



Confederation of Indian Industry

U.S.-INDIA STRATEGIC DIALOGUE **SUMMARY OF DISCUSSION**

Delegations from the United States and India met for the Twenty-First US-India Strategic Dialogue in Washington on December 11-14. Organized by the Aspen Institute, the Confederation of Indian Industry (CII) and the Ananta Aspen Centre, the session was co-chaired on the US side by Professor Joseph Nye, a University Distinguished Service Professor at Harvard University, and Nicholas Burns, the Goodman Family Professor of the Practice of Diplomacy and International Relations at Harvard University. On the Indian side, the session was co-chaired by Ambassador SK Lambah, Chairman of the Ananta Aspen Centre and Former Special Envoy of the Prime Minister, and Mr. Tarun Das, Founding Trustee of the Ananta Aspen Centre and former Chief Mentor of CII. The delegates engaged in candid, off-the-record assessments of political, security, economic and energy issues. Meetings and consultations were also held with the US Administration. Through the course of the Dialogue, participants shared perspectives on the Council on Foreign Relations Task Force Report on the India-US partnership, Prime Minister Modi's foreign policy priorities, Afghanistan and Pakistan, cyber and homeland security, China, defense, and the trade and economic agenda.

Session 1: A Joint Venture: Findings of the CFR Task Force Report

Participants agreed that there was an increasing structural alignment globally between India and the US, and that a rising India was positive for the interests of the United States. They underscored the importance of bilateral economic cooperation between India and the US. However, concern was raised by the US side about the fact that India was becoming increasingly isolated in terms of global trade and that the two countries have a complex and difficult trade agenda with several differences between them. There are opportunities in many areas, including internet governance, clean energy technology, and global public health. Delegates recommended that the Dialogue take into account common interests to the west of India as well as India's east, where India and the US have developed a strong strategic convergence in the Asia-Pacific region. Acknowledging some differences on policies vis-à-vis Afghanistan, Pakistan, Russia, Central Asia, and climate change, some discussants argued that India has not always been consulted adequately by the US. It was recommended that the two countries consult more closely on important strategic policies, develop common approaches, tighten the alignment and not surprise each other. Many participants also pointed to strengths of the relationship: military cooperation, homeland security, cyber, and counter terrorism. Participants concurred that India should focus on economic growth, expanded openness to global trade, and educating its large population, especially women and girls. It was suggested that India and the US capitalize on the transformative effects of the "digital economic revolution" and burgeoning private-sector relations between Indians and Americans.

Session 2: Modi's Foreign Policy Priorities

Several participants agreed that Indian Prime Minister Narendra Modi's focus on foreign policy has had a net positive impact on India's economic transformation and rise in global geopolitics. His policies are derived from three main factors: the domestic economy, India's immediate neighborhood: China, the Indo-Pacific and Afghanistan; and the threat of terrorism. Under PM Modi, India has firmly moved to multi-alignments and there is a strong reiteration of India as a rising economic power on the world stage. To tackle the China challenge, India has been strengthening connectivity via land routes and waterways across Nepal, Bangladesh and Myanmar. On Pakistan, India has now begun a process of sustained engagement. The drawdown of US troops from Afghanistan is being viewed with concern in India. There has been a quadrupling of startups in India which are attracting strong funding from private equity and angel investors. The government would like India to become part of global supply chains. The US reluctance, however, to support India's entry into APEC due to India's position on global and regional trade issues, has been a stumbling block and part of the problem related to US-India differences at WTO. Many American participants agreed that India's trade policies are limiting India's influence globally in this important arena.

