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India's Rise, America's Interest

The Fate of the U.S.-Indian Partnership

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Until the late 1990s, the United States often ignored India, treating it as a regional power in South Asia with little global weight. India's weak and protected economy gave it little influence in global markets, and its nonaligned foreign policy caused periodic tension with Washington. When the United States did concentrate on India, it too often fixated on India's military rivalry with Pakistan.

Today, however, India is dynamic and transforming. Starting in 1991, leaders in New Delhi -- including Manmohan Singh, then India's finance minister and now its prime minister -- pursued policies of economic liberalization that opened the country to foreign investment and yielded rapid growth. India is now an important economic power, on track (according to Goldman Sachs and others) to become a top-five global economy by 2030. It is a player in global economic decisions as part of both the G-20 and the G-8 + 5 (the G-8 plus the five leading emerging economies) and may ultimately attain a permanent seat on the United Nations Security Council. India's trajectory has diverged sharply from that of Pakistan.

With economic growth, India acquired the capacity to act on issues of primary strategic and economic concern to the United States. The United States, in turn, has developed a growing stake in continued Indian reform and success -- especially as they contribute to global growth, promote market-based economic policies, help secure the global commons, and maintain a mutually favorable balance of power in Asia. For its part, New Delhi seeks a United States that will help facilitate India's rise as a major power.

Two successive Indian governments have pursued a strategic partnership with the United States that would have been unthinkable in the era of the Cold War and nonalignment. This turnaround in relations culminated in 2008, when the two countries signed a civil nuclear agreement. That deal helped end India's nuclear isolation by permitting the conduct of civil nuclear trade with New Delhi, even though India is not a party to the Nuclear Nonproliferation Treaty. Important as the agreement was, however, the U.S.-Indian relationship remains constrained. For example, although U.S. officials hold standing dialogues about nearly every region of the world with their counterparts from Beijing, Brussels, and Tokyo, no such arrangements exist with New Delhi.

The future scope of the U.S.-Indian relationship will depend, then, on choices made in both Washington and New Delhi: the United States looks to India to sustain its economic and social change while still embracing a partnership

with Washington, and India looks to the United States to respect Indian security concerns. And the countries will need to carefully manage looming disagreements between them, including on Afghanistan, Pakistan, and China.

A TRANSFORMED RELATIONSHIP

U.S. President Barack Obama and Indian Prime Minister Manmohan Singh can pursue an enduring partnership because they do not face any of the three principal obstacles that constrained U.S.-Indian cooperation in the past: Cold War politics, a stagnant commercial relationship, and disagreements over India's nuclear program.

During the Cold War, India's policy of nonalignment struck many in the United States as tantamount to alignment with the Soviet Union, especially after the Indian-Soviet treaty of friendship was signed in 1971. And nonalignment was as deeply rooted in India as it was lamented in Washington: the policy dated back to India's first prime minister, Jawaharlal Nehru, who viewed nonalignment as a way for India to exercise international leadership after the end of British rule. But after the collapse of the Soviet Union -- one of its largest trading partners and its primary security partner -- India began to reassess its priorities, and opportunities emerged for greater cooperation with the United States.

Yet even after India began to abandon nonalignment, there was little economic exchange between the two countries. Until the reforms of the 1990s, India was not well integrated into the global economy. It pursued protectionist policies, such as bars to foreign investment in many sectors, that made trade with the United States difficult. As recently as 2002, Robert Blackwill, then the U.S. ambassador to India, complained that U.S. trade flows to India were as "flat as a chapati" (chapati is a thin Indian bread). For all of India's growth in manufacturing and increased trade volume over the 1990s, the country remained disconnected from the global supply and production chains that linked so many Asian economies to the United States. But further reforms in recent years have made India one of the United States' fastest-growing commercial partners. Annual two-way trade more than doubled between 2004 and 2008, from just under \$30 billion to \$66 billion. And investment has begun to flow both ways. According to the Office of the U.S. Trade Representative, Indian direct investment in the United States reached \$4.5 billion in 2008, just over a 60 percent increase from 2007.

