from Yemen demonstrated this year. India's long-standing stability anchors the volatile Indian Ocean region and helps ensure that no single power dominates the Asia Pacific, leading to a stable balance of power. Given India's sheer scale, complex global challenges such as climate change, cybersecurity, and health cannot be solved without it. And in a world in which authoritarianism poses new threats to the interests of the United States and its allies—with Russia under Vladimir Putin for the foreseeable future, and China under Xi Jinping escalating activities in the South China Sea, cyber arena, and elsewhere—supporting democracy will be of even greater importance to U.S. interests.

Today, India has a window of opportunity for significant change. With Prime Minister Narendra Modi elected to office after a campaign focused on job creation and economic growth—not the sops and

welfare promises typically seen as vote-getters—India may at last be able to translate its long-heralded power potential into reality. It is the first time in India's history that a national election featured a campaign about economic growth, which also means that if Modi cannot deliver on growth and jobs, public disillusionment may result in Indian politics reverting to its usual ways. The window for making the reforms needed to unleash high rates of growth may not be open forever, which makes this moment all the more decisive.

Over the last year, the Indian economy has regained momentum after a slow period from 2011 to 2014, when annual GDP growth dropped as low as 5.1 percent. India's 7.5 percent growth rate this year also stands out against slowing global growth. In fact, India's growth has surpassed China's this year, making it the fastest-growing major economy in the world. **The Task Force finds that if India can maintain its current growth rate, let alone attain sustained double digits, it has the potential over the next twenty to thirty years to follow China on the path to becoming another \$10 trillion economy. This places India at a unique moment in which the right choices could propel it to far greater relevance for global GDP growth in the decades to come. Consequently, nothing is more important to India's future success—across all facets of national power—than achieving sustained high levels of annual economic growth.** The natural corollary to that observation lies in the opportunity India's economic growth presents for global prosperity.

Because of the *combined* economic, national security, and global policy potential India presents, the Task Force finds that a rising India offers one of the most substantial opportunities to advance American national interests over the next two decades. The United States and India should not miss the opportunity to close the gap between where U.S. relations with India could go and where they are at present. The Task Force does not make such a sweeping aspirational statement lightly and recognizes the many potential hurdles along the way.

Despite the seeming convergence of interests, progress in the U.S.-India relationship—played out over the years in many chapters—has been a bumpy ride. Viewed from a U.S. perspective, India has not always delivered on the expectations some American policymakers, lawmakers, and business leaders have of the relationship, and it is clear that a multiparty consensus within India on the type of relationship it would like with the United States is still evolving. Although the United

States and India have dramatically expanded the range of areas in which they collaborate over the past decade and substantially overcome legacy problems, the relationship still has enormous room for enhancement. Problems during 2013 and 2014, particularly over trade and the arrest of an Indian diplomat in the United States, revealed continued fragilities.

Contrary to expectations, the inauguration of the Narendra Modi government has resulted in a reset of U.S.-India relations following recent difficulties. Many in India and the United States alike anticipated that Modi, given the history of his visa revocation in 2005, might prioritize Japan and China as India's leading partners and sideline the United States. Instead, he has embarked upon an invigorated personal foreign policy in which the United States appears to have a central role. Given his personal signal of greater interest in ties with the United States, and with the 2016 U.S. presidential race already under way, CFR sees this moment as ripe for ambitious thinking on U.S. relations with India. CFR thus decided to sponsor an Independent Task Force to take stock of the present, assess India's domestic and foreign policy trajectories, and develop findings along with recommendations on U.S. foreign policy toward India. It is the first occasion in which CFR has sponsored an Independent Task Force focused solely on India, not South Asia broadly—in and of itself recognition of India's importance.

Background

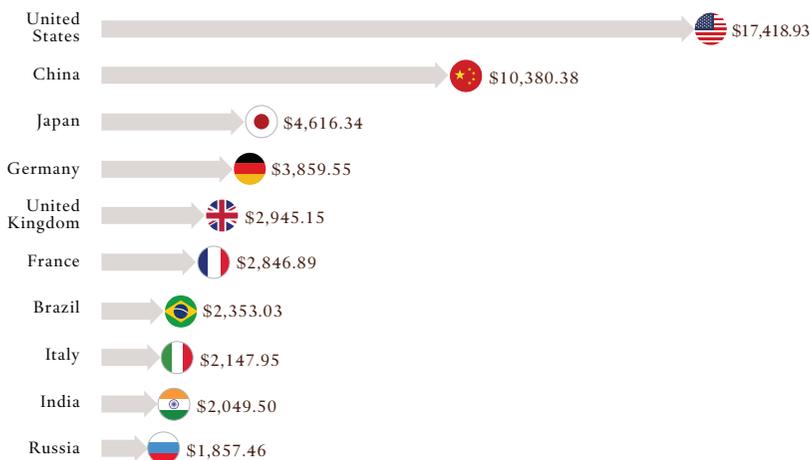
How should Washington think about India's trajectory, and its ties with a country changing so rapidly? The Indian government conceptualizes its policy horizon in terms of at least a decade. In the view of the Task Force, the United States should look toward a similar time frame in developing and executing its India policies. U.S. interests have much staked on the power India is likely to—but has not yet—become, so it is worth some explication of where trends suggest India will be headed.

India has undergone dramatic transformation over the past ten years. The most important structural factor has been economic growth. In 1994, the Indian economy was smaller than that of the Netherlands and Australia, at number fifteen using market exchange rates. In 2004, India had not broken into the top ten global economies; at number twelve, it lagged behind Canada, Mexico, and South Korea. By 2014, according to the International Monetary Fund (IMF), the Indian economy crossed the \$2 trillion threshold (figure 1), making it the ninth-largest economy globally at market exchange rates. In purchasing power parity (PPP) terms—useful for comparing relative welfare across countries, but less helpful for assessing economic might—India has already overtaken Japan as the third-largest economy (figure 2).³

However, when examining GDP per capita—a much better indication of the sophistication of an economy—the picture looks much different (figure 3). India's GDP per capita, estimated by the IMF at \$1,808 for 2015, puts the country in the bottom third.

The IMF projects that the Indian economy will grow healthily at around 7.5 percent annually through 2020, the last year for which projection is available.⁴ India's finance ministry has declared its ambition for a \$5 trillion economy by 2025, a goal theoretically achievable based on current projections if India can maintain at least a 7.5 percent or higher rate of growth. But India will need to grow sustainably in the 8 to 10 percent range to create enough jobs, reduce poverty further, and establish India as a true global economic leader.

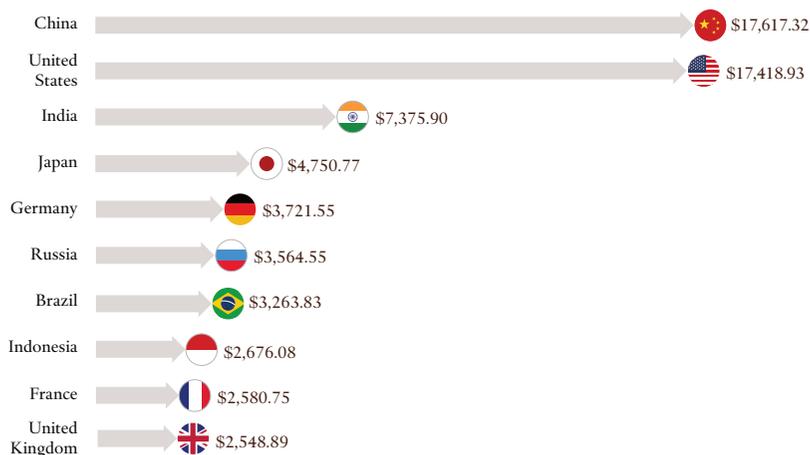
FIGURE 1. TEN LARGEST GLOBAL ECONOMIES, GDP (CURRENT PRICES), 2014 DATA IN U.S. DOLLARS (BILLIONS)*



*IMF estimates for China, Germany, Russia

Source: International Monetary Fund World Economic Outlook Database, 2015.

FIGURE 2. TEN LARGEST GLOBAL ECONOMIES, GDP (PPP), 2014 DATA IN U.S. DOLLARS (BILLIONS)*



*IMF estimates for China, Germany, Russia

Source: International Monetary Fund World Economic Outlook Database, 2015.

FIGURE 3. GLOBAL ECONOMIES, GDP PER CAPITA (CURRENT PRICES), 2015 ESTIMATES IN U.S. DOLLARS (BILLIONS)



Source: International Monetary Fund World Economic Outlook Database, 2015.

Indeed, Indian policymakers target 8 to 10 percent growth over the coming decades, as China has done, to deliver domestic transformation faster. Growth of that scale would meaningfully affect global GDP, just as occurred with China. India's GDP currently accounts for 2.65 percent of global GDP (6.82 percent in PPP), some distance from the 13.3 percent of global GDP China's economy represents. But it is getting closer to Germany's 4.95 percent contribution.⁵ As the Indian economy grows, it has the potential to become increasingly indispensable for global prosperity—becoming an engine of growth for its region and its trading partners, and rising as a source of global investment.

India's economic growth has been accompanied by falling poverty. Growth, thanks to the first-generation economic reforms begun in 1991, has lifted 133 million people out of extreme poverty into the next rung up—low-income status—over the decade from 2001 to 2011. Estimates about the size of India's middle class vary, ranging from a high of more than half a billion by 2025, which would make India the world's "fifth-largest consumer market by 2025," to more conservative estimates—down to a low of a little over thirty million people.⁶ But few dispute the future potential for explosive growth in India's middle

class, precisely because India has such a large population, began its economic reforms about twelve years after China, has had less consistent reform, and thus lags in similar transformation. The prospect for consumer markets in India to play a far larger role in global economic growth—and offer increasingly greater opportunity for global companies—is linked closely to middle-class expansion and rising disposable incomes.

