

Summary: The fifth India Trilateral Forum identified several areas of convergence between India, the United States, and Europe. These included a shared sense of stability despite continuing political paralysis, guarded optimism about India's economic future, a commitment to Afghanistan's development beyond 2014, a desire for stable relations with China despite concerns about its unfair economic practices, the necessity of Myanmar's gradual democratization and regional economic integration, and the need for stronger international regimes to enable continued access to space and an open Internet.

But the Forum also highlighted important areas of divergence, provoking questions deserving of further discussion. These pertained to the importance of Indian economic reforms for future cooperation, the prospects of deeper trade relations, ways to alter Pakistan's strategic calculus, the effects of greater economic interdependence with China, and the importance of Bangladesh to India's integration with Southeast Asia.

Toward Strategic Cooperation between India, the United States, and Europe

Consensus and Debate at the Fifth India Trilateral Forum

by Dhruva Jaishankar

Introduction: Policy Progress despite Political Paralysis

India, Europe, and the United States — the three largest democratic polities — are today facing crises of confidence. Recent liberalization attempts by the incumbent United Progressive Alliance (UPA) in New Delhi highlight the inevitable diffusion of power to regional parties in the states and the fractionalization of politics at the center. India's political leaders, constituting a new and emerging class of politicians whose views are often at odds with public sentiment, may be missing a chance to positively impact a promising young population. Meanwhile, Europe confronts serious questions about the future of its common currency and the viability of further integration, issues about which officials express greater concern in private than in public. And the United States — in an important election year — faces key choices about how to curtail rising national debt and overcome high unemployment as its political parties adapt to the country's fast-changing demographics. All three entities also appear to be suffering from political paralysis and an absence of clear lead-

ership. Combined, this would spell a crisis of democratic governance — if only major authoritarian states such as China and Russia were not confronting similar challenges today.

And yet, there are silver linings. The United States promises broad continuity in its foreign policy regardless of the outcome of the November 2012 elections, particularly as it might affect India and Europe. Europe's crisis has been stabilized — although not entirely averted — by several recent developments, including European Central Bank President Mario Draghi's plan to buy unlimited Spanish and Italian bonds, the German constitutional court's decision to uphold the European Stability Mechanism, and the poor performance of extremist parties in the Dutch general election. And while regional parties in India will remain vital stakeholders, the two major national parties can be expected to continue providing a modicum of political stability at the center, which could lead in time to a renegotiation of the relationship between the central government and the states.

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Such were the emerging contours of consensus at the opening session of the fifth India Trilateral Forum, held in Gurgaon on September 14-15, 2012, and organized by the German Marshall Fund of the United States (GMF) and the Aspen Institute India. But there remained important points of difference among discussants, who included representatives from the U.S., Indian, Swedish, French, German, and Polish governments; media commentators from leading Indian and international publications; business executives from the banking, automotive, pharmaceutical, and information technology sectors; and academic and think tank scholars from over a dozen institutes. Some, for example, disputed suggestions that political and policy continuity in the United States would extend beyond November 2012, pointing to President Barack Obama's continuing domestic unpopularity and his reluctance to be proactive in certain key areas of foreign policy. A few Indian participants also questioned assumptions that their country's weak economic performance would necessarily translate into a setback for the current government in the next general election.

In addition to domestic politics in India, the United States, and Europe, economic developments in the three polities and their implications were also discussed at the India Trilateral Forum, as were several areas of potential trilateral cooperation on regional and global issues.

Economic Developments and their Implications

Coinciding with the Indian government's announcement that it would carry through with liberalization reforms — including an easing of restrictions on foreign direct investment in the multi-brand retail sector — the India Trilateral Forum witnessed discussions on several important aspects of India's economy. There was a consensus among participants that the measures taken on foreign investment and pricing were long overdue, and that their impact might only be felt with the passage of time. There was also agreement that such liberalization was nonetheless positive and necessary, and would resurrect confidence in the Indian economy. Some discussants agreed that the implementation and execution of policy often presented as much — if not more — of a challenge in the Indian context as its articulation, and that the Indian system was prone to respond only in times of crisis.

It was also noted that a trust deficit continued to bedevil the Indian private sector, preventing it from assuming a more influential role as an agent of liberalization. While corporate confidence in the Indian economy remained low, consumer confidence still ran high. Participants were divided on the degree to which labor reform in India would prove instrumental: while some argued that it was not a top priority, others cautioned that its absence contributed to capital substitution and corruption. There was, however, broad agreement that such reform was not imminent. Others noted that an important and path-breaking future step would be the easing of foreign direct investment constraints in the defense sector.