Still, the thorniest obstacle to U.S.-Indian cooperation was India's nuclear program. In the years after India's first nuclear test, in 1974, Washington imposed sanctions on India that severely restricted its access to technology, fuel supplies, and technical assistance in the nuclear field. After India's subsequent tests, in 1998, the United States cut off direct foreign assistance, commercial export credits, and certain technology transfers. As U.S.-Indian relations began to warm in subsequent years, Indians of all political persuasions condemned the United States as hypocritical for seeking a strategic partnership with India while simultaneously targeting it with punitive sanctions. The United States abandoned this approach during George W. Bush's first term and had completed a total reversal by the end of his second, when the civil nuclear agreement lifted restrictions on nuclear commerce. Although negotiated by a Republican administration, the deal passed a Democratic-controlled Congress with overwhelming bipartisan backing (including the votes of then Senators Joe Biden, Hillary Clinton, and Obama), demonstrating that support for strengthened U.S.-Indian relations extends across party lines in Washington, much as it does in India. Also bolstering the relationship are both American and Indian businesspeople, the nearly 100,000 Indian students currently studying in U.S. schools, some three million Indian Americans, and the tens of millions of Indians with relatives in the United States.

Through their civil nuclear negotiations, the United States and India developed unprecedented habits of cooperation. To earn the approval of the nearly 50 other countries on the International Atomic Energy Agency's

Board of Governors and in the Nuclear Suppliers Group, the United States and India coordinated more closely than ever before on their diplomatic and political strategies. Partly as a result, officials in Washington and New Delhi can now work better together on vital issues such as counterterrorism, defense, and intelligence cooperation -- as demonstrated by the joint U.S.-Indian response to the November 2008 terrorist attacks in Mumbai.

Still, a number of hurdles remain before the United States and India can build a more enduring, strategic, and global partnership. First, India needs to bolster its emergence as a major power -- not least by sustaining high rates of economic growth. This will require India to further open its economy to competition and investment and advance ongoing reforms aimed at relieving inequality, expanding the middle class, and strengthening the country's physical infrastructure.

Second, India's emerging global influence will be sustainable only if India develops new doctrines and diplomatic capacities. The country has moved beyond nonalignment, to be sure, but has not yet coalesced around a new foreign policy vision. And although New Delhi may ultimately settle on a strategy that is conducive to a more open and global partnership with the United States, that is not assured.

Third, the United States needs to be sensitive to Indian concerns in a number of areas that directly affect Indian interests. Differences loom between Washington and New Delhi regarding U.S. policy toward Afghanistan and Pakistan, China, climate change, and other issues. Managing such disputes -- by reaching agreement or at least by mitigating the effects of disagreement -- will be vital to effective cooperation.

INDIA'S PIVOTAL TRANSFORMATIONS

Just as Indian reforms in the 1990s paved the way for the recent transformation of U.S.-Indian relations, Indian policy choices in the coming years will shape both the country's rise and its relationship with Washington going forward. The most consequential factor of all may be whether India grows economically and integrates further with the world's other major economies. Unless it does so, India is unlikely to exert decisive influence on international economics or politics.

It is fitting, then, that Singh's government -- which earned a fresh mandate and expanded its parliamentary majority in elections last year -- is focused almost entirely on domestic considerations. The government's top priority is to restore the nine percent annual growth rate that India enjoyed before the recent global economic crisis. As the crisis was unfolding, many Indians argued that their economy was safely decoupled from global trends because it did not depend heavily on foreign demand for Indian exports and its relatively closed financial sector had little exposure to toxic assets. But during the crisis, exports collapsed, capital left the country, and corporate India lost access to many sources of overseas financing. Although Singh's government adopted a fiscal stimulus plan in December 2008 that included heavy capital and infrastructure spending, Indian growth slowed from nine percent in 2007-8 to 6.7 percent in 2008-9, which is around where it is likely to remain until at least 2011, according to the Organization for Economic Cooperation and Development.