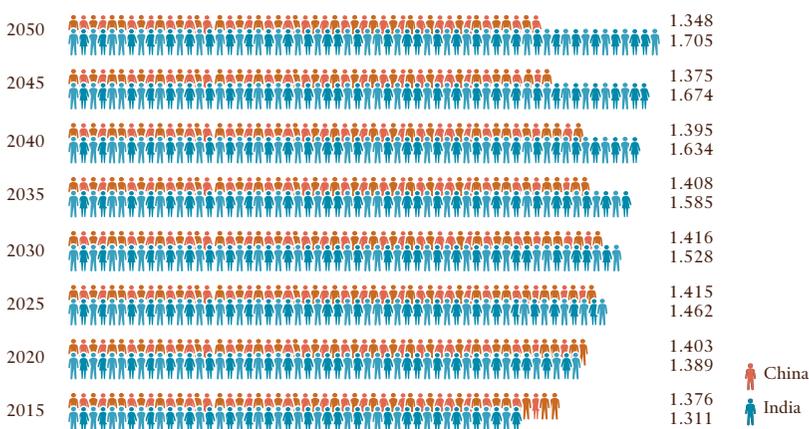
Just as U.S. investment in India helps grow the Indian economy, Indian purchases of U.S. exports and Indian investment in the United States help the U.S. economy and create jobs. As one of the focus countries of the U.S. National Export Initiative, India has already become a significant export market for U.S. goods and services. As U.S. Secretary of Commerce Penny Pritzker noted in September 2015, “Our exports to India support more than 180,000 American jobs.”⁷ Further, the globalization of Indian companies has benefited the United States as India became one of the fastest-growing sources of inbound investment to U.S. shores. A recent survey of one hundred Confederation of Indian Industry member companies revealed that their investments alone in the United States exceeded \$15 billion and created more than ninety-one thousand jobs across all fifty U.S. states.⁸ This trajectory is set to increase as India becomes more prosperous.

CHALLENGING HEADWINDS

India’s transformation depends on tackling formidable challenges. As the economy has grown, so has its population. India currently has 1.3 billion people and is on track to exceed China’s population by 2022, several years earlier than previously projected (figure 4). This brings potential opportunity, but along with it India must overcome significant liabilities for its population bulge to avoid becoming a burden. Unlike other countries at its income level, India has grown through services rather than manufacturing. Successive Indian governments have identified the need to expand India’s manufacturing sector to create more jobs than the services sector can provide. Modi has unfurled an international “Make in India” campaign around a call to global manufacturers to site new factory operations in India.

India’s future demographics also merit comment. Nearly half the country is younger than twenty-five, and India will remain young

FIGURE 4. INDIA AND CHINA POPULATION GROWTH, 2015 TO 2050 (BILLIONS)



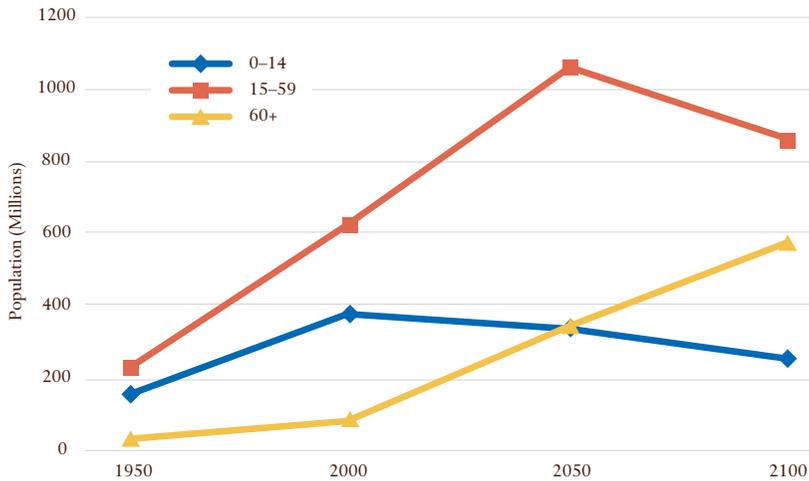
Source: United Nations Department of Economic and Social Affairs, Population Division, World Population Prospects, 2015 Revision.

through the first half of this century. By 2020, India will be the youngest country in the world, with a median age of twenty-nine, and could soon have one-fifth of the world's working-age population. India's enormous workforce-age population will peak only in 2050 (figure 5), so it has decades during which it needs to lay the groundwork for what is widely termed its demographic dividend.⁹ The pursuit of realizing the dividend from India's demographic trajectory—preparing India's hundreds of millions coming of workforce age with employable skills—has become a major focus for successive Indian governments.

In mid-July 2015, the Modi government launched a new initiative, Skill India Mission, designed to create the training infrastructure to prepare four hundred million people with job-ready skills by 2022. Here, too, Indian ambitions are global. Modi declared India's goal of becoming “the human resources capital of the world.” Just looking at the demographics, time matters: India will have to succeed soon in a mass educational undertaking; otherwise, its youth bulge will likely create domestic woe rather than global opportunity.

Recent survey data also reveals a surprising and unwelcome trend in India. Female workforce participation rates dropped dramatically between 2004 and 2010, according to the International Labor Organization (ILO), dipping from around 37 percent in 2004–2005 to 29

FIGURE 5. INDIA'S FUTURE DEMOGRAPHICS—TOTAL POPULATION BY MAJOR AGE GROUP



Source: United Nations Department of Economic and Social Affairs, Population Division, World Population Prospects, 2015 Revision.

percent in 2009–2010. The data showed declines “across all age groups, across all education levels, and in both urban and rural areas,” which puts India nearly at the bottom of the 131 countries covered (eleventh to last).¹⁰ IMF Managing Director Christine Lagarde has advocated “urgent remedies” to boost female labor force participation.¹¹ India has certainly seen women reach the top of their fields, including as prime minister, and the remarkable cohort of some dozen female chief executive officers in India’s financial services industry, but the larger data showing lagging female workforce participation is undeniable.

Estimates of the benefits to national economies from improving gender parity indicate the potential for huge gains in India. The McKinsey Global Institute released a study in September 2015 that contained estimates of a best-case “full potential” parity-for-women scenario in India. Their conclusion: economic parity for women could add as much as 60 percent to the Indian economy in 2025 versus following a “business-as-usual” path. Even if India were to match the “best-in-region” scenario, rather than the “full potential” ideal, gains would still be a 16 percent boost to the Indian economy of 2025 compared with a status-quo path. Based on McKinsey’s figures, that represents a range from \$0.7 trillion to \$2.9 trillion in gains, using 2014 dollars.¹²

In addition, India continues to wrestle with violence against women and incomplete enforcement of laws that prohibit practices harmful to girls and women, such as child marriage, female infanticide, and rural “courts” known as *khap panchayats*. Indian civil society has become particularly active in advocating for justice following the December 2012 gang rape of a young student, an act of violence so shocking that it made headlines around the world. Civil society pushed lawmakers to pass a much-strengthened rape law and create fast-track courts so cases would not pend in perpetuity. And Modi used his inaugural Independence Day address in 2014 to speak frankly to the country about the ills of gender discrimination, marking the first time an Indian prime minister has addressed female infanticide so prominently and bluntly. These are social issues that Indian citizens are consciously working to improve, aware of the magnitude of work remaining. In addition to its importance as a matter of justice under India’s own laws, overcoming gender-based violence, as with female workforce participation, will deliver gains to the Indian economy. A recent World Bank study that examined on a global scale the economic costs of gender-based violence found that it ranged from “1.2 percent to 3.7 percent of GDP.”¹³

The Task Force finds that for India to realize its ambitions, for its society as well as its economy, it will need to tackle barriers that hold back women and girls. Overcoming these challenges will bring gains to the Indian economy.

India’s struggle to ensure full participation of women in national life points to an important issue India will need to redress to achieve its ambitions. There are others. Despite its rapid growth and the wealth creation of the past fifteen years, India remains a lower-middle-income country, home to one-third of the world’s extremely poor. Growth has been accompanied by rising inequality, though India’s Gini index—a method of scoring income distribution, with higher numbers indicating greater income inequality—at thirty-four remains below the United States’ (forty-one) and China’s (thirty-seven), based on World Bank data.¹⁴ Inequality across castes, religions, and other social groups also remains a concern for Indian policymakers, as do urban-rural disparities. Caste protests linked to affirmative action policies resurfaced during 2015. India’s chief economic advisor, Arvind Subramanian, noted in the 2014–2015 *Economic Survey* that India remains at the bottom of its Brazil, Russia, India, China, and South Africa (BRICS) cohort in rankings like the United Nations Development Program (UNDP) Human

Development Index.¹⁵ Its per capita income at market exchange rates is \$1,808 (2015 estimate), about one-fifth of China's.¹⁶

The World Bank estimates that 47 percent of India's population still works in agriculture, based on 2012 data, but the sector has yet to experience the nationwide reforms that could link it more deeply with world-class supply chains, free up farmers to negotiate contracts with large wholesale buyers, and create the markets needed for the sector to increase productivity. Although employing a plurality of India's citizens, agriculture contributes just 17.6 percent to India's GDP, industry 29.7 percent, and services the majority, at 52.7 percent.¹⁷ This inverted pyramid of people employed versus contribution to GDP illustrates precisely the urgent challenge India faces as it transitions to a more urban, less agricultural way of life.

India's urbanization has increased from a little more than 27 percent in 2001 to more than 31 percent as of the 2011 census. Subramanian noted in the 2014–2015 *Economic Survey* that “as many as thirty-five cities in India had a million-plus population. At current rates of growth, urban population in India is projected to reach 575 million by 2030.”¹⁸ This trajectory illustrates both an economic and infrastructural challenge—building out cities at a scale never previously envisioned—and a cultural one as well. India has long imagined itself as rural, its traditional ways of life conceptualized as the “real India.” The real India of the future will be increasingly urban at the same time.

India's infrastructure deficit will require huge investment, estimated at \$1 trillion over the course of the next decade. Roads, trains, bridges, airports, urban railways, power grids, clean water, and sanitation—all must be either upgraded or built to accommodate India's rapidly growing cities as well as to better link small towns and rural areas with large population centers. The larger infrastructure deficit has been well known for quite some time—see McKinsey & Company's reports urging acceleration in infrastructure development since at least 2009, for example—but India has been slow to tackle this enormous requirement. Half the population lacks adequate sanitation, and the Modi government has made building toilets, especially for girls, a signature undertaking in its larger push to raise sanitation standards nationwide.

