

Indo-US Relations in the 21st Century

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INTRODUCTION

The USA has been the predominant Global power or sole superpower since the collapse of the USSR at the end of the 1980s and arguably since the beginning of the 1980s (Virmani (2005e)). US action in Afghanistan and Iraq has also demonstrated both the military pre-dominance of the USA and its limitations in the globalised, relatively democratic World of the 21st century. The terrorist attack on the World Trade Center in New York (9/11) has thrown a challenge to US security that will take it many decades to address. Co-incidentally what are new threats and challenges for the USA have been so for India for decades (Jehadi terrorism, nuclear proliferation). These problems are likely to continue to confront and challenge the USA for decades.

As long as China is ruled by a party based on the Leninist concept of monopoly of political power, a rapidly growing China with increasing military expenditures could emerge as another threat to the USA in the coming decades. Elements of the US strategic community are therefore looking for new allies and friends. There is increasing recognition in the USA that India could be one such friend because of shared values (democracy, respect for rule of law and human rights), the highly educated/skilled & prosperous Indian Diaspora in the USA and overlapping (not identical) interests.¹ Much of the US establishment (political and academic), steeped in non-proliferation theology, was not however willing to end the nuclear apartheid structure that it had built to contain India's strategic advancement after the 1974 atomic test.²

Indian analysts and national security strategists were equally clear about India's World view and approach to India-US relations(Virmani(2006)):³

- (1) India has no extra-territorial ambitions and had never in its history tried to rule other countries. The Indian empires in S. E. Asia had no political connection with India, but were independent cultural entities. Thus the probability of India taking an offensive territorial posture after it became a global power was negligible.

¹ Many observers have pointed out that the US government's *approach* to India started to change in the last years of the Clinton administration, after the Indian nuclear tests of 1998. To what extent the *hearts and minds* of those connected with that administration have changed is unclear!

² Nuclear Suppliers Group (NSG), Missile Technology Control Regime (MTCR), The Wassaner agreement to control dual use technologies, initially directed against India.

³ Some of this was in response to US queries and dialogue with US interlocutors over the last two years. For instance, the Pentagon had hired independent consultants such as Booze Allen Hamilton, USA, who visited India and met many strategic analysts and thinkers during 2004. In addition numerous US govt officials and congressman visited India and interacted with Indian think tanks during 2004 and 2005.

- (2) Because of centuries of rule by a foreign power and the humiliation of being ruled by the British East India Company the Indian elite was extremely sensitive about its independence and freedom of action. India would therefore never be a client State or a formal (inherently junior) ally of the USA.
- (3) A closer long-term relationship between India and the USA could only be built on the principles of equality. Just as equality under law in a democracy does not eliminate differences arising from IQ and wealth, India with 8% of the per capita income and power potential of the USA would be financially and technologically weaker than the USA for many decades.
- (4) A genuine, enduring, partnership based on the principle of equality could not be built on a foundation that patently discriminated against India, with 1/6th of World population, independent technological capability, and power potential.
- (5) A natural balance of power, based on economic size and strength, was not possible if one of the potential stabilizers (India) had its strategic hands tied behind its back while other, more aggressive countries had no such restrictions.
- (6) Consequently a removal of restrictions on 'Dual use' and civilian nuclear technology and materials was a pre-requisite for a long term, mutually beneficial relationship between India and the USA (Virmani (2004)).

One must, however, be realistic enough to remember that our short-term approach to some issues, such as Pakistan's nurturing of Jehadis, may differ. This should not deter us in cooperating in areas that our respective National interests coincide. The first step in this process is to have a realistic view of the World and India's role in it. The second step is to define what we need to do to enhance our chosen role in the World. The third step is to determine what strategic technology and assets we need and can get from the USA, Russia, and France etc. that will accelerate the process of attaining these objectives. The role of Diplomacy then is to get the best deals available from any source to further our National interest. The fourth step is to ensure that we develop on our own those technologies and assets that are necessary for attaining our strategic objectives and that none of them is either able or willing to give to us.