To win votes and broaden public support for growth-inducing reforms, India's government is seeking to expand various welfare measures. In the past, Indian voters have punished both major political parties for enacting reforms that appeared to benefit elites disproportionately. This was one reason why the Indian National Congress, after coming to power in 2004, pursued expanded welfare programs alongside measures to increase economic growth, especially in rural India. When the party won reelection in 2009, many commentators credited the Congress-led government's rural employment guarantee and debt waivers for farmers as the principal reasons for its larger-

than-expected margin of victory. Now, party leaders are all the more dedicated to raising the incomes of poor and rural Indians: the government's first postelection budget extended the rural debt waiver, boosted spending on the ongoing rural employment guarantee by 144 percent, and hiked the rural infrastructure program by 45 percent.

To facilitate the kind of growth it seeks, India is also improving its physical infrastructure. Just two percent of Indian roads are highways, even though most freight and nearly all passenger traffic are carried by road. Rutted highways, old airports, decaying ports, and chronic electricity shortages weaken nearly every aspect of India's economy: the roads between India's four largest cities are poor, New Delhi's showpiece high-tech district of Gurgaon has gone dark and hot, and power for lights and air conditioning often fails even in state capitals. For India to sustain high GDP growth, Singh told Parliament in 2008, it will have to increase its electricity generation by eight to ten percent annually. By 2012, the government aims to increase infrastructure-related spending from four percent of GDP to nine percent, on par with the rate that gave China the world's third-largest road and rail networks. India's plans include completing construction on the Golden Quadrilateral, a multibillion-dollar superhighway linking New Delhi, Kolkata, Chennai, and Mumbai. India's success or failure in developing its physical infrastructure will say much about its broader potential, because the stakes are high and the obstacles are many. State seizures of land are difficult, cost overruns and political horse-trading are endemic, and violence between the dispossessed and the land-takers is increasingly common.

A further impediment to India's economic ambitions is social: although the country has world-class talent in some areas, such as information technology, it still faces daunting challenges in its labor market and in its education system. Indian labor is disproportionately rural and heavily concentrated in unorganized activities and sectors. Manish Sabharwal, chair of the country's leading temporary-employment agency, has described a series of transitions that would strengthen the Indian work force: from farm to nonfarm, rural to urban, unorganized to organized, school to work, subsistence to a decent wage, and job preservation to job creation. But whether these transitions take place will depend in part on India's education system. Demand for education, especially from the growing middle class, vastly outstrips supply, and 160 million Indian children are out of school. And a UNESCO index recently ranked India 102 out of 129 countries on the extent, gender balance, and quality of its primary education and adult literacy. Thus, as Europe, Japan, and others pay a price for their aging work forces, India risks missing the opportunity to benefit from its significantly younger population.

Finally, there is the challenge of domestic security. The November 2008 attacks in Mumbai dominated headlines around the world, but other major Indian metropolises were bombed throughout 2008: Jaipur in May, Ahmadabad and Bangalore in July, and New Delhi's most famous shopping area, Connaught Place, in September. Indian security is challenged not only by the threat of terrorism -- which often emanates from inside Pakistan -- but also by the domestic insurgency of the leftist Naxalites. India's effectiveness in combating these threats is weakened by the highly federalized structure of its government. Indian intelligence and law enforcement have weak traditions of cooperation; policing is largely a state, not a federal, matter; and there is insufficient coordination among the states. The government is working to centralize aspects of the security system, promote coordination, expand personnel, and boost budgets, but the situation is improving only slowly.

Although these security threats could greatly affect India's fate, its economic and social choices will be the principal determinant of its success. And choices about economics, infrastructure, and human capital, in turn, will largely determine India's capacity for global influence and thus the potential scope of U.S.-Indian cooperation.

