

U.S.-INDIA INSIGHT

*“Unlocking the full potential
of the U.S.-India relationship”*

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Obama's Second Term:
“India is a big part of my plans”

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Throughout the past year, high-ranking U.S. administration officials continued to use superlatives to describe the relationship they envisioned for the United States and India. Speaking at CSIS in November, National Security Adviser Thomas Donilon said: “We have given a full embrace of India’s rise...and a full embrace of India’s rise as a partner” of the United States. On his visit to New Delhi in May, Defense Secretary Leon Panetta said: “Cooperation with India is a linchpin” in the new U.S. defense strategy of “re-balancing” toward the Asia-Pacific region. On several occasions, Secretary of State Hillary Clinton repeated her refrain that “the United States is making a strategic bet on India’s future” and that we should pursue our bilateral relations accordingly. And, most recently, President Barack Obama told Prime Minister Manmohan Singh at the East Asia Summit in Cambodia: “India is a big part of my plans” for his second term.

To date, those “plans” are still a work-in-progress, as the president assembles his new team for his second administration. The fulcrum upon which the bilateral relationship rests is the U.S.-India Strategic Dialogue, first launched by Secretary Clinton and then-External Affairs Minister S.M. Krishna in 2010. While the two countries have some 20 other ongoing fora and working groups, the overarching purpose of the Strategic Dialogue is to assess progress, provide policy guidance, and propose new areas of cooperation across the breadth of the U.S.-India strategic partnership.

The fourth iteration of the Strategic Dialogue, this time to be led on the U.S. side by John Kerry, subject to his highly anticipated confirmation as the new secretary of state, is expected to take place this summer in New Delhi. By that time, the administration’s core team dealing with India—at State, Defense, Treasury, Commerce, and USTR—should be in place, and the president’s “plans” for India in his second term largely formulated, and ready for consultation with their Indian counterparts.

In advance of that high-level bilateral exchange, here are four concrete proposals for consideration. Each builds upon already existing areas of U.S.-India cooperation, and each would take this cooperation to the next level.

Establish a “New Framework for U.S.-India Economic Cooperation”

The administration should propose establishing an ambitious, 10-year “New Framework for U.S.-India Economic Cooperation,” modeled after the 2005 “New Framework for the U.S.-India Defense Relationship.” Such a framework would serve as the organizing principle for bilateral discussions

“India in 2013—and Beyond”

In 2004 the U.S. National Intelligence Council (NIC) released “Mapping the Global Future,” forecasting what the world order would look like by 2020. In one of its boldest assertions—and historically most audacious—it stated: “As the rise of Germany defined the 19th century and the rise of the United States marked the 20th century, the rise of China and India will transform the geopolitical landscape for the 21st century.”

Last month the NIC came out with its latest long-range global forecast, “Global Trends 2030: Alternative Worlds.” Perhaps to modest India’s discomfort, the NIC again raised the bar for what can be expected from the soon-to-be world’s most populous nation: “In 2030 India could be the rising economic powerhouse that China is seen to be today.”

In support of this bullish prediction, the NIC called attention to the World Bank’s assessment that India will join China as an “emerging economy growth pole” by 2025 and that India’s contribution to global growth in coming years will surpass that of any individual advanced economy except the United States.

Talk about Dickens’s *Great Expectations*. Now we know what Secretary of State Hillary Clinton has been drawing on when she says it is in America’s national interest to make a “strategic bet” on India’s rise as a global power and to act accordingly.

But for India today and its more immediate future, a reference to the opening line in another Dickens’s novel—*A Tale of Two Cities*—is a cautionary tale: “It was the best of times, it was the worst of times.” As the NIC report and other publications (including by CSIS) point out, for India to maximize its advantages (including demographic with a youthful population), it will

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and negotiations at the highest levels. This framework should be issued as a joint statement at the upcoming Strategic Dialogue and set out a detailed agenda for the two countries to pursue, starting with concluding negotiations for a high-standard Bilateral Investment Treaty (BIT) in 2013; prioritizing the Infrastructure Debt Fund (IDF); moving ahead with individual sectoral agreements and regulatory reform; improving the movement of high-skill professionals; and potentially culminating—over a 10-year horizon or beyond—in a full-fledged free trade agreement. In addition, as the U.S.-India Business Council (USIBC) and the Confederation of Indian Industries (CII) have proposed, a goal of achieving \$500 billion in annual bilateral trade by 2020 should be established.