The Forum also saw a debate on the importance of education, training, and employment to the Indian growth story. Despite a recognition that better vocational training and apprenticeships were necessary, the scale of India's demographic dividend means that the country's challenge is unique. While India has made important progress in ensuring access to primary and secondary education at low cost — with enrollment rates in schools now much higher — quality has often been sacrificed, and that is now an issue deserving of urgent attention. New technologies — in particular, Internet technologies — provide only partial answers to this problem.

Another aspect of the Indian economy discussed in considerable detail was whether the explosion in India of small and medium enterprises and mid-market companies — relatively immune to the vicissitudes of international investment and macroeconomic reform — represented the basis of future growth, and whether their success was often overlooked by foreign governments focused on big ticket reforms. India's mid-market companies were profitable and often keen to acquire foreign companies for technology, but generally found it easier to operate in the United States and Britain (rather than in continental Europe) due to the perceived ease of doing business and factors such as language, culture, and legal regimes.

In addition to India's economy, participants at the India Trilateral Forum focused on the continuing fallout of the global financial crisis. They noted its severity, the possible long-term effects of the crisis lasting eight to ten years, and the choices facing various governments to either inflate

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their way out of the crisis, default, or further regulate. Some discussants argued that while the immediate causes of the crisis were known, there was a lack of political will to address them. But it was generally agreed that the financial crisis did accelerate the transfer of power from the West to states such as China and India, and showed that those emerging economies were largely decoupled from the West.

While it was felt that India had initially responded well to the financial crisis after 2008, several participants noted that it had missed a unique opportunity to lure U.S. and European investors seeking faster-growing markets. Instead, Indian leaders opted to focus much more on the corrosive effects of inflation at home. Participants also discussed the G20 as a mechanism, in particular the role of the BRICS coalition in providing political cover for emerging economies to assist developed countries. They also pointed to India's active trade engagement with the likes of ASEAN, Japan, and South Korea standing in contrast to a much more mixed picture in the United States, which had remained ambivalent about embarking upon further free trade initiatives. Participants also debated the effectiveness of India's new trade agreements, whether FTAs provided a "back door" for further economic reforms India, the prospects of finalizing the EU-India free trade agreement, and the long-term feasibility of U.S. trade agreements with both the European Union and India.

Cooperation on Afghanistan, China, Myanmar, and the Global Commons

Although the United States retains its position as an internationally influential actor, India and the countries of Europe (either individually or collectively) play important roles in relations with several states and on globally-relevant issues, presenting opportunities for enhancing trilateral cooperation and coordination.

Afghanistan

Afghanistan — a country in which the United States, Europe, and India all have important presences and vital security interests — represents an obvious opportunity for trilateral collaboration. Participants at the India Trilateral Forum shared a certain amount of cautious optimism about developments in Afghanistan and agreed that the

announced transition in 2014 did not represent the end of the road for international engagement. The counterinsurgency strategy, it was felt, had proved partly successful but the training of Afghan security forces, while on track to meet its numerical target, suffered still from inconsistencies in quality. Training was nonetheless expected to continue after 2014 in a bid to limit damage and prevent Afghanistan's collapse. More importantly, the Afghan people had yet to express a loss in confidence despite announcements of withdrawal by the United States and NATO. Additionally, long-term commitments to Afghanistan's economic development and the important symbolism attached to strategic partnership agreements with Kabul were emphasized, as was India's centrality as a model for Afghanistan.

Participants also expressed interest in Afghanistan's emergence as a commercial hub, with Pakistan acting as an important conduit for trade with India. India's role in developing Afghanistan's inchoate markets was discussed, particularly the employment that could be generated by further investments, tariff reductions, and technical assistance in such sectors as mining, textiles, and even information technology. Yet there was disagreement about how to achieve that end state, and how to change the calculus of the Pakistan army, which remained a barrier to deeper commercial linkages with Afghanistan. Some participants cautioned against overestimating India's role in Afghanistan — despite the effectiveness of its aid and public outreach — noting the limits presented by adverse geographic circumstances. Several Indians noted their country's reconciliation to new realities on the ground, adding that greater clarity on the part of the West would be beneficial. Finally, participants debated the role of Iran, noting the absence of opposition by the United States to India's use of that country as a conduit. However, some participants cautioned that there was "less than meets the eye" on India's relations with Iran, and that Tehran had larger stakes in appearing to cooperate with India than the outcome of the Afghanistan conflict.

China

The Indians, Europeans, and Americans present also expressed similar views about China, pointing to the innate tension between greater interdependence and their individual security and economic concerns. Much depended on whether China's rise would be inexorable, revisionist,

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or peaceful. There was universal agreement that zero-sum competition between the United States and China served no party's interests. But whether greater interdependence with China would enhance cooperation or competition was the subject of some debate. Participants from the United States, India, and Europe also expressed different concerns about economic engagement with China. Indians emphasized the perils of political pricing and China's attempts at undercutting markets. Americans, meanwhile, generally stressed Beijing's currency manipulation, while Europeans were most concerned about the theft of technology and intellectual property.