Session 3: Afghanistan and Pakistan

The U.S. and India have a shared interest in a stable Afghanistan. Most participants, Indians and Americans, argued for a continued US military presence in Afghanistan. There was disagreement, however, about whether there should be a reconciliation process with the Taliban in Afghanistan. Both countries want to guard against extremism and terrorism in Pakistan and are worried about the issue of Pakistani nuclear security. Indian participants expressed concern about China's economic, military, and nuclear aid to Pakistan, saying that Pakistan is China's low-cost way to contain India. The participants agreed that India has to engage Pakistan and develop the relationship. However, Indian participants were concerned that the Pakistani government is not ready to deepen ties with India. In addition, India is deeply concerned that the US will supply Pakistan with advanced military technology.

Session 4: Cyber & Homeland Security

Participants highlighted that the current digital age is dramatically transforming lives but also introducing more vulnerabilities to cyber-attacks. It was acknowledged that traditional bureaucracies— legal regimes, judicial architectures, governance models, and norms of state behavior— have failed to keep pace with constantly evolving digital technologies, which are increasingly embedded and connected globally over the internet in smart cities; smart transportation; and smart devices. Discussants noted a greater opportunity for India and the US to work more closely bilaterally and globally on these matters, given India's embrace of a multi-stakeholder internet governance model. It was also noted that every national security crime today was in some ways cyber-based or -facilitated. China posed the biggest threat in terms of state-sponsored cyberattacks, discussants concurred. It was recommended that India and the US collaborate in building and safeguarding the digital economy, but also in training a much greater number of people on cyber technologies. Efforts must be made in education to increase digital literacy and build cybersecurity capacity, concurred participants. Highlighting that even the Mumbai attacks were coordinated from across the border using technology, discussants asserted that India and the US should not wait for

another attack to formulate a strong and cohesive policy framework. Participants agreed that hiring skilled and qualified personnel was an imperative, and that it was important to engage the IT industry of both sides into the India-US security dialogue. On terrorism and radicalization, discussants noted increases in terrorism and that private citizens were increasingly targets, and said India and the US should accelerate efforts to build on a highly useful homeland security dialogue.

Session V: China

Participants widely agreed that China is both a partner and a competitor for the US and India. This leads to the question of how the US and India can find a balance between the two. There was broad agreement in both delegations that China's increasingly assertive actions in the Indo-Pacific, particularly in the South China Sea, are cause for concern. Both delegations agreed that India should be a major player in the region that is actively shaping China's rise. However, there were concerns among members of the Indian delegation about the strength of the US commitment to maintain its forward position in the Asia Pacific. Participants concurred that a containment strategy against China would likely backfire. Therefore, it is vital that both the US and India continue to extend an open hand to China, while at the same time show clear resolve and strength when China pursues clearly expansionist policies. Specifically, the US and India should continue to build stronger defense cooperation in the region, including with Japan and other friendly countries.

Session VI: Trade

Participants concurred on the need for India and the US to collaborate more effectively on trade policy – currently the most antagonistic issue in the bilateral relationship. Some discussants agreed that it was imperative for India to join APEC, but widespread concern was expressed by some American participants about India's negotiating positions in the WTO. Most American participants agreed that India would have to commit to a more constructive free trade attitude in order to earn US and other support to join APEC. It was recommended that India initiate stronger economic reforms to boost confidence of American companies. Specific areas identified for US companies to invest in India included the banking sector, the Smart Cities project, the Clean Energy project, skills development and education and the "Digital India" initiative. Prime Minister Modi's energetic outreach to US companies and President Obama over the last year—and his focus on the economy and business—resulted in a positive change in business sentiment in US corporations and increased FDI. But many American participants noted that these reforms have to be deepened to achieve significantly strengthened foreign direct investment.

Session VII: Defense

Delegates agreed that the US and India both have strategic and commercial interests in defense cooperation. Although defense cooperation has progressed, further cooperation would be beneficial to both countries. Delegates noted that the defense relationship between the US and India is predicated on a strategic shift in Asia by the US and balance of power in the region. Delegates proposed that US engagement in the region should involve broader consultation with India. They agreed that private sector growth in defense has been progressing slowly but should be pursued. Delegates were optimistic about Make in India and suggested it should be pursued through defense industrial investment cooperation.