On social indicators, India is doing better than in the past but still has considerable distance to travel. The most recent census of India, in 2011, revealed an increase in literacy levels, from 65 percent to 74 percent, but India will need to focus on further increasing overall literacy rates

if the country is to equip its large youth demographic to perform in the global economy. Although it has shrunk over the past decade, a gender gap in education continues. India's male literacy rate of 82 percent still substantially exceeds its female literacy rate of 65 percent. How India meets its education challenge, especially for girls, will be the single most important determinant in successfully turning its growing population into a "resource for the world," to paraphrase Modi. Indeed, how India meets its obligations to its citizens in creating economic growth, providing opportunity for gainful employment, and augmenting infrastructure to support a twenty-first century economy will determine whether India can finally overcome the liabilities of long-standing struggle.

INDIAN FOREIGN POLICY AND INDIA'S DOMESTIC CONCERNS

On the global stage, despite India's move into the ranks of the top ten global economies, India's leaders continue to see their country as part of the developing world, not as the world's third-largest economy in PPP terms. This self-perception shapes Indian policy choices in international institutions and has tended to constrain Indian ambitions globally. Against this economic and demographic backdrop, the world's largest democracy has become increasingly focused on achieving the domestic transformation that would provide jobs—seeking to employ an estimated one million new entrants to the workforce each month—and lift those at the bottom of the pyramid out of poverty. Achieving that economic transformation will require both becoming more open to the world and instituting second-generation reforms focused purely within India—including land acquisition, labor, agriculture, and capital and financial markets—and easing red tape more generally. India ranks 130 of 189 countries in the 2016 World Bank Ease of Doing Business index, an indication of the burdensome environment. The latter set of issues revolves around India's positioning in global trade flows and its approach to foreign capital on Indian soil. India is not as protectionist as it once was, but it remains far from being a completely open market economy.

The intersection of India's domestic imperatives with its approach to international economic policy has led in some cases to sharp divergences between Washington and New Delhi, or more precisely, between New

Delhi and many countries around the world. India and China together ended the 2008 World Trade Organization (WTO) Doha Development Round discussions over concerns about protection for their countries' farmers. The negotiations remain at a standstill. India's temporary derailment of a global agreement to facilitate trade in 2014 reaffirmed its ambivalence about the benefits of trade and greater openness. Moreover, the Indian government has begun an internal review of all current free-trade agreements previously negotiated, under the belief that it has not benefited as much as it should have from trade. India remains outside the four major plurilateral sectoral agreements currently under negotiation: the new Environmental Goods Agreement, the Agreement on Government Procurement, the now-concluded expansion of the Information Technology Agreement, and the Trade in International Services Agreement. And although the United States and eleven other countries have concluded negotiations on the Trans-Pacific Partnership (TPP) trade pact—with rumblings of China's interest in joining beginning to percolate in Washington—there have been no signals from India in finding a pathway to membership, apart from its renewed interest in joining the Asia-Pacific Economic Cooperation (APEC) forum, a required stepping-stone.

The Task Force finds that India risks being left behind in international trade. India has reached a turning point where it will have to decide whether it wants to become a major part of global trade flows and deeply integrated into global supply chains. Doing so would boost India's efforts to grow its manufacturing sector and its economy; choosing not to will make that ambition harder to achieve. India might become an outlier to major trade flows—and the opportunity they bring—if it chooses to remain apart from the arrangements being put in place by the ambitious sectoral and regional trade negotiations under way. Opening more fully to global trade and investment will allow the Indian economy to draw upon the external resources necessary to shift its economy into the higher gear it seeks. Participation could bring great benefits: C. Fred Bergsten of the Peterson Institute for International Economics estimates possible gains to India from participation in an expanded TPP at around \$500 billion in exports and \$200 billion in national income. On the other hand, remaining outside an expanded TPP would not only forfeit those gains but also result in an estimated loss of another \$50 billion due to trade diversion to competing countries, creating a substantial

opportunity cost of \$550 billion to exports. This is an opportunity India should not lose.¹⁹

On the strategic side, India has been slowly modernizing its military, an expensive process supported by the growth of the economy. The United States has been a beneficiary of New Delhi's slow shift toward equipment diversification; although Russia had been India's sole supplier during the Cold War decades, the decision to opt for more partners has helped boost U.S. military sales to India from essentially zero to around \$13 billion over the past fifteen years. Service-to-service exchange has increased dramatically. As widely cited, India now conducts more military exercises with the United States than with any other country.

Strategic consultations have increased as well. Washington and New Delhi now have a convergence of interests on South Asia and the Asia Pacific, on maritime security in the Indian Ocean, on Africa, on counterterrorism broadly, and on strategic (nuclear) stability matters. India has been less active, however, on issues concerning the Middle East and its growing instability—in fact, India opted not to join the global coalition against the self-proclaimed Islamic State, for example—and has generally favored a status-quo approach to crises. India has been a strong development partner for Afghanistan but has grave concerns about the direction stability in the region may take, especially against the backdrop of the Afghan government's negotiations with the Taliban, which Washington and Beijing have endorsed. On this most sensitive question of the region's future, and with a smaller presence of U.S. forces scheduled now for 2017, a divergence with Washington on both strategy and tactics has raised questions in New Delhi about U.S. partnership.

THE MODI EFFECT

During his first year in office, Modi placed great emphasis on foreign policy. He has traveled extensively—receiving some criticism in India for it—and raised India's global profile, just as the Bharatiya Janata Party election manifesto had promised. The Modi foreign policy prioritizes stability and space in India's immediate region through consolidation of ties across South Asia, although challenges still remain with Pakistan, and deepening its interactions across Asia, called an Act East

policy. As importantly, the Modi foreign policy places great emphasis on developing a network of economic relations as a central instrument for furthering India's economic growth. Although South Asia remains the least economically integrated region in the world, the Modi government, building on efforts made by its predecessors, has expanded trade and economic ties with Bangladesh, Nepal, and Sri Lanka, but has had less success with Pakistan. Modi's highest-profile foreign visits have involved announcements of major investments in India—such as his trip to Japan, which resulted in a Japanese pledge of \$35 billion in public and private investment and financing, or his trip to the United Arab Emirates, which resulted in a \$75 billion pledge for investment in Indian infrastructure.

India is in the process of reorienting its position on the world stage, which requires rethinking a long-standing foreign policy that has been defensive, focused on nonalignment and its successor, “strategic autonomy.”²⁰ Indian Foreign Secretary S. Jaishankar has called for India's transition from a “balancing” to a “leading power,” even asking, “Are we content to react to events or should we be shaping them more, on occasion even driving them?”²¹ This shift from a focus on nonalignment, which in practice kept Washington at arm's length, to an approach that emphasizes Indian global leadership, opens the door further for Washington and New Delhi to deepen ties. It also primes India to take on a larger global role.

U.S.-India Relations: A Reformulation for the Future

Democratic and Republican U.S. administrations from President George H.W. Bush forward have sought to improve relations with India. Washington has a strong interest in better relations with New Delhi for many reasons—the pursuit of mutual goals, complex global issues, the economic power India is becoming, and the strategic convergence on Asia. Beyond the government-to-government level, business and trade ties have grown substantially over the past fifteen years, arguably the single-biggest bilateral change and one uniquely important to strengthening ties across the board. The growing Indian American community, now numbering around three million, has kept India visible on the political and business agenda in the United States and has risen to ever-higher levels of accomplishment at the top of virtually every field.

But India is not yet top-of-mind for most Americans. According to a 2014 Chicago Council on Global Affairs public opinion survey, on a scale of one to one hundred, with the highest number a “warm, favorable feeling,” Americans viewed India as a fifty-three.²² That compares favorably with China (forty-four), but unfavorably with close allies like Canada (seventy), the United Kingdom (seventy-four), or Germany (sixty-five)—illustrating the problem that although India might be important for the future of the United States, Americans are not yet thinking about India with as much affection as they are about more established relationships. Further, a 2015 Chicago Council on Global Affairs public opinion survey revealed that just 34 percent of Americans felt “a great deal” or “a fair amount” of confidence in India’s ability to “deal responsibly with world problems,” although a 63 percent majority wanted to see India play a larger role in the world.²³

In addition, people-to-people exchange between the United States and India is extremely asymmetric, with migration flows moving from India to the United States for work or education and much less in the other direction. This tracks closely with recent Pew Research Center

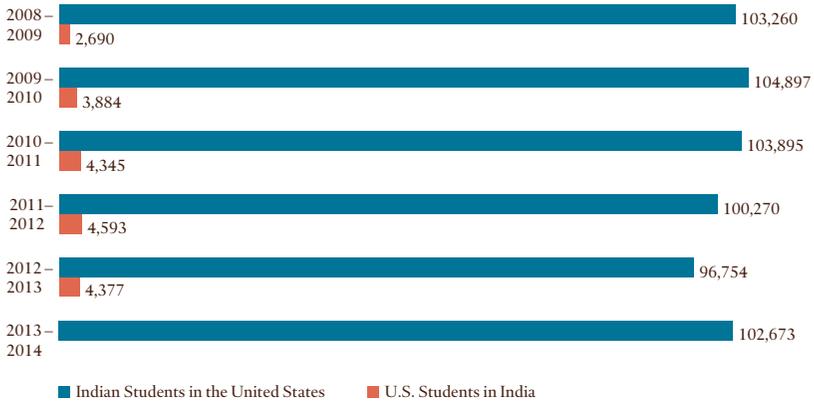
public opinion findings: the United States enjoys a 70 percent favorability rating in India.²⁴ Annual surveys of foreign students in the United States consistently show large numbers of Indian citizens coming to the United States for higher education, hovering around one hundred thousand (figure 6).

Heading in the other direction, American students simply do not venture in large numbers to study in India (figures 6 and 7). In part, the asymmetry in these flows of students lies in the fact that India's population is nearly four times larger than that of the United States. But Americans in general have not seen India as a top ten destination for learning or economic opportunity. (Note that tiny Costa Rica attracts nearly twice the number of American students as India.) This will likely change over time, but it is worth noting as a marker of the relative place India currently occupies in the American imagination compared with other countries.

