

Event Summary

Asian Science & Technology Forum

Innovative India and the United States

(Seminar Session XIX)

December 5, 2006
Crystal City, Virginia

India is a modern paradox. On the one hand, it possesses the second fastest growing economy in the world, the world's largest middle class, recognized technology excellence, and relative stability in an otherwise conflict-ridden South Asia. Yet, India is burdened by a dual economy in which the majority of the population lives in extreme poverty, a per capita income (\$620) ranked at 159th in the world (though higher on a purchasing power reckoning), and an inadequate and aging infrastructure. This situation provides some risks, but many opportunities for cooperation between the United States and India, especially in science and technology.

Over the past decade, many of India's foreign policy goals have begun to support those of the United States. Until the early 1990s, India championed the non-aligned movement, leaned toward the USSR, and avoided foreign investment. Although The United States imposed sanctions on India for a brief period when India tested a nuclear weapon in 1998, Washington recognized the benefits of crafting a strategic partnership with a secure power to promote regional stability, democracy, prosperity and peace. The result is a diplomatic focus on technology, energy, and security cooperation as represented in the new U.S.-India civil nuclear cooperation agreement. The intent is to lessen India's dependence on oil and to bring India into the "nonproliferation mainstream."

Ms. Mindy Kotler, director of Asia Policy Point, opened the program by noting the growing importance of Asian states as U.S. trade and security partners. The "New India" is an increasingly vital part of the "New Asia." Dramatic economic development with an emphasis on education has made India a formidable world power. Until recently, the "New India's" military and technology strengths were ignored. Today, policymakers understand better the intersections of science, technology, and foreign policy. This understanding favors closer security, economic, and diplomatic cooperation between the United States and India. The recent discussions about an informal "alliance" between India, Japan, Australia, and the United States to balance China's rise is part of this change.

Dr. Walter Andersen, a former senior State Department official and director of the South Asia Studies program at SAIS, Johns Hopkins University, described the U.S.-India nuclear cooperation agreement as "probably the most innovative initiative of the Bush presidency." "Nothing," he said, "could better demonstrate the importance of India." This agreement, however, would never have been imagined six or seven years ago.

In May 1998, India startled and upset Washington by testing its first nuclear weapon. Andersen said “nobody could have predicted it. If someone says they did, don’t believe them.” Originally viewed negatively, the entry of India into the “nuclear club” was eventually viewed with less alarm. India has been careful not to proliferate. From an American strategic perspective, nuclear weapons make India strong, and a strong India is good for the United States. India becomes the regional balancer to China.

Historically, U.S.-India relations were rocky. India did not join with the U.S. in attempting to block Soviet expansion. U.S.-Pakistan weapons cooperation strained the relationship even further. In the 1970s, India was extremely poor with a stagnant economy. It simply fell off the U.S. foreign policy radar screen.

Things have changed as the result of four critical events that have led to “a new assertiveness in Indian foreign policy.” These are the end of the cold war; the introduction of Indian market reforms; the Indian nuclear test; and 9/11 and the war on terror. The end of the Cold War, said Dr. Andersen, “opened up real possibilities.” With it came a new Indian foreign policy that began to line up much more closely with U.S. interests.

Market reforms in the early 1990s moved India away from a centrally-planned economy to one based more on the private sector led directly to India’s booming economy and trade. The statistics are overwhelming: from 1994 to 2004, India doubled its annual growth rate, placing it second only to China. In that same time period, Indian trade quadrupled to \$255 billion, and the U.S. Chamber of Commerce says U.S. India trade, now at some 27 billion dollars, could triple over the next decade. The fastest growing sector of the Indian economy is service exports that “if disappeared, would grind U.S. industry to a halt.” And India is investing heavily in higher education, especially science and technology taught in the English language. Every year, India graduates 250,000 English-speaking students in the hard sciences and technology (although Dr. Carl Dahlman later noted that many of these students do not have the skills necessary to be competitive in the workplace). For the United States, a downside to increased trade with India seems to be the loss of U.S. jobs, but the benefits of trade vastly outweigh the costs.