BETWEEN G-20 AND G-77

Ever since India's growing economic weight began yielding new strategic possibilities, Indians have been debating their evolving interests. One still unresolved question -- which is politically explosive to many in India -- is how best to pursue partnerships with the advanced industrial countries, especially the United States.

The issue of climate change has brought this debate to the fore. In a memo leaked last October, India's environment minister, Jairam Ramesh, argued that India should curb its emissions without regard to whether advanced industrial countries provide India with the technology and funding to do so -- a reversal of long-standing Indian policy. The reason, said Ramesh, was that India should act "in self interest" and "not stick with G77 [a group of developing countries, including India] but be embedded in G20 [a grouping of the world's major economies, also including India]." The memo prompted a political firestorm. Although the interests of a more powerful and economically integrated India are increasingly overlapping with those of the United States and other G-20 countries, many Indians do not believe that their interests lie primarily with the world's developed countries. Faced with a backlash from politicians, including some of his colleagues, Ramesh backtracked at the Copenhagen summit on climate change in December, and Indian negotiators aligned themselves closely with China and other G-77 partners.

The 2008 civil nuclear deal with the United States ignited even broader debates about what sort of international company India should keep. As Shiv Shankar Menon, who served as Indian foreign secretary during the U.S.-Indian nuclear negotiations, said in 2009, the deal was "about the merits of trusting the [United States] or the consequences of a particular line of policy rather than about the substance of the agreements themselves." India's Communists opposed the deal largely for this reason; Prakash Karat, the head of India's leading communist party, argued in 2007 that as a result of the deal, "India would be locked into a strategic tie-up which would have a long lasting impact on India's foreign policy and strategic autonomy." Even some stalwarts of the ruling Indian National Congress were skeptical of the deal. Yet in order to overcome its nuclear isolation, the Congress-led government moved forward with the agreement, aligning itself overtly with the United States.

Indeed, many of India's recent foreign policy decisions have been unprecedented: It has backed three U.S.-supported resolutions against Iran in the International Atomic Energy Agency and is enforcing UN Security Council sanctions against Tehran. It stopped a North Korean ship in Indian waters in August 2009 and inspected its cargo, a move supportive of U.S. (and United Nations) nonproliferation objectives. It is the fifth-largest donor of reconstruction assistance to Afghanistan. It is participating in nearly every U.S.-supported multinational technology initiative for tackling climate change, including projects on hydrogen, carbon sequestration, and nuclear fusion. It has harmonized its export controls with the guidelines of the Nuclear Suppliers Group and the Missile Technology Control Regime and has committed to adhere to future changes in these guidelines. It provided tsunami relief to Indonesia in 2004 through an ad hoc naval partnership with the United States and two of Washington's closest military allies, Australia and Japan. Its military has conducted exercises with every branch of the U.S. armed services. And it has engaged in trilateral military exercises with the United States and Japan, despite Chinese protests. For a country that long cherished its nonalignment policy, such public associations with the United States represent a break from long-standing reflexes. Whether the break will be enduring will depend on the outcome of wider debates over India's foreign policy vision.

A TALE OF INFLUENCE

India's global aspirations are constrained by its geography. Although India is the most stable country in South Asia, events in less stable neighboring countries threaten to occupy its attention and derail its aspirations: Pakistan is

confronting institutional weakness and growing extremism; Nepal may fail as its elites jockey for power and struggle to integrate former Maoist insurgents into the political mainstream; Sri Lanka is struggling with ethnic and constitutional challenges; and Bangladesh and Myanmar (also known as Burma) are yielding unwelcome exports, such as economic migrants, refugees, and extremists.