Launch a “U.S.-India Job Creation and Skills Building Partnership”

Given that India’s economy could become the world’s third largest by 2030, and the U.S. economy is placing emphasis on retraining workers to meet the labor demands of the twenty-first century, a bilateral initiative should be launched to capitalize on the vast human capital in both societies, by linking the expertise and abilities of our community colleges and worker training programs. India’s Ministry of Human Resource Development has plans to focus on vocational training, but a concerted bilateral initiative, including public-private partnerships, to train and employ millions of workers for a modern economy is needed.

In India, the need of the hour is to bring 150 million workers out of agriculture and into manufacturing, which requires retraining and employment on a scale rarely seen. 174 million Indians are expected to join the labor force by 2030, the largest such cohort in the world, and training them will require a heavy dose of private-sector involvement.

In the United States, unemployment is slowly decreasing from a high of 9 percent, and retraining workers for a twenty-first century globalized economy is of paramount importance. American youth face a persistently high unemployment rate of 14 percent, even though the recovering economy offers an abnormally high 3.5 million job vacancies. The widening skills gap in both the United States and India must be addressed—and though the needs and constraints on both sides are different, lessons can be learned from each country, and steps can be taken together or in parallel to correct the current mismatch between talent and available jobs.

Through the Strategic Dialogue, the United States and India already engage in a number of preexisting initiatives that would be complementary to a “Job Creation and Skills Building Partnership,” including the annual U.S.-India Education Dialogue, the Obama-Singh 21st Century Knowledge Initiative, the Women’s Empowerment Dialogue, and the Science and Technology Forum. Advantage should be taken of these potential synergies.

Sign a “Memorandum of Understanding (MOU) on Defense Coproduction and Codevelopment”

The 2013 Defense Authorization Act, signed into law earlier this month by President Obama, contains a provision cosponsored by the cochairs of the Senate India Caucus—Senators Mark Warner and John Cornyn—calling on the Pentagon “to examine the feasibility of engaging in co-production and co-development defense projects with India” and “to consider potential areas of cooperation.”

“Potential areas of cooperation” in coproduction and codevelopment could focus on nonsensitive defense equipment that provides value to both sides, such as a next generation trainer aircraft or counter-improvised explosive device (IED) technology, as recommended in an earlier CSIS report, *U.S.-India Defense Trade: Opportunities for Deepening the Partnership*.

Whatever area is chosen, and if then codified in a memorandum of understanding (MOU) with India, it would be a prominent symbol of bilateral defense cooperation and mark a concrete step toward what Secretary Panetta forecast in his speech in New Delhi: “Over

need “to boost its educational system; make substantial governance improvements, particularly in countering corruption; and undertake large-scale infrastructure programs to keep pace with rapid urbanization.”

How India addresses these three major challenges in 2013—education, corruption, and infrastructure—will say a lot about whether India will be able to achieve the “Great Expectations” many have for it in this century or find itself facing the title of yet another book by the great English novelist, *Hard Times*.

-- Karl Inderfurth

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the long term, I am certain that we will transition our defense trade beyond the ‘buyer-seller’ relationship to substantial co-production and, eventually, high-technology joint research and development.”

Pursue a “Six Power Regional Initiative for Afghanistan”

During the past year there has been a marked improvement in the depth and breadth of U.S.-India consultations regarding Afghanistan. The United States publicly acknowledged the important role India is playing in Afghanistan through reconstruction, trade and investment, and help for Afghanistan’s security forces. Both countries have now signed strategic partnership agreements with Afghanistan and pledged their continuing commitment to the country that will extend beyond the end of 2014 when U.S. and NATO combat forces have departed.

But as India and others in the region position themselves for this departure, one historical ground truth will need to be kept in mind. Afghanistan will never be able to secure its territory and population without the active collaboration, cooperation, and/or acquiescence of its more powerful neighbors and near neighbors.

A regional approach to securing Afghanistan’s future is therefore essential and the United States and India should devote time and attention to see how this can be accomplished. In this regard, while the on-going “Istanbul process” led by Turkey is an important contribution, six principal stakeholders will be critical because of their relations with Afghanistan and, especially, with each other: Pakistan, India, Iran, China, the United States, and Russia. Creative diplomacy (an understatement) will be needed to bring these six parties together, but the benefits could be significant. As former secretary of state James Baker has put it: “Why don’t we pull together a conference of China, India, Pakistan, Russia, Iran and the United States and say...you guys have every bit as much of an interest in a stable Afghanistan as we do.”

Secretary Baker’s next successor at State, John Kerry, should test that proposition and place this regional proposal—or a variant thereof—on the agenda for the fourth U.S.-India Strategic Dialogue, making it a part of the president’s “plans” with India for his second term.

Lastly, a First...

One other part of President Obama’s “plans” should be a second visit to India, an opportunity to build on his successful visit of November 2010 and to mark a historic first in U.S.-India relations: the first time an American president has traveled to India twice while in office.



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