The figure suggests that the World is currently '*Uni-polar with a multi-polar fringe.*' The USA is clearly the predominant power in the World today; some would call it the 'sole super power' others a 'constrained hegemon.' The second and third ranked powers Japan and China have a little over 1/4th the power potential of the USA. According to Virmani (2005c) a cut of value of 20% for the VIP² can be used to define a potential 'Global Power.' Germany the fourth ranked power has only 17% of the power potential of the USA and is thus no longer a global power (according to this definition).

According to Virmani (2005e) actual power depends on both ‘power potential (VIP²)’ and ‘Strategic assets (military, aero-space, nuclear).’⁴ If we accounted for ‘Strategic assets’, the actual power of the USA vis-à-vis all the countries shown in figure 2 would be even stronger, while that of Japan and Germany would be much weaker. One indicator is that US defence expenditures are currently more than the sum of the defence expenditures of the next 25 powers. The relative position of Russia (not shown as it is 50% less than India) would however be stronger relative to the other countries, including India and Italy, because of its much larger stock of strategic assets. Thus at the current time it is quite clear the world is Uni-polar, though there are a number of middle powers that constitute a *poly centric fringe* that are competing with each other for a distant second position.⁵

The Strategic technological capability and assets of the USA are far in excess of those of the other powers.⁶ One way in which this manifests itself is the use by European and Japanese military/strategic equipment of critical parts or sub-assembly originating in the USA over whose transfer/sale to other countries the USA exercises absolute control. Its defence spending is equal to the sum of the next 25 powers. It can plausibly be argued that US strategic capability is currently equal to or greater than that of all the other powers put together. France, Russia and other countries have strategic technological capabilities in certain areas that match those of the USA. But there are also many areas in which the strategic capabilities of the USA are more than a decade ahead of each. India is on the other end of the scale. Despite India’s capabilities in the nuclear and space field, its overall strategic assets are currently a fraction of those of France and Russia. Thus it is necessary to accelerate acquisition of strategic technology, skills and critical equipment & materials to move India closer to the global frontier. This requires a two pronged acquisition strategy:

- (a) Where more than one country possesses the strategic capability, competition between suppliers should be used to procure the best technology in terms of benefit-cost ratio (appropriate quality-price trade-off).
- (b) When only the USA has the technology, we must identify critically needed technologies, equipment & materials and procure these from the USA through strategic co-operation. This may sometimes require a degree of determination and persistence (even pig headedness) about which we must not be squeamish (in the interest of the nation). No country, even a strategic partner will hand us anything on a platter.⁷

These technologies must then be internalised, adapted to our conditions and used as a base for further development (R&D).

⁴ He defines an index of power (VIP) that incorporates both VIP² and ‘strategic assets/technology’ and shows how the latter differs from the ‘commercial technology’ included in the former. See also Virmani (2005c).

⁵ By analogy with the economic structure called ‘Monopoly with a competitive fringe.’

⁶ For instance the USA is a leader in RMA, the revolution in military affairs, ABM technology, space weapons, remote intelligence gathering and ECM (electronic counter-measure) technology.

⁷ Rosy views about the days of strategic partnership with USSR are just that. There was no dearth of problems and difficulties even with this much-vaunted friend. But we must be realistic enough to accept this as part of the geopolitical game.

Rise of China

As China is ruled by a Leninist party, its phenomenal growth rate has raised concern among political leaders in Western democracies; given the limited respect such parties have historically had for human rights and the Rule of Law. A few analysts and leaders have also started worrying about the future imbalance of Power in Asia. China's proliferation of nuclear weapons designs and critical technology/ equipment/ materials to Asian friends (Pakistan & North Korea) and indirectly through them to other countries (Libya, Iran, Syria/Saudi Arabia?) has heightened these concerns.⁸ The most recent example is the supply of cruise missiles and cruise missile technology to Pakistan in 2004-2005.