In political terms, some participants noted that relations between India and China were better than they had been for some time, providing the example of counter-piracy operations in the Indian Ocean as an area of converging interests between China, India, and the West. China's naval presence in the Indian Ocean was also discussed, with a general consensus that it had not yet proved destabilizing. Indeed, some suggested that China's presence beyond the Strait of Malacca gave India a strategic advantage. Indian participants also made clear that they opposed China's position on the South China Sea. A more actively engaged Europe, it was argued, would be beneficial to stabilizing the region. Indian participants voiced their concerns about the disputed border with China and Beijing's continuing military assistance to Pakistan. India's relations with China — and the strategic choices it faces regarding the nature of its relations with the United States — also proved the subject of much debate.

Myanmar

The Forum also witnessed an informative conversation on Myanmar. It was generally agreed that the democratization process — while something to be welcomed — would take years if not decades in the absence of a strong civil society and adequate civilian democratic institutions. Several participants underscored the centrality of the continuing civil strife and the complicating factor of ethnic conflict in the country. The Indians present generally agreed with their U.S. and European counterparts that a pluralistic, unified, democratic, and prosperous Myanmar was desirable, but they cautioned that pushing the military leadership too hard on political freedoms might backfire. Others warned that

treating Aung San Suu Kyi as a “president-in-waiting” might prove similarly counterproductive. Discussants also differed on the viability of further economic integration between India and Myanmar and, in particular, the ability to deepen the involvement of Bangladesh. They noted the lack of connectivity infrastructure between India and Myanmar, especially compared to Chinese road and rail infrastructure linking Myanmar's north and Yunnan province. Other aspects touched upon were the levels of goodwill in Myanmar toward India and New Delhi's private entreaties to the junta, China's support for ethnic minority insurgents, the positive engagement of the country by ASEAN, and the prospects of electoral success for the National League for Democracy.

Global Commons

Finally, India Trilateral Forum participants discussed the importance of maintaining access to the global commons, particularly space and cyberspace. They agreed that new technologies were being developed faster than they could be properly regulated or governed, a fact complicated by the arrival of new and influential rule makers. Participants discussed the impact of several revolutionary new technological developments. Preserving an open Internet while improving access to it would remain a challenge. Cooperation in this respect was not very strong, despite a number of ongoing dialogues. India's specific concerns were noted, particularly complications arising from the need to curb social and sectarian tensions. The ability for the Internet to give Indian entrepreneurs an advantage over competitors in China was discussed, as were the existing contributions of an open Internet to the Indian economy.

In the realm of space, participants noted that military space programs — specifically anti-satellite tests — were a major source of collective concern for India, the United States, and Europe. While a consensus that a space used for peaceful purposes was desirable, the EU, it was felt, had lost an opportunity to win India's support for an institutionalized code of conduct. Among India's concerns was that such a code of conduct would prove an unintentional straitjacket, while lacking the ability to restrict actual violators. In both space and cyberspace, participants identified a sharp disconnect between emerging technologies and existing governance, policy, and legal regimes.

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Conclusion

While not resulting in specific policy recommendations, the India Trilateral Forum did identify several areas of convergence between India, the United States, and Europe. Participants expressed a shared desire to commit to the security and development of Afghanistan beyond 2014 and to develop deeper economic and trade links with that country. They welcomed the recent political and economic opening of Myanmar, and articulated a desire that it become fully integrated into the international system. They also stressed similar concerns about inconsistencies in their economic engagements with China, about the perils of heightened Sino-American security competition, and about the need to overcome protectionism, isolationism, and political paralysis in their own polities. They converged upon the ideal of open access to space and cyberspace, noting a deficiency of global governance in these realms. And they welcomed the positive tone set by the Indian government's promise to open new sectors of the Indian economy to foreign investment.

But the Forum also highlighted important areas of divergence, provoking questions deserving of further discussion. Will the Indian government rely more on economic growth or on welfare schemes for popular political legitimacy? Are labor reforms necessary for India to reach its full potential? And are bilateral free trade agreements involving India, the United States, and European Union effective, necessary, and politically viable? In terms of regional and global security, how can the United States, India, and Europe convince Pakistan to become a bridge for regional economic integration with Afghanistan, rather than a barrier? Will greater economic interdependence with China promote more cooperation or competition? What is the best approach to ensure that Myanmar continues along its path to democracy? And can Bangladesh be further involved in integrating India with Southeast Asia?

These issues, among others, remain ripe for debate, but do not necessarily preclude deeper trilateral cooperation. While it was beyond the scope of the Forum to resolve all outstanding differences in perspective, such questions provide a platform for further discussion and demonstrate the utility of dialogue between members of different sectors and strategic communities.

About the Author

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