In the business world, attention to India has blossomed from almost nothing to a healthy interest. India's economic growth created opportunities within India, for Indian citizens and Indian companies, and for American corporations and investors as well. In the process, India's growth created new American constituents invested in India's success. The U.S.-India Business Council, for example, grew from an anemic sixty-some members in the late 1990s to more than two hundred by 2008, and around 330 today. U.S.-India bilateral trade has crossed \$100 billion in goods and services—a fivefold increase from \$19 billion in 2000. But to put it in a global context, that \$100 billion is only around one-sixth of U.S.-China trade. This contrast, though potentially disheartening, points to the opportunity ahead.

During and immediately after World War II, the United States was India's major defense infrastructure builder because the British were unable to address the problem. But suspicion and a chimerical desire for self-reliance in defense production led then Prime Minister Jawaharlal Nehru to sever the American connection. Until the early twenty-first century, U.S.-India strategic and defense ties were marked by mutual hostility and suspicion. Over the past fifteen years, ties have gone from limited interaction and no significant technology-procurement relationship to one of extensive exercises, around \$13 billion in defense equipment sales, regular civil-military consultation, and an ambitious vision for coproduction and codevelopment of advanced defense equipment.

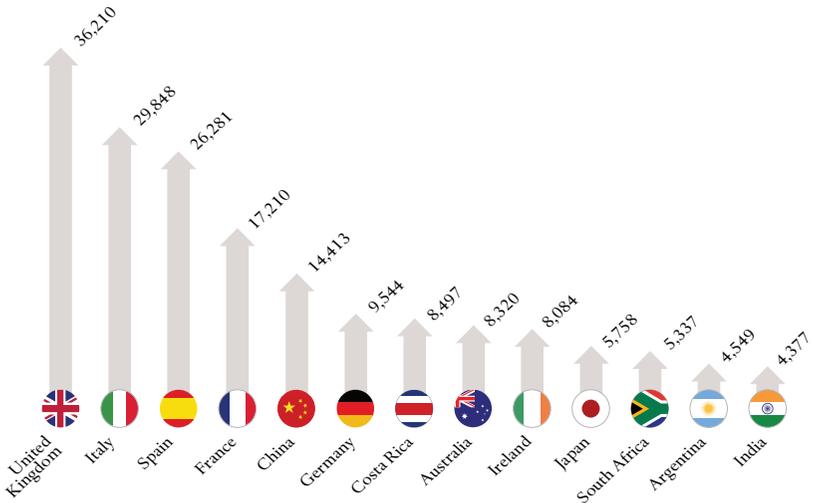
FIGURE 6. STUDY ABROAD FIGURES FOR U.S. STUDENTS IN INDIA AND INDIAN STUDENTS IN THE UNITED STATES



Note: Comparable data for U.S. students studying in India is not yet available for 2013–2014.

Source: Institute of International Education (2008–2014), “Top 25 Places of Origin of International Students, 2008/09–2013/14,” Open Doors Report on International Education Exchange.

FIGURE 7. LEADING DESTINATIONS OF U.S. STUDY ABROAD STUDENTS, 2012–2013



Source: Institute of International Education, 2014, “Top 25 Destinations of U.S. Study Abroad Students, 2011/12–2012/13,” Open Doors Report on International Educational Exchange.

New consultations with India on homeland security preparedness began in 2011, enhancing the counterterrorism consultation already in place; now, consultations on cybersecurity and strategic space matters occur as well.

The U.S.-India relationship today covers a far wider range of areas than at any time in the past. U.S. Ambassador to India Richard R. Verma noted in early June that the U.S. embassy in New Delhi is currently tracking seventy-seven initiatives resulting from the January 2015 Obama-Modi summit.²⁵ Bilateral initiatives centered on technology collaboration in particular, such as clean energy, health research, and civilian space collaboration, have advanced quickly and without problems.

Despite such progress, India is not yet among the closest U.S. partners for immediate consultation on global crises, a role still occupied by members of the North Atlantic Treaty Organization (NATO) and U.S. allies in Asia, such as Japan and Australia. To put it simply, India is not a frontline global partner, not among the top five countries Washington policy officials would call immediately to coordinate on any urgent global issue. India and the United States have not yet collaborated together on any crisis in the United Nations, for example, and on some of the most challenging questions in the Middle East and with Russia, India has been silent. Moreover, U.S. and Indian interests are not fully aligned on these tough questions.

In addition, difficulties in U.S.-India relations during 2013 and 2014 offer the lesson that despite advances, ties between the two countries have not yet attained a solid footing to ward off crises. From a U.S. perspective, it is not entirely clear how strong a relationship India's policymakers would like to see with the United States—at least in the terms Americans are accustomed to when thinking about close strategic partners. Washington, for example, looks to its closest partners for endorsement—or at least not overt rejection—of American policy positions. This expectation has resulted in disappointment in Washington when Indian officials appear to embrace positions that Americans see as impossible to understand, such as during Russia's invasion of Ukraine. In India, on the other hand, a strong sense of policy independence creates a context of à la cartism for New Delhi's relationships.

A CHANGING WORLD, NEW OPPORTUNITIES

As noted, clear bipartisan consensus exists in the United States about the importance and desirability of a deeper relationship with India, which the Task Force believes offers one of the most significant opportunities to advance a combination of U.S. interests in the coming decades. But India's size, its class-of-its-own sense of self, and its fierce independence all make for a bilateral relationship—both today and tomorrow—that little resembles American ties with other countries. India does not sign on to formal alliances and does not seek one with the United States. To capture this opportunity for increased cooperation, while acknowledging the inherent limits to partnership with India, the Task Force recommends that U.S. policymakers explicitly emphasize a joint-venture model for U.S.-India relations, focused on a slate of shared pursuits on which interests converge—and with clear mechanisms for coordinating and managing known and expected disagreements. The strategic convergence between Washington and New Delhi, including on the Asia Pacific, should not be construed as directed at any other country, and is not an alliance against China. Just as joint ventures in business bring together parties to advance a shared objective without subordinating their many other interests, so should India and the United States pursue their shared ambitions without assuming that each will see eye to eye with the other on every matter. Reframing ties in this way will better explain how convergence on the need for open sea lanes, for example, may not presume agreement on climate change, and how convergence on the Asia Pacific may not presuppose like-mindedness on the Middle East. Such a conceptual recalibration, concentrating on a series of specific collaborations rather than a diffuse appeal to bonhomie that creates disappointments of its own, allows more opportunity for success and should help insulate against disillusionment. Reframing ties with this flexible model will also create conceptual space for inevitable disagreements without calling into question the basis of the partnership or unintentionally “infecting” other issues. It will also facilitate better management of disagreements because the expectation will be that divergences inherently exist and, therefore, must be managed.

A direct note about alliances is in order. The United States has built strong and durable alliances with North American, European, and

Asian partners, and tends to see alliances as the highest, most desirable form of partnership. This is not the direction that U.S.-India relations are headed; India has clearly indicated it does not seek the obligations that come with alliances, viewing that as an unacceptable constraint on its freedom of action. That said, the world is not static. Should international politics shift further—if the structural realignment under way should progress further—and should a future India, a “leading power,” elect to seek a more alliance-like relationship with the United States, the Task Force would endorse that ambition. The limits to the relationship at present are placed by India and its sensitivity to the inherent inequality any alliance with a superpower presupposes. Thus, our recommendations proceed from that reality.

To shift the bilateral relationship toward a framework focused on joint ventures, Washington should, as a matter of practice, do the following:

- Invest more time and attention in developing the habits of cooperation that support stronger ties. Consultations should go beyond the institutionalized and highly scripted formal dialogues and expand to include informal, routinized, pick-up-the-phone consultation that American officials regularly employ with the closest U.S. partners. Senior officials, at the principals and deputies levels in Washington, should make a regular and frequent habit of speaking with Indian counterparts—not on the eve of an emergency vote, or to arm-twist on a matter previously decided in consultation with other partners—but as a matter of sustained, weekly or biweekly international consultation toward policy formulation.
- Consider designating, with the imprimatur of the White House, a specific senior official (subcabinet-level or higher) for whole-of-government authority on India policy, someone charged with responsibility for advancing long-term U.S. interests with India, no matter what myriad other short-term crises elsewhere compete for policymakers’ time and attention. In previous administrations, the deputy secretary of state or the undersecretary for political affairs has played this role.
- Build protective insulation around the inevitable disagreements that will continue to arise by creating predictability: flagging problems early on; providing routinized high-level channels of redress and discussion; and allowing for better coordination and management

of those differences, including how to discuss problems publicly (or not), in shared or coordinated language.

Similarly, to make this joint-venture model work, New Delhi will need to be prepared to

- commit internal resources to policy formulation in advance—not at the last minute—to better facilitate active, detailed consultation on issues in depth and with multiple U.S. officials involved; and to
- adopt a more flexible approach to diplomatic protocol and hierarchy, given that the rank structure of Indian ministries does not correspond equally with the much larger and more differentiated U.S. systems.

Although a joint-venture model will not prevent disagreements, it should, at the very least, better protect successful initiatives from negativity arising from policy disagreements elsewhere, because neither side will expect support from the other on every matter. The focus instead becomes furthering the successes of defined joint ventures while working to minimize, or at least contain, the inevitable disagreements.

The next question becomes how to prioritize among the ever-expanding areas of collaboration to accomplish more together on matters of greatest significance.

Priorities for the Joint-Venture Future

AN ECONOMIC GROWTH AGENDA

If India is to realize its ambitions as a global power, it will need to deliver sustained economic growth over decades. Washington has endorsed India's desired trajectory, seeing India's rise as convergent with U.S. interests. Therefore, supporting that rise means backing an economic growth agenda for India. It will mean finding avenues to enhance India's economic transformation that leverage U.S. strengths while also carefully hiving off some particularly tendentious hotspot issues for further dialogue.

Increased economic growth is the most important factor for India's future—the underpinning of Indian strategic power, the basis for an India that can deliver on its global ambitions, and a critical component of a maximally effective U.S.-India partnership. As outlined earlier, India's most urgent challenge is to create an economic engine that makes India's large, rising youth demographic a blessing rather than a burden. Absent consistent growth at rates of 8 percent or higher, India cannot fulfill its promise as a global power in the near term. An India that can grow at the 10 percent rates China has experienced over the past three decades will transform itself faster as a power on the world stage. This will be impossible for India to do without export-driven growth. Achieving India's own ambitions will only happen with continued economic reform in India and a willingness to join decisively the world of free and open trade.