To what extent can a country that has, (a) For decades tried to undermine its Southern neighbour's security and indirectly stymie its rise as a regional power, and (b) Exploited its modernised and democratic Eastern neighbours guilt about World War II to keep it from converting its global power potential into actual power, be believed when it talks about its own "peaceful rise?" Its actions over the next decade will show its real intentions (the proof of the pudding is in the eating). If China supports India's case for access to peaceful nuclear technology at NSG,⁹ supports its case for a Permanent veto bearing seat on the UN Security Council and accepts the concept of an inclusive Asian Economic Community, then its statements would acquire greater credibility.

The US along with Japan has sufficient power to ensure a balance of power in Asia, in the next couple of decades. In the long term (around mid-century), India is the only country that has the potential to sustain the balance of power in Asia (Virmani 2005b). The medium-term situation is marked by a great deal of uncertainty and there is a danger that the independence and freedom of action of the smaller States of Asia would be seriously compromised or constrained if the balance of power in Asia was disrupted. This uncertainty can be reduced by accelerating the growth of India's economy and enhancing its strategic capability, thus ensuring a better balance of power in the interregnum.

China's demand for oil and mineral imports is rising rapidly. Its share of World imports of natural resources including oil is likely to rise over the next two decades. As oil, uranium and certain other minerals are owned by US, Canadian and other Western countries or their multinational companies, the Chinese are concerned about this increased vulnerability. This perceived vulnerability is sought to be minimized through purchase of natural assets in other countries. The initial steps in this direction have already raised serious concern in the USA and lesser concerns in Canada and a few other western countries.

High rates of saving and reinvestment by its Socialist enterprises gives China the ability to purchase Global assets through such enterprises. Suppression of private consumption by channelling private savings into banks and from there into loss making socialist units assists this process. China's share of the World's natural resources (oil, minerals) owned and operated/managed by Chinese socialist enterprises is therefore likely to rise over the next 20 years. This will increase China's power/influence over natural and agricultural resource rich countries such as Australia, Iran, Saudi Arabia, Indonesia, Malaysia, Thailand and the natural resource rich countries of Africa and Latin America. High socialist saving rates could also lead to purchase of high tech companies and brand icons in the developed World arousing concerns and counter action in the USA and perhaps in other countries.

⁸ See Milhollin & White (1991, 1995), Gelb (1984), Gertz (1996), Shuey & Kan (1995) and Albright et al (1997). See also Weismann & Krosney(1981). See also Virmani(2006b) for a historical review.

⁹ Without trying to muddy the waters by supplying additional, new nuclear power plants to Pakistan.

In contrast, Indian corporate purchase of western companies is viewed as being much more benign, as it is not driven by any national/government geopolitical design. A positive relation with the USA will also allow greater freedom to the Indian Public sector oil companies to purchase oil assets abroad.

1.1.1 Strategic Technology

Because of the new threats from non-state actors, failing states and their secret supporters, US dissemination of 'Strategic technology' is in the process of becoming even more restrictive than before. Even a close US ally like the UK has complained that the US is denying it access to 'strategic technology' developed under a joint fighter development program. This is because US is unsure whether even an ally such as the UK, which is part of the EU, will never pass on technology embodied in physical capital to potential adversaries.¹⁰ Under the new National Security Strategy, frontier (F) strategic technology is likely to be denied even to allies.¹¹ Allies and partners of the USA may get access to one generation old (F-1) 'strategic technology,' while others will have access only to two generation old (F-2) technology. India's developing strategic relationship with USA will put it in the second category, with access to F-1 technology. We should however attempt to access, pre-frontier or F-1/2 technology, particularly in areas that will help us meet the non-conventional threats that are motivating the new USA strategy. This requires that we position ourselves to contribute technologically to the US development of frontier (F) technology. This may be possible in areas such as software and information systems and nuclear technology.

2 CONCLUSION

In the 21st century all major countries recognize that international trade and financial flows are in the interests of both the source and destination countries. All countries therefore promote economic relations between themselves for mutual gain. The intensity of these relations may differ because of history and the relative economic gains from competition and cooperation. Any economic or political risks from excessive economic dependence on any one country (whether in terms of oil imports, trade or FDI), are best addressed through diversification across countries and the development of hedging strategies. This is an application to countries of the well known and accepted principles of portfolio diversification and hedging of risk.