India's relationship with Pakistan is particularly worrying, as it has deteriorated significantly in recent years. In the early years of this century, India made substantial strides in its relationship with Pakistan, including a cease-fire in 2003, enhanced trade and travel links, and a back-channel dialogue with the government of Pervez Musharraf that arrived at broad parameters of understanding on the most contentious issues, including Kashmir. But politics in both countries, especially Pakistan, were not conducive to normalizing relations, much less reaching a final peaceful settlement. Major terrorist attacks on India planned in Pakistan, particularly the November 2008 attacks in Mumbai, soured the atmosphere for negotiations. And today, political power in Pakistan is splintered, and extremism is spreading to major Pakistani cities from the tribal areas bordering Afghanistan. Thus, even as India's interests increasingly reach beyond South Asia, these dangers may force New Delhi to focus less on global issues than on priorities closer to home.

To become a bigger player on the world stage, New Delhi will need to achieve two major goals: first, break the confining shackles of South Asia and become a truly Asian power that is integrated into the East Asian economic system and influential throughout the wider region; and second, project its power and influence globally, whether by assuming a role in protecting the global commons, shaping international finance, becoming a more significant aid donor, or leveraging its seat in the G-20 and other leading international institutions.

India is already beginning to meet the first challenge. Having played an insignificant strategic and economic role in East Asia from the 1960s through the mid-1990s -- partly because it rejected the successful model of export-led growth that linked other Asian economies to the United States during the Cold War -- India is now more involved in East Asia. One reason for this is that many in the region (and in India) are wary of China's growing strength and view a large, wealthy India as a buttress for the region's balance of power. In recent years, New Delhi has signed free-trade agreements with Singapore, South Korea, and the Association of Southeast Asian Nations (ASEAN) and has joined regional institutions, such as the East Asia Summit and the ASEAN Regional Forum. India has also deepened its defense ties with Australia, Japan, Singapore, and Vietnam -- four countries that are also wary of China's rise and maintain close, or have deepening, security ties with the United States. But the economic dimension of India's integration is lagging: India constitutes just 2.7 percent of ASEAN's total trade volume, whereas China constitutes 10.4 percent.

India's second challenge may prove tougher still. Although New Delhi has increased its profile in the Persian Gulf, Africa, and (to a lesser extent) Central Asia, its ability to project influence globally will depend on how it integrates its various efforts into a coherent strategy. The principal challenge will be to leverage its economic strength for strategic gain, as China has. So far, India's record of global power projection has been mixed.

One example is foreign aid, which both China and Japan have used to gain influence in Africa. India recently joined the fray by increasing its annual aid to Africa and offering \$5 billion in credit at the 2008 Indian-African summit. But such aid has produced few strategic or commercial gains for India. Nor has it made India more powerful in Africa-focused institutions: India has been a member of the African Development Bank since 1982 but has less voting weight than nearly every other non-Western donor, including China, Japan, Saudi Arabia, and South Korea.

Various leading or emerging powers -- including China, the European Union, Japan, and even Russia -- demonstrate their strength by providing public goods, joining clubs of leading economies, leveraging their voting weight in international financial institutions, or deploying economic and financial tools to move global markets. India does less in these areas than Beijing, Brussels, or Tokyo. Consider the global commons. Although Indian interests are growing on the seas and in space and its antipiracy activities off the Horn of Africa are unprecedented, India remains more a beneficiary of public goods than a producer of them, especially when it comes to security. Likewise, India is now part of some of the world's most exclusive clubs, including the G-20, but some Indian decision-makers remain wary of other institutions that would welcome greater Indian involvement, including the International Energy Agency, which coordinates global oil stockpiles. India's quest to join the world's most exclusive club, the UN Security Council, has so far been stymied.

Over the next five years, India is likely to make its mark on international financial institutions and global markets. At the G-20 conference last September, the members increased developing countries' representation in the International Monetary Fund and the World Bank, giving India greater clout in two important global institutions. India is also beginning to move markets and prices. Corporate India has gone global, acquiring leading brands, including Jaguar, Land Rover, and the aluminum maker Novelis. And the Indian government's purchase of 200 tons of gold from the IMF in 2009 signaled that Asian central banks were beginning to diversify their U.S. dollar holdings, boosting gold prices by as much as 2.2 percent.