In this context, the Task Force finds that Indian ambivalence about the role of markets and open competition—and therefore a more limited role for government intervention—will continue to constrain its economic growth. Although the scope and pace of India's economic reforms are to be determined by India's citizens and government, the Task Force notes that slower or stalled reforms will ultimately

dampen India's growth potential, trade and commercial ties with India's trading partners, and interest in investment in India. The instinct to protect parts of the Indian economy, coupled with remaining bureaucratic hurdles that make doing business harder in India than in other countries, prevents India from fully drawing on the external investment support and growth in trade that could boost the economy. What is more, continued ambivalence will limit the growth of business community well-wishers with a deep interest in and attention to India's success. Here, one need only note the support that the U.S. business community lent to the U.S.-India civil nuclear agreement to see why a cohort of supporters matters for achieving political goals. By contrast, continued reforms toward open competition and improved ease of doing business in India will free the economy for greater growth. Reform will further lead to larger and more engaged U.S. constituencies that have stakes in India's success because it will create success for them as well. Therefore, economic ties have the potential to be the leading edge of the U.S.-India relationship—a self-reinforcing virtuous circle of support—but that depends on a positive business climate in both countries.

Modi's election has assuaged some anxieties about India's economic openness but against the backdrop of a country that still has "second-generation reforms" to undertake. Modi entered office with ambitions to transform the Indian economy and create jobs for the country's large youth demographic but has bumped up against the current of Indian politics long accustomed to populist measures as vote-getters. Instead of delivering transformative reforms in tax policy, land acquisition, and labor laws during his first year in office, the Modi government is finding itself looking for incremental changes and devolving reform down to the states. India's own political economy—one of a raucous democracy—has already made this much harder than it would be in an authoritarian state, and it will take time. But greater urgency on this front among India's leaders is needed to spur the Indian economy toward the conditions needed for sustained high growth, apart from the external liberalization needed to boost trade flows further. Unlike previous economic reform efforts in India, typically cast as technocratic measures under duress, that the Modi government campaigned on growth and market-based job creation provides greater political heft for economic liberalization than ever before.

Multilaterally, India's conflicted views on open competition have positioned it on the sidelines of major efforts to ease trade barriers and

facilitate commerce. As noted, India's positions do not signal readiness to embrace a global and open trading system without reservations. The United States recently concluded negotiations on a regional free-trade agreement with eleven other countries via the TPP, and India is part of the Asia-wide Regional Comprehensive Economic Partnership negotiations. But India and the United States have no overlap with each other in these efforts. The United States recently expressed support for India's "interest in" APEC membership but stopped short of a declaration of support for India's candidacy and a plan to deliver it. Bilateral investment treaty negotiations are under way but progressing slowly and will not be enough to facilitate faster growth in trade and investment as long as both countries build preferential trade regimes without each other.

On the positive side, science- and technology-based cooperation, though little heralded and underappreciated, has advanced U.S. and Indian shared interests in numerous areas and plays an important role in supporting India's domestic transformation, not least through clean energy, telecommunications leapfrogging, and the rapid growth of the digital economy. More and more, American multinational companies locate research facilities in India, seeing Indian talent as part of their global innovation workforce. The Task Force sees few significant barriers or controversy to continued emphasis on science and technology in bilateral ties, and believes any future government in Washington should encourage strong cooperation in this area.

SHIFT GEARS

Recognizing that India's success is inherently in U.S. interests, the Task Force recommends that Washington and New Delhi transform their economic relationship just as significantly as the civil nuclear agreement transformed their strategic ties in the previous decade. U.S. policymakers should elevate support for India's economic growth and its reform process to the highest bilateral priority, committing to ambitious targets for bilateral economic ties along with clear steps to get there. This will require a shift in U.S. government strategy toward India. Current U.S. economic policy toward India has emphasized the need for India to prove its readiness for high-quality agreements by taking demonstrable steps that signal

openness to trade. This approach has not moved the needle in India. Although U.S. officials may see their approach as providing an incentive for India to make changes at home, in practice, the signal has been read in New Delhi as a closed door. Meanwhile, many close U.S. trading partners, such as the European Union, Canada, and Japan, have intensified their trade negotiations with India, even if those discussions will take a long time to conclude.

U.S. policymakers should instead take a strategic approach to economic statecraft with India, providing a high-level commitment to an ambitious trade and economic relationship along with clear steps to get there. The rhetorical U.S. commitment to increase trade flows fivefold, to \$500 billion, is helpful in the abstract, but has no specific goalposts for both countries to target. Here, a good precedent can be found in the U.S.-India civil nuclear agreement, which transformed the bilateral relationship, pulled India into the global nonproliferation order, to which it had been an outlier for three decades, and resulted in India harmonizing its domestic laws with global nonproliferation regimes it seeks to enter, such as the Nuclear Suppliers Group and the Missile Technology Control Regime.

After clearly committing to a larger ambition for both countries to work toward, Washington and New Delhi should look for the points of convergence between what Indian officials seek from the United States, what comparative strengths the United States can offer, and what can meet the demands of both countries' political environments. Although India's domestic reforms are in Indian hands, the United States has technical knowledge that can be helpful to India in the process. Looking globally, the United States has an interest in working with New Delhi to ensure that India does not end up an outlier on global trade. And as a tactical matter, a collaborative conversation with a clear and ambitious goal will bring about change more quickly than waiting for India to "prove" itself first.²⁷

The United States should commit to ambitious targets for bilateral economic ties along with clear steps to realize them, such as

- leadership of a global diplomatic effort to support India's entry into APEC, and completion of a bilateral investment treaty;
- high-level discussion of bilateral sectoral agreements, such as in services, where India and the United States have more common interests;

- a longer-term pathway to a free-trade agreement or Indian membership in an expanded TPP as an equivalent;
- creation of helpful initiatives that respond to Indian interests in domestic reform needs, such as technical advice on market-based approaches to infrastructure financing, or shared work with international financial institutions to reprioritize infrastructure as they once did, as well as continued joint ventures on science and technology, technical cooperation on regulatory reform, bank restructuring, best practices in manufacturing, labor, supply chain, transportation, and vocational skills training, to name a few; and
- continued emphasis on defense trade and technology, a strategic area of cooperation but one that Indian officials largely view in terms of industrial development.

Similarly, the Task Force recommends that the government of India increase the pace and scope of economic liberalization, with the goal of expanding markets, including opening the Indian economy more deeply to trade and foreign investment. The Task Force urges Indian political leaders, in both government and the opposition, to coalesce around a reform agenda, persuade their publics of its urgency, and implement with dispatch. India holds the key to its rise: further unleashing its economy. The Task Force believes strongly that the Indian economy will benefit just as it has over the past fifteen years; as a natural outgrowth, India will be positioned for more substantial ties across the full range of the American economy, not to mention globally. An Indian economy that becomes a significantly larger share of global GDP will make India increasingly indispensable to the rest of the world—a form of power of its own kind. Indian economic leaders have a finely developed understanding of what will propel their economy to the next level and what will make it easier to do business, but they repeatedly find themselves sunk by political problems of execution. Building multiparty constituencies convinced that India's rise depends on further reform now is a choice for Indian leaders to make.

A word about three economic “third rails”—skilled worker visas, a Social Security agreement, and intellectual property rights—also deserves attention. The details of these issues are arcane. On the first two, what India seeks from Washington would require legislation on two of the thorniest domestic policy issues pending before the U.S. Congress and the American public writ large. The stalemate

on comprehensive immigration reform in the U.S. Congress severely limits the likelihood of any reform of skilled worker migration policy in the near term. On Social Security, India's system currently does not meet the requirements written into U.S. law for a potential swap (or totalization) agreement. The U.S. Congress is unlikely to write a new law for India, especially when lawmakers have for years refused to approve such an agreement with Mexico, a free-trade partner, which has far more citizens working in the United States, many more U.S. citizens residing in Mexico, and a nearly ten times greater diaspora population in the United States providing a political base for policy support. These twin priorities of the Indian government clash with U.S. law and domestic politics, and are unlikely to be resolved soon. On intellectual property rights, about which many American companies have voiced grievances with India's system, India firmly believes its patent law not only affords access to lifesaving medicines at lower cost but also meets global standards, which a WTO finding recently affirmed. At this point, Indian lawmakers are unlikely to revisit their patent law, especially given the WTO finding. Washington and New Delhi will need to keep open channels of communication on these three issues even while recognizing the political hurdles that prevent easy solutions. These thorny problems should not be allowed to derail progress in other, more productive joint initiatives.

STRATEGIC AND DEFENSE TIES

As noted earlier, U.S.-India defense ties have evolved substantially over the past fifteen years. At one time, U.S. policy toward India focused nearly entirely on nuclear weapons concerns, with Washington and New Delhi on opposite sides of the issue. The civil nuclear agreement changed that. India is now an active strategic partner for the United States in global nonproliferation, and India is now "inside" the global nonproliferation tent. India and the United States have just renewed their framework for defense cooperation and, in a visible step, released the "Joint Strategic Vision for the Asia Pacific and Indian Ocean," formalizing a convergence of views that has now solidified. Indeed, the strategic alignment between India and the United States has become most apparent in the Asia Pacific, where India has become more active, vocally stating its belief in the importance of a rules-based order in the

oceans, and strengthening its ties with China, Japan, Korea, Australia, Vietnam, Singapore, and others.

Civilian as well as military consultations now cover the entire globe, although scope exists to routinize these interactions to the level of frequency and informality as exists with the closest U.S. partners. Coordination on humanitarian assistance and disaster relief has expanded, such as with the efforts to assist earthquake victims in Nepal in April 2015. U.S.-India partnership on maritime security has grown significantly, with both sides now discussing collaboration on aircraft carrier technology, to name the most ambitious of an array of new undertakings. Cooperation on high technology coproduction and codevelopment has been progressing, albeit slowly. Finding a better way to calibrate the U.S. bureaucracy for technology licensing alongside the Indian bureaucratic system for equipment procurement will take time, but it will increase the ability of the United States and India to operate together and take on shared missions with greater ease. The linkages among exercises, increased interoperability, and the creation of shared platforms represent tremendous potential for U.S. defense ties with India.