Strategic co-operation and competition is in contrast a different matter depending on strategic perceptions. These perceptions are based not just on current threats and power relations but also on potential threats and relative power. Though the future is inherently uncertain each country must formulate a view of the future and base its actions on it. In this paper we have argued that China and India will play a critical role in the future balance of power. It has been

¹⁰ Major non-NATO ally Pakistan gave China Uranium enrichment technology that A Q Khan had stolen from Urenco in Netherlands, in return for Chinese weapons designs, HEU and Tritium for weapons. More recently it is reported to have given unexploded Tomahawk cruise missiles that landed in Pakistan in 2004-05 to China for reverse engineering, in return for Chinese cruise missiles and related technology.

¹¹ The JSF or F-35 is currently under development. The F22A Raptor entered service in 2004 and can be considered at the frontier today. The Stealth Bomber B2 which became operational in 1993 is F-1 technology. The F18 (F117A) that entered service in 1983 (1982) has F-2 technology base with upgrades having varying degrees of F-1 technology.

shown that China is likely to become the second pole in the global power system within 20 years and India a third pole in about 35 years. Thus a great power like the USA must pay great attention to the potential threat and the potential gain from closer relations with each of these countries.

The Bush administration has made such an evaluation and has come to the conclusion that closer strategic collaboration with India is in US long term interest. Thus the US government seems prepared to make a strategic investment in India, whose returns will accrue to the USA after a decade or two in terms of a more stable balance of power in Asia and consequently a more peaceful Asia. This will also reduce the risk that a couple of decades hence an aggressive power may overtly or covertly undermine its technological and geo-political leadership. Many strategic analysts in the USA do not yet share the Bush administration's assessment that India will become a global power, which can help reduce the future risk to US global leadership. These US analysts therefore believe that the Indo-US nuclear agreement is a bad bargain for the USA.¹² In contrast, Indian analysts who appreciate the potential of strategic co-operation predict a set back to Indo-US co-operation if the US Congress fails to make the necessary legislative changes to allow India to access Uranium ore and civilian nuclear technology. This is because a complete & comprehensive elimination of technology denial to India is a litmus test, which will determine the degree of trust in and support for the USA in democratic India.

Given the enormous gap between the US and Indian strategic capability and assets, India has (potentially) more to gain in the next two decades from genuine strategic co-operation with the USA than the latter can gain from India (including profits from sales of defence equipment). It is in India's interest to use the opportunity provided by the Bush administration, to enhance India's strategic capability and global power. This does **not** mean abandoning traditional sources of strategic technology like Russia, but widening and deepening the sources of supply so that we can get a better bargain for ourselves. The paper shows that Russia and Japan are unlikely to be global powers twenty years from now though their regional influence will remain significant. Nevertheless, these countries along with Germany, France and UK currently have strategic capabilities that would be more readily supplied to India at reasonable price because of competition from the USA. We must obtain the most appropriate strategic technology from the most cost-effective source and build upon it. This will allow us to accelerate acquisition and development of strategic technology within the allocated resources.

Better relations with the USA will also open the door to better relations with many US friends and former allies in Asia and Africa, such as Saudi Arabia & Indonesia. It may also encourage China to take a more positive view of genuine (transparent) friendship with India and perhaps abandon what some analysts have called the 'containment of India' through creation of Trojan Proxies in South Asia. The benefits that accrue to India will depend on the skill with which we play the balance of power game. Despite the heritage of Bhisma and Kautilya, there is a lot that our administration and political system have to learn to maximise the global advantage to India.

Though there are strong interest groups in both countries arguing for a slow, ultra-cautious pace of development of Indo-US relations, the benefit-cost ratio is currently favourable. Though India's share of World economy and its relative power will likely increase over time (and USA's bargaining power correspondingly decline), India can accelerate its rise to power if it reaches a

¹² They believe that India would have been satisfied with a permanent seat on the UNSC. Analysts like Strobe Talbot perhaps base such an assessment on their interaction with the Indian government during the Clinton administration.

good deal with the USA, when the political attitude of the US President and his Secretary of State is so positive.