A final challenge in India's drive for global influence will be for New Delhi to strengthen its ability to implement its foreign policy. As the former State Department official Daniel Markey has written, India's foreign policy "software" is underdeveloped and risks underperforming: India's foreign service is tiny; seniority often trumps other criteria for promotion in the foreign service; and think tanks and university area-studies programs are underfunded and small. Improvements in these domains will be important if India is to fashion and implement more global strategies.

LOOMING DISAGREEMENTS

Although India's choices in domestic and foreign policy will be the most important factors affecting its power, stature, and partnerships in the coming years, decisions made by the United States will also matter greatly. This is especially true in areas that tangibly bear on Indian interests, such as Afghanistan. Washington and New Delhi must sustain momentum on the issues they have made progress on over the last decade, including cooperation on defense, trade, energy, the environment, and education. The tougher challenge will be to manage looming disagreements on five potentially divisive strategic issues: Afghanistan-Pakistan strategy, China policy, arms control, climate change, and high-technology cooperation. Washington and New Delhi need to move their disagreements toward compromise, without reverting to the acrimony that characterized an earlier era in their bilateral relations.

Indians are asking three questions about the Obama administration's policy toward Afghanistan and Pakistan: Will the United States stay and fight in Afghanistan over time? Will it apply sustained pressure on Islamabad to crack down on groups and individuals that target India? And will it resist the temptation to call for Indian concessions to Pakistan, in the hope that this will encourage the Pakistani government to change its priorities and focus on defeating terrorism?

Obama's decision to deploy 30,000 additional troops to Afghanistan should reassure those Indians who view the fight there as a test of U.S. staying power in South Asia. But many Indians are concerned with Obama's emphasis

on setting a timeline for withdrawal, scheduled to start in 2011. Washington's approach to Pakistan is even less reassuring to many Indians. How would the United States respond if another Mumbai-like attack occurred on Indian soil and New Delhi asked Washington to step up its pressure on Islamabad? And what if India responded militarily? Since the 2008 Mumbai attacks, the United States has increased its pressure on Pakistan to crack down on militant groups that target India; still, many in India want even greater U.S. pressure and fear that Washington might revert to its historical focus on the groups that target U.S. interests more directly.

There is a broad perception in India's strategic community that despite the many new elements of U.S.-Indian cooperation, the United States has recently been tilting toward Pakistan by ramping up its aid to the country and its military-to-military cooperation with Pakistan. Particularly concerning to many Indians is the suggestion made by some influential U.S. commentators that Washington should push New Delhi to alter its military posture toward Pakistan -- or even make lasting concessions on Kashmir -- in the hope that Pakistan would then remove resources from its eastern border and focus them instead on fighting al Qaeda and the Taliban.

Most Indians see this approach as blaming the victim. They also view it as unnecessary and unwelcome U.S. interference in what had been, until recently, a constructive back-channel negotiating process between India and Pakistan. Such U.S. pressure would be flatly rejected in New Delhi and would set back U.S.-Indian relations. It might also undermine the Indian-Pakistani peace process. And it would be unlikely to persuade Pakistan to redeploy its forces: after all, even during the period of greatest progress between New Delhi and Islamabad -- which ended with the terrorist attacks in India in 2006 and then the fall of Musharraf's government in 2008 -- Pakistan did not substantially alter its priorities or redeploy its forces from east to west.

China poses additional challenges to India and the U.S.-Indian partnership. Many in India believe that the Obama administration has tilted its policy toward Beijing in a way that undermines Indian interests. Yet Obama's China policy is broadly consistent with that of every U.S. president since Richard Nixon. This Indian concern is based on a fear that China's increasing weight could lead Washington to pursue a U.S.-Chinese condominium -- a G-2, some have called it -- which would sideline New Delhi even on issues of direct concern to India. Given China's close relations with Pakistan and continuing claims on Indian territory (including Arunachal Pradesh, a state twice as large as Switzerland), India does not view Beijing as an honest broker. And as U.S. officials are devoting increasing time and energy to cultivating the U.S.-Chinese relationship, Indians are asking whether Washington envisions a role for India in maintaining a balance of power in Asia, or whether the Obama administration views India as tangential to U.S. priorities there. More concretely, Indians worry that Washington may be unwilling to help India relieve the pressure from China if, for instance, tensions were ratcheted up further along the Chinese-Indian border.