The strategic convergence between Washington and New Delhi on the Asia Pacific should not be construed as an alliance against China. Americans should be careful not to assume that India will play any formal role in hedging China's rise—although India and the United States can help shape the environment in which China makes its choices. Although India has vocally supported Vietnamese and U.S. positions on the South China Sea, the country is too independent, and too proud a power, to be seen as following American strategic plans. In addition, New Delhi has its own particular relations with China, marked by competition and concerns about China's territorial claims to parts of India, but also cooperation, including through shared participation in Asian regional and other organizations such as the BRICS and the Asian Infrastructure Investment Bank, of which the United States is not a member. On the other hand, India's rise—as a model for democracy and pluralism—offers an alternative to the top-down path China has taken and the authoritarianism that appears to be deepening under the current Chinese government. India thus represents an alternative that advances U.S. national interests. A stronger and more powerful India, in and of itself, will offset the emergence of any single dominant power

in Asia, an outcome that would be in U.S. interests no matter the nature of New Delhi's ties with Beijing.

Strategically, India also shares Washington's concern about the urgent challenge of Islamic extremism. India has the world's third-largest Muslim population and second-largest Shia population, after Iran. But reports of homegrown terrorism, or Indian Muslims heading off to jihad in the Middle East, remain few and far between. India crafts its Middle East policy with an eye on the home front and is attuned to concerns about domestic blowback, including at the polls. For this reason, in addition to the some seven million Indian-citizen guest workers in the Middle East, India has refrained from joining the international coalition against the Islamic State and has hesitated or urged caution in global security debates about the Arab Spring. Indian officials worry that a more visible counterterrorism posture on groups in the Middle East could bring harm, either in the Middle East itself, where Indian guest workers could be targeted (dozens were kidnapped in the summer of 2014), or at the ballot box in Indian states with large Muslim populations.

In the counterterrorism and law enforcement arena, the United States and India had little cooperation until the Mumbai attacks in 2008, in which Americans were also targeted. A primary plotter of the attack turned out to be a U.S. citizen of Pakistani origin, David Headley, who previously served as a U.S. Drug Enforcement Agency informant. Since then, cooperation has expanded. Still, the Task Force finds that **barriers to a much deeper relationship continue to exist and are tied to U.S. policy toward Pakistan. Indian officials remain skeptical that the United States can ever fully be trusted as a security partner when they see Washington appear to acquiesce to Islamabad's continued inaction on terror groups that have targeted India and the United States. Indian officials also view with skepticism the sale of defense equipment Washington authorizes to Pakistan.** The Lashkar-e-Taiba, responsible for the 2008 Mumbai attacks, operates freely in Pakistan despite the country's declared crackdown on terrorism; its head, an individually designated terrorist under UN sanctions, regularly leads mass public rallies. India sees a seemingly endless stream of U.S. federal dollars supporting defense technology that exceeds what is necessary for counterterror operations and worries that the United States is providing Pakistan with arms it could use against India. If not handled

differently, India's suspicion will only become more pronounced with the reduction of U.S. and international troops in Afghanistan in 2017, bringing with it the looming threat of further regional instability.

Pakistan has innumerable problems independent of its issues with India. India is poised for power and prosperity if it can remain focused on its domestic transformation, and the risk of conflict with Pakistan threatens to drag India down. India should not have to, nor should it want to, endure decades further of having its strategic options limited by Pakistan. The United States should encourage India to improve its relationship with Pakistan—as an investment in its own rise—particularly through greater trade connectivity to start, in order to reduce the chances of conflict that could delay or hinder India's global rise. As important, the United States should demand that Pakistan meet its obligations as a state to tackle terrorism emanating from its territory, in both India and Afghanistan. If Pakistan is not willing to rein in terror, Washington should be prepared to end U.S. taxpayer funding for defense equipment sales and coalition support funds reimbursement at minimum.

In addition, the Task Force finds that U.S. policy toward Afghanistan has created particular difficulties in the U.S.-India bilateral relationship due to the increasing threat of greater instability resulting from internal Afghan divisions, the many violent threats to the country's stability, and the drawdown of U.S. and other external forces. New Delhi also fears what it perceives as American eagerness to extricate itself from the region could lead to more influence on the part of China and Pakistan. To New Delhi, that combination appears poised to result in an endgame deal that will seal off Afghanistan from India at the expense of Indian geostrategic equities. Given the increased instability in Afghanistan since the end of the formal international mission there in December 2014, the United States too should worry about Afghanistan returning to a state of chaos, especially in light of developments in Iraq after the departure of U.S. forces—namely, the rise of the self-proclaimed Islamic State. The Task Force recommends that the United States extend its commitment to Afghanistan—even beyond President Obama's decision to slow the withdrawal of U.S. troops from Afghanistan and retain a force of some 5,000 U.S. troops in the country into 2017. The United States should commit to a doctrine stating that future decisions regarding the size, scope, and timeline for deployment of U.S. forces will be determined by

on-the-ground realities and not artificially imposed schedules, and without a declared date of departure. Such a move would help assure India and others that U.S. actions will not undermine the goal of long-term regional stability. The United States should also continue to reinforce India's helpful role in development, infrastructure, and diplomacy with Afghanistan, ensuring that India is a standing member of regional consultative mechanisms focused on Afghanistan.

Looking at bilateral strategic ties more generally, the Task Force finds that defense ties and strategic consultations have progressed well compared with the past but still have much room to grow. Cooperation can develop much further along both the strategic-operational as well as the defense-industrial and technology tracks. Homeland security and technical counterterrorism cooperation has begun but not progressed as deeply as it could. Initial progress made with the creation of the cabinet-level Homeland Security Dialogue and its working groups has lost momentum and should be reinvigorated. This is among the most promising and vital types of cooperation for both countries, given the challenges of terror in the region and their global reach.

The Task Force recommends that the U.S. government, building on the consultation and increasing levels of interaction of recent years, invest further attention to the security relationship with India across the entire spectrum. Homeland security and counterterrorism cooperation should receive added emphasis. This will mean

- patiently investing in strategic ties with India, deepening consultation frequency and levels of engagement, with an emphasis on the Asia Pacific and the Indian Ocean per the joint strategic vision document;
- facilitating interoperability through exercises, expanding cooperation on maritime domain awareness in the Indian Ocean, and pushing the boundaries of coproduction and codevelopment through the Defense Trade and Technology Initiative;
- further advancing the prioritization of and attention to homeland security cooperation, which has not met its potential but has never been more urgent, scaling up the technical-level consultations that bring operational teams—such as experts in megacity policing, port safety and security, countering terrorist financing, countering violent extremism, and supply chain security—together to consult and train;

- deepening consultation with India on regional nuclear stability—given concerns about Pakistan’s problems with terrorism, its instability, its nuclear weapons deployment, and its lack of a no-first-use doctrine—focusing on crisis stability and ensuring that the nuclear taboo remains just that; and
- encouraging a stronger Indian voice and active policy participation on matters of global terrorism and Islamic extremism beyond South Asia while recognizing India’s reasons for maintaining a lower public profile.

BILATERAL OPPORTUNITIES ON THE GLOBAL STAGE

The U.S.-India vision statement, crafted at the first Obama-Modi summit in September 2014, asserts a vision for “a partnership in which the United States and India work together, not just for the benefit of both our nations, but for the benefit of the world.” The scope of U.S.-India collaboration now cuts across virtually every area, including climate and clean energy, cybersecurity, democracy, development, innovation, health, higher education, science and technology, and women’s empowerment. Many of these bilateral collaborations are proceeding rapidly and will likely continue to deliver benefits to the relationship. Some areas, however, despite broad agreement in principle, result in disappointment in Washington due to differences with New Delhi on tactical approaches. The Task Force elected to consider four substantial areas of global cooperation for further discussion: Internet and cybersecurity, global health, clean energy and climate change, and democracy. Two of these, cybersecurity and global health, offer particularly notable potential for U.S.-India joint ventures.

Cyber consultations have expanded in the past half decade despite the Snowden revelations of 2013. India and the United States have increased focus on this critical infrastructure, created a “computer emergency readiness team” agreement with monthly consultation, and share a view of the cyber domain as a commons needing clear rules of the road. But over the past several years, on matters of global Internet governance, Washington has watched with concern as India, where an open Internet has contributed greatly to the flourishing of entrepreneurship and digital economy, appeared to vacillate and even veer

toward supporting an intergovernmental governance model. (Indeed, in the words of one Task Force member, India has been seen as the swing state on this global question.) At the Internet Corporation for Assigned Names and Numbers (ICANN) conference in Argentina in June 2015, the Indian government's announcement that it was committed to multistakeholderism provided great relief to many, for India's support will be important to keep the system of Internet governance open in an environment in which countries like Russia and China now push for a stronger governmental role. Still, cyber cooperation with India, like homeland security cooperation, has yet to meet its potential. India possesses one of the world's largest reservoirs of technical capacity in IT, and its clear signal in support of a multistakeholder model opens the door for deepened collaboration on cybersecurity. That includes the matter of Internet governance, where India's commitment to multistakeholderism will have an international effect, as well as more operationally in the law enforcement arena. Cyberattacks, cyberterrorism, strategic threats, and economic cybercrime are all areas of increasing concern to both India and the United States.

Similarly, health has emerged as a quiet but significant area of U.S.-India global cooperation, especially on disease detection and control. The U.S. Centers for Disease Control and Prevention has partnered with the Indian government on a Global Disease Detection Center in India. Governmental, nonprofit, and for-profit efforts cross borders on medical trials, vaccine research and development, and on specific health challenges such as HIV/AIDS, tuberculosis, influenza, and noncommunicable diseases. Given India's large talent pool of medical professionals, including doctors, biologists, nurses, and bioinformatics specialists, much more can be done to advance global health research and response. In addition, India has a growing world-class biotechnology sector and pharmaceutical sector. Indian approaches to innovation are particularly suited to developing world contexts, where fast and effective responses to outbreaks of communicable diseases have never been more important. Indian generic medicines have helped many African countries access lifesaving medicines for patients who otherwise might not be able to afford them.

In cybersecurity and in global health, India has advanced technical capabilities and large, highly capable talent pools with experience working seamlessly with American partners, as has been demonstrated in the private sectors of IT and medical industries.

The Task Force finds that India and the United States have significant common interests—and unique capabilities—in both cyber and health issues, which offer the capacity for potentially transformative bilateral cooperation.

Climate change remains an area in which India and the United States agree in principle on the necessity of action but disagree on the immediacy of next steps. India believes it should be given space to develop its economy before reducing carbon emissions, especially while its per capita emissions remain so much lower than those of developed countries and China. India would like to see developed countries contribute more toward adaptation and mitigation technology. Indian officials are very clear that coal will remain a significant part of their overall energy mix for the future. Those who anticipated that India would follow in China's footsteps by concluding even a modest bilateral agreement on carbon emissions with the United States have been sorely disappointed.

Nevertheless, bilateral cooperation between the United States and India on clean energy has been among the most productive areas in the relationship. India has a rapidly growing renewable energy sector, and the government has more than doubled its targets for solar and wind capacity by 2022. But experts note that improvements in energy efficiency would likely reduce India's emissions even further, and the ramp-up of renewables will not offset India's increasing use of coal in the near term to power its economic growth. In the near term, India's priority on growth will continue to shape political leaders' capacity to slow or limit carbon emissions. Although India's concerns about environmental quality and energy security create an avenue for greater U.S.-India cooperation on emissions reduction, the Task Force finds little likelihood that India's development pathway and domestic political dynamics would permit the government of India to change its views on a commitment to legally binding emissions frameworks anytime soon.

Democracy is one of the much-heralded values shared by India and the United States, and one of the reasons Americans find India appealing as a global power and as a partner. Democracy is also under threat in many parts of the world, so there are reasons for hoping to collaborate more intensively with India on democracy worldwide. Yet there are also differences that can surprise. India has been an early and strong supporter of the UN Democracy Fund (UNDEF) and the Community of Democracies. But New Delhi hesitates to criticize lapses in democracy elsewhere. Nor does it proactively promote democracy in

the same manner as the United States and European countries, due to India's belief in noninterference. (Although India has, at times, suspended that belief, particularly in issues of urgent regional security in its neighborhood.) India's hesitance to prioritize democracy promotion more actively and human rights concerns as an aspect of democratic health has led to disagreements in critical UN discussions, too. (Of course, Indian observers note American silence on democracy and human rights failings in U.S. allies such as Saudi Arabia and Bahrain.) Finally, India views some of the American focus on democracy promotion as destabilizing, for example in the Middle East. That is one reason why, despite its diplomatic heft and deep stakes in the region, India has said little about the post-Arab Spring crises and has not appeared to endorse any grassroots activism for changes in government in the region.

The Task Force finds that, as the world's two most populous democracies, India and the United States should be obvious partners in work to share lessons from and promote democracy elsewhere in the world. India and the United States should be able to do more together on democracy, but finding the right intersection and comfort level remains a challenge. Technical collaboration may continue to be the most feasible approach given the active Election Commission of India and its capacity to conduct training. Limits will likely remain on India's willingness to comment on uprisings or agitations in other countries, and on actions taken by long-standing strategic partners.

In each of these seemingly discrete areas of global cooperation runs a common thread: India's talent and capacity for technical collaboration. The Task Force has focused its global issues recommendation on leveraging this strength. Collaboration in the cyber arena and global health offer the greatest promise, in the Task Force's view, but climate change and democracy also offer opportunities for technical cooperation that capitalizes on the capacities and talent in both countries. Accordingly, the Task Force recommends the following in these areas:

Cyber domain: Multilateral Internet governance cooperation has progressed well in 2015 and should continue. On cybersecurity, bilateral collaboration should move beyond consultation to focus on more robust law enforcement cooperation, joint training, warning, and heightened security to continually upgrade protection for this critical infrastructure.

Health: India is home to low-cost innovation and has been part of the solution in providing access to medicine in the developing world. As with their collaborations in the clean energy space, India and the United States should create signature joint ventures in global health. Incentive grants to spur public-private consortia on under-resourced diseases, perhaps for widespread diseases such as malaria or tuberculosis, could be transformational, as could be attention to the growing threat of antibiotic-resistant infections, to name another example where initial work is under way.

Climate change: Washington should continue to impress on New Delhi the urgency of emissions action, pressing India to commit to improve its energy intensity or declare a per capita income level at which it would be willing to cap emissions if it cannot commit to emissions caps at present. Doing so would signal India's commitment on the world stage. But given India's domestic political constraints, Washington should emphasize collaboration through technical consultation on matters such as grid capacity, energy efficiency, automobile fuel efficiency, and financial tools to mobilize domestic capital for electricity-sector investment. Consultations on civil nuclear energy should continue. In recognition of the practical reality of India's development pathway, Washington should revise its policy, which at one time promoted technical assistance for clean coal but no longer does. These technical efforts will be essentially tweaks at the margins given India's development pathway and its use of coal at scale. India seeks technology to make coal cleaner given that it will be using large aggregate amounts of coal for the foreseeable future. Despite the technical problems involved with clean coal, the United States should be willing to discuss and facilitate technology support to India with the recognition that this is more difficult than it first appears.

Democracy: Respecting their different views on promoting democracy, India and the United States can find ways to work together on the technical building blocks of democracy. Either in bilateral collaboration with India or by supporting India's technical work with democracy-focused institutions such as the International Foundation for Electoral Systems, UNDEF, Community of Democracies, or nongovernmental organizations, the United States should approach India as a frontline partner on technical training and capacity building for democracy around the world.

Conclusion

India stands at a moment of potentially significant economic change if it makes the right choices and can forge consensus on its next generation of economic reforms. Although at several points over the past fifteen years India has appeared poised for “takeoff,” the prominence of economic growth and job creation on the Modi government’s policy agenda departs from previous governments’ emphases on welfare programs and offers hope that India’s moment may have arrived at last. U.S. policy across four American administrations has supported a more prosperous, more powerful, democratic India as squarely in U.S. national interests for what it would advance economically as well as strategically.

The structural realignment in geopolitics has opened up possibilities for Washington and New Delhi to collaborate more closely. U.S. administrations have worked carefully to craft a new relationship with New Delhi over the past decade, but even after the headlines of bonhomie, sharp difficulties have highlighted the delicacy of the relationship. India has a strong sense of independence and does not seek alliances; working with India hews to no known model of other U.S. partnerships. This Task Force recommends the adoption of a joint-venture framework for conceptualizing how the United States and India should work together, collaborating even more closely on areas of strategic agreement but limiting expectations that India will see eye to eye with Washington on every matter. The joint-venture model accommodates inevitable difficulties by expecting them to exist, making them predictable, and routinizing their management through expanded and more frequent consultation.

Most significantly, the Task Force recommends raising the priority of economic ties with India to the very top of the U.S.-India bilateral agenda, working to develop U.S. support for Indian economic growth, and collaborating actively with India to envision a more ambitious

economic goal for Washington and New Delhi with a pathway to get there. An India that can sustain high rates of growth for at least two decades has the ability to transform itself and boost global prosperity, just as China has done. A wealthier India will be a stronger strategic partner, will be able to invest further in its own defense, and will be able to partner more comprehensively across the spectrum of defense and homeland security concerns. India and the United States, although sometimes differing on tactical approaches, have substantial shared interests in global issues, and the Task Force has prioritized pursuit of joint ventures with India in the cyber arena, global health, climate change and clean energy, and democracy.

Given the realignment taking place around the world and India's window for significant change, U.S. interests lie in India realizing that promise for itself and for the benefit of the world, and in ensuring that Washington finds ways to work most productively with this great civilization and rising power.

Additional Views

This report—its findings and recommendations—represents the consensus view of a superb group of Americans with a keen interest in India and our country’s relationship with it. Throughout our six months of deliberations, we as a Task Force strived for balance and clear-eyed realism. We looked closely at data, on which we based our findings, and the recommendations flowed from those assessments.

What we did not incorporate, nor comment upon, were less measurable indications of India’s trajectory.

My personal view, based on twenty-five years of observation, is unambiguously optimistic about India’s future. The India of today would have been completely unimaginable in 1990. A quarter century from now, we will likely say the same. The energy, drive, and most of all ambition that I see and hear from Indian citizens about the kind of country they wish theirs to become—both at home and as a power on the world stage—have already been transformational.

How that change occurs may be slower and with more twists and turns than expected. But I would bet on it.

Alyssa Ayres

joined by Ajay Banga, Marshall M. Bouton, and Sumit Ganguly

While I fully endorse both the overall thrust and the specific recommendations of this excellent report, I believe it is occasionally too restrained in assessing the potential of U.S.-India relations over the long term. The remarkable transformation of the relationship over the last seventeen years and the changed Asian geopolitical situation today, both so well described by the report, call for a more expansive description of future U.S.-India relations than “one of the most substantial opportunities to advance American national interests over the next two decades.”

Perhaps this is a purely semantic difference, but I would argue for envisioning, even expecting, that the future will provide one of the two or three greatest opportunities for U.S. foreign policy in that period. The report itself speaks of a process of structural realignment now under way in U.S.-India relations, and there is little to suggest it will not continue, even though the pace and content will be uneven.

Similarly, while I agree with the report's view that the relationship at present is currently best conceived as a set of joint ventures in areas where U.S. and Indian interests align, I would argue that the concept is applied too negatively. Yes, the joint-venture approach will help protect areas of progress from disagreements and disruptions in other areas. But just as companies sometimes begin their cooperation through defined joint ventures and eventually gain the mutual confidence to enter into strategic partnerships, so too is the potential—and perhaps there ought to be the explicit goal—of expanding and building linkages across the joint ventures to the point where that model no longer need apply.

I want to underscore that mine are additional views in line with the report's premises, evidence, and conclusions. I am suggesting merely some greater emphasis on the likely positive long-term trajectory of U.S.-India relations even as I agree that a realistic approach to its current limits is needed.

Marshall M. Bouton

joined by Alyssa Ayres, Ajay Banga, Mary Kissel, and Ashley J. Tellis

I endorse the report with the following comments:

- “Joint venture” should not be seen as a rerun of the relationship between the East India Company and the Mughal Empire; India can certainly protect its own interests in relations with the United States and other major powers. The concept is excellent and has important implications about a limited but expanding partnership.
- In many places, “strategic” should be replaced by “sectoral.” The term “strategic relationship” is as fuzzy as “natural ally.” Both are examples of diplomatic speak—they conceal more than they reveal and are not useful.
- I disagree with the literal meaning of finding number two: “[N]othing is more important to India's future success—across all facets of

national power—than achieving sustained high levels of annual economic growth.” India offers the promise of both growth and democracy, and I would not want to see India compromise the latter for the former.