China is particularly important because it has begun to replace Pakistan at the center of Indian defense planning. Although China considers India a third-tier security priority at best -- far behind internal insecurity and challenges in the East Asian littoral -- India views China as a first-tier priority. Developments in Chinese-Indian relations are central to India's internal debate about the reliability of its strategic deterrent and whether to test nuclear weapons again.

This is one important reason why arms control is another potential source of tension between Washington and New Delhi. The Obama administration is preparing to renew U.S. efforts to ratify the Comprehensive Nuclear Test Ban Treaty. If China does so, too, India will be pressured to follow suit. But many Indians argue that the country cannot sign the CTBT in light of its nuclear competition with China; several Indian nuclear scientists have even

sought to prod the government into conducting new nuclear tests by raising questions about whether India's 1998 tests really succeeded. For now, India is unlikely to conduct new tests. But it is equally unlikely to sign the CTBT or similar treaties, even if the Obama administration pressures it to do so.

Climate change is another potentially divisive issue. Both Washington and New Delhi support investment in green technologies, but internationally mandated and monitored emissions reductions are political dynamite in India, where they are often seen as a drag on growth and an affront to Indian sovereignty. India has agreed to emissions goals that would be subject to international "consultation and analysis" but not scrutiny or formal review. It has also offered to allow international monitoring of those of its mitigation activities that are supported by international funds or technologies but not of those that are domestically funded. Thus, although the United States and India may continue to cooperate on green technologies, their general approaches will likely limit the range of possible cooperation in global climate negotiations (as was evident at Copenhagen).

Finally, issues surrounding the transfer of technology (including for clean energy) are also contentious. India's government and its industrial sector have long complained that the United States' emphasis on national security export controls and intellectual property protection has excessively restricted licenses and transfers. Indians expect that if Washington views India as a partner, it should stop denying India so many dual-use and defense-related technologies. This complaint will almost certainly bleed into discussions of climate change and commercial cooperation on technology.

One way to mitigate the debilitating effects of these differences between the United States and India is to enrich bilateral cooperation in areas in which there is mutual agreement. On trade, for example, on which most discussions dwell on the failed Doha Round of multilateral trade talks, the United States and India could instead focus on completing their negotiations for a bilateral investment treaty. Although the United States is India's largest trading partner in goods and services, India ranks only 18th among trading partners of the United States, on par with Belgium. If the Doha negotiations remain a slog, a bilateral treaty with new investor protections would at least help enhance trade between the two countries.

So, too, would removing structural impediments on both sides. India complains about strict U.S. export controls and visa policies; the United States complains about Indian caps on foreign investment in the sectors of greatest interest to U.S. firms, including insurance and retail. New policies on both sides could spur commerce and insulate the bilateral relationship amid multilateral disagreements.

Washington and New Delhi could also enhance the level of transparency in their relationship. U.S. officials could brief their Indian counterparts on relevant talks between Washington and Beijing, for example, and India could brief U.S. diplomats on developments at its BRIC summits, meetings among Brazil, Russia, India, and China. And closer cooperation on counterterrorism would mean closer coordination on developments regarding Pakistan as well.

The United States and India share important interests: both seek to restore global growth, protect the global commons, enhance global energy security, and ensure a balance of power in Asia. They must therefore increase the scope, quality, and intensity of their cooperation at every level. But the ultimate test of their relationship will be whether Washington and New Delhi can turn their common interests into complementary policies around the world.

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