- Finding number eight could be construed as U.S. approval of using any means to end the conflict with Pakistan. It is an invitation to use force, and I do not think this was meant to be the case.
- Finding number nine is overtaken by events—the United States will remain in Afghanistan. I am unaware of any U.S. plan to justify alleged Indian fears of the United States handing off Afghanistan to China and Pakistan. The United States should return to the Bonn process and create a true regional condominium in which India should play a lead role.
- On finding number thirteen, the United States and India should also work with each other to perfect their own democracies, especially in the areas of minority rights, religion and politics, and improving democratic procedures. *Democracy and Diversity: India and the American Experience*, edited by K. Shankar Bajpai, is a model for such discussions; it has important chapters by Indians and Americans.
- Official U.S. policy on Kashmir is now correct and should have been thusly noted, as Kashmir features in every report on India and the region by the Council on Foreign Relations and others. The United States stands ready to help India and Pakistan reach an amicable solution, even an interim one, but only at their joint request.

Stephen P. Cohen

Endnotes

1. United Nations, “The Millennium Development Goals Report 2014,” p. 9, <http://www.un.org/millenniumgoals/2014%20MDG%20report/MDG%202014%20English%20web.pdf>.
2. See the International Energy Agency, *World Energy Outlook 2014*, <http://www.worldenergyoutlook.org>.
3. Purchasing power parity, or PPP, compares buying power for a similar basket of goods across vastly different economies. It is not a perfect conversion, and depends on the aggregation of cost data to form usable comparisons. See Angus Deaton and Alan Heston, “Understanding PPPs and PPP-based national accounts,” November 2009.
4. For consistency, we use IMF growth rates in this report. India’s Central Statistics Office re-based its calculation for India’s growth rates in January 2015, resulting in upward revisions for recent years. The bump has raised questions about the data and its interpretation.
5. All GDP data from the World Bank World Development Indicators database, accessed August 18, 2015.
6. See “The ‘Bird of Gold’: The Rise of India’s Consumer Market,” McKinsey Global Institute, May 2007; “Special chapter: The Rise of Asia’s Middle Class” in *Key Indicators for Asia and the Pacific 2010*, <http://www.adb.org/sites/default/files/publication/27726/ki2010-special-chapter.pdf>; Christian Meyer and Nancy Birdsall, “New Estimates of India’s Middle Class: Technical Note,” Center for Global Development, November 2012, http://www.cgdev.org/doc/2013_MiddleClassIndia_TechnicalNote_CGDNote.pdf; Rakesh Kochhar, “A Global Middle Class Is More Promise Than Reality: From 2001 to 2011, Nearly 700 Million Step Out of Poverty, but Most Only Barely,” Pew Research Center, July 2015.
7. U.S. Secretary of Commerce Penny Pritzker, “U.S.-India Commercial and Economic Relationship,” address at Carnegie Endowment for International Peace, September 21, 2015, <https://www.commerce.gov/news/secretary-speeches/2015/09/us-secretary-commerce-penny-pritzker-addresses-us-india-commercial>.
8. Confederation of Indian Industry and Grant Thornton, “Indian Roots, American Soil: A Survey of Indian Companies’ State-by-State Operations in the United States,” July 2015, <http://online.wsj.com/public/resources/documents/CIIRReport.pdf>.
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10. International Labor Organization, “India: Why Is Women’s Labour Force Participation Dropping?” Comment and Analysis, February 13, 2013, http://www.ilo.org/global/about-the-ilo/newsroom/comment-analysis/WCMS_204762/lang--en/index.htm.

11. “Breaking the Glass Ceiling,” *Economist Intelligence Unit*, April 17, 2015, <http://country.eiu.com/article.aspx?articleid=123085396>.
12. McKinsey Global Institute, “The Power of Parity: How Advancing Women’s Equality Can Add \$12 Trillion to Global Growth,” September 2015, http://www.mckinsey.com/insights/growth/How_advancing_womens_equality_can_add_12_trillion_to_global_growth. See also the “Third Billion” index from Strategy& (formerly Booz & Company), “Empowering the Third Billion: Women and the World of Work in 2012,” http://www.strategyand.pwc.com/media/file/Strategyand_Empowering-the-Third-Billion_Full-Report.pdf.
13. As the study also notes, the estimated costs parallels “what many developing country governments spend on primary education.” World Bank, *Voice and Agency: Empowering Women and Girls for Shared Prosperity* (Washington, DC: World Bank Group, 2014), p. 67, http://www.worldbank.org/content/dam/Worldbank/document/Gender/Voice_and_agency_LOWRES.pdf.
14. World Bank, *World DataBank*, Poverty and Equity Database, United States data for 2010, income-based; data for China and India represent 2011 figures and are consumption-based. Separate from the World Bank data, a new study based on Chinese survey data estimates much higher income inequality in China than the consumption-based data suggests—in the range of 53 to 55. See Yu Xie and Xiang Zhou, “Income Inequality in Today’s China,” *PNAS* vol. 111, no. 19, February 2015, pp. 6928–33, <http://www.pnas.org/content/111/19/6928.abstract>.
15. On the poverty rate, the *Economic Survey 2014–15* uses statistical data as of the 2011 census.
16. International Monetary Fund, World Economic Outlook database, 2015 data.
17. *Economic Survey 2014–15*, vol. II, p. 6.
18. *Ibid.*, p. 105.
19. C. Fred Bergsten, “India’s Rise: A Strategy for Trade-Led Growth,” PIIE Briefing no. 15-4, September 2015, <http://www.iie.com/publications/briefings/piieb15-4.pdf>.
20. For example, the publication in 2012 of *Non-Alignment 2.0*, developed by Indian scholars in dialogue with the then-Indian national security advisor, Shivshankar Menon, and his office, reaffirmed the idea of maximizing India’s choices by not tying itself down. See Sunil Khilnani, Rajiv Kumar, Pratap Bhanu Mehta, Prakash Menon, et al., *Non-Alignment 2.0, A Foreign and Strategic Policy for India in the Twenty First Century* (New Delhi, Centre for Policy Research, 2012).
21. S. Jaishankar, “Remarks by Foreign Secretary at the Release of Dr. C. Raja Mohan’s book, ‘Modi’s World: Expanding India’s Sphere of Influence,’” New Delhi, July 17, 2015, http://mea.gov.in/Speeches-Statements.htm?dtl/25491/Remarks_by_Foreign_Secretary_at_the_release_of_Dr_C_Raja_Mohans_book_Modis_WorldExpanding_Indias_Sphere_of_InfluencequotJuly_17_2015.
22. Dina Smeltz and Ivo Daalder with Craig Kafura, *Foreign Policy in the Age of Retrenchment: Results of the 2014 Chicago Council Survey of American Public Opinion and U.S. Foreign Policy* (Chicago, Chicago Council on Global Affairs, 2014), p. 35.
23. Dina Smeltz, Ivo Daalder, Karl Friedhoff, and Craig Kafura, “America Divided: Political Partisanship and U.S. Foreign Policy” (Chicago: Chicago Council on Global Affairs, 2015), pp. 47–48.
24. Bruce Stokes, “The Modi Bounce: Indians Give Their Prime Minister and Economy High Marks, Worry About Crime, Jobs, Prices, Corruption” (Washington, DC, Pew Research Center, September 2015), p. 18.
25. Richard R. Verma, “Recent Developments in the U.S.-India Relations,” speech delivered at the Center for Strategic and International Studies, Washington, DC, June 5, 2015.

26. Relevant here is the recommendation of a recent CFR-sponsored Independent Task Force on trade, which noted that the “United States needs a more flexible and varied negotiating strategy that can yield greater market opening in the sectors and countries that promise the largest economic gains.” That Task Force urged the United States to “revitalize its trade-negotiating agenda by focusing on the biggest markets and sectors that have the greatest potential for increasing U.S. production of goods and services and for creating additional employment and income in the United States.” See Andrew H. Card and Thomas A. Daschle, chairs; Edward Alden and Matthew J. Slaughter, project directors, *U.S. Trade and Investment Policy*, Independent Task Force Report No. 67 (New York: Council on Foreign Relations Press, 2011).
27. This Independent Task Force is not the first to comment upon the limited results of long-standing U.S. trade policy with India. Others have recommended a renewed focus on the bilateral economic relationship as well, including the previously cited C. Fred Bergsten, “India’s Rise: A Strategy for Trade-Led Growth,” which contains a detailed road map to advance bilateral trade ties. See also Ashley J. Tellis and C. Raja Mohan, “The Strategic Rationale for Deeper U.S.-Indian Economic Ties,” Carnegie Endowment for International Peace, 2015. The Asia Society Policy Institute recently launched a multinational task force with the express goal of drafting a road map for securing India’s membership in APEC.

Task Force Members

Task Force members are asked to join a consensus signifying that they endorse “the general policy thrust and judgments reached by the group, though not necessarily every finding and recommendation.” They participate in the Task Force in their individual, not their institutional, capacities.

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Stephen P. Cohen is a senior fellow with the India Project in the foreign policy program at the Brookings Institution, following a career as a professor of political science and history at the University of Illinois. In 2004, he was named by the World Affairs Councils of America as one of America's five hundred most influential people in the area of foreign policy. Cohen is the author, coauthor, or editor of more than fourteen books, mostly on South Asian security issues, the most recent being *Shooting for a Century: The India-Pakistan Conundrum* and *The Future of Pakistan*. He has also written books on India, Pakistan, nuclear proliferation, disaster management, and the application of technology to the prevention or amelioration of terrorism. In early 2008, Cohen was a visiting professor at the Lee Kuan Yew School of Public Policy in Singapore, where he taught a course on the politics of manmade and natural disasters. He also taught in Japan at Keio University and in India at Andhra University. He has consulted for numerous foundations and government agencies, and was a member of the policy planning staff at the Department of State from 1985 to 1987. He was a visiting scholar at the Ford Foundation, New Delhi, from 1992 to 1993.

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Observers participate in Task Force discussions, but are not asked to join the consensus. They participate in their individual, not institutional, capacities.

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