India like the U.S. views itself as under a terrorist threat. Also like the United States, it sees itself living in a very dangerous region. From East Africa around the Indian Ocean littoral to Indonesia has been referred to as the “Arc of Crisis.” Thus, India was immediately sympathetic to the United States on 9/11 and was the first country to declare its full support after the attacks. India stands out as a “mass of stability in an unstable region.” And because of this stability and the importance of the sea passages south of India to oil and shipping interests, India appears willing to engage in greater security cooperation role with the United States.

These developments combined have transformed India from a foreign policy “porcupine: slow footed, prickly, and reactive,” into a foreign policy “tiger: more confident, proactive, and outward-looking.” One example of the benefit to the United States from the Indian

“tiger” is the intense Indian pressure on Pakistan in late 2001 to stop supporting terrorist groups. Even with Iran, where India has acted contrary to U.S. policy, there has been movement. On the issue of Iranian nuclear weapons, India twice sided with the United States in condemning Iran. Despite a debate in India because of close ties to Iran, India’s leaders understood that good U.S. relations outweighed other concerns.

Dr. Andersen summarized by reiterating that the recent Indian growth is a good thing for the United States. Iran may continue to be a challenge, but on all the “big” issues—terrorism, the balance of power in Asia, open and secure seaways—India is on board with the United States. The new nuclear cooperation agreement promises to further cement the relationship. Apparently, France and Russia are so confident that the U.S.-India deal will be approved by Congress and approved by the 45-member Nuclear Suppliers Group; they have already sent survey teams to India to look into building nuclear plants.

Carl J. Dahlman, the Luce Professor of International Relations and Information Technology at the Edmund A. Walsh School of Foreign Service at Georgetown University and retired from a 25-year career at the World Bank, focused on the challenges India still faces. He cautioned that despite high economic growth, India is still a developing country. To highlight this point, he showed a chart of various economic indicators including “computers per 1,000 people” and “regulatory quality.” India trailed China in every one except for “rule of law.” India, Dr. Dahlman observed, “has actually moved backwards on its ‘global position in the knowledge economy.’”

Contrasting with Dr. Andersen’s point that India was graduating 250,000 English-speaking students a year, Dr. Dahlman pointed out that India’s educational situation faces significant challenges: Illiteracy is 52 percent among women, and 27 percent among men. India has a “strong dual economy,” in which the per capita income of its citizens ranks 159th in the world at only \$620 (contrast this with that of the United States: \$40,000); and India’s physical infrastructure was described as “poor.” Only three to four percent of India’s population is participating in the “new private sector” with productivity very low. The economy is still heterogeneous and substantially closed having “not made good use of foreign investment.” India’s share of imports and exports in GDP is one of the lowest in the world and it still has high tariff and non tariff barriers to trade. The share of R&D in GDP in India has been only 0.8 percent for the last 20 years (compared to about 2.5 percent in the U.S.), with 80 percent of it done by the public sector. However, in the last two years there has been strong investment in R&D by foreign multinationals. This has raised the share of R&D in GDP to 1.1 percent and shows the strength of the science and engineering base, but there are constraints because of limits on the expansion of the supply of world class scientists and engineers.

However, despite all of these challenges, India has “full opportunity, but needs to make good choices. If it is efficient, India could experience 50 percent higher growth.” One important policy would be to remove barriers to more foreign investment such as bureaucratic hoops, poor education levels, and poor infrastructure. Another major part of the equation is to increase investment in R&D, which in the last year has actually increased by 50 percent. “India,” Dr. Dahlman said, “is beginning to ‘do a China.’”

The observation that “the quality of a typical graduate school in India is poor.” sparked some conversation among the audience. Approximately 7,000 students graduate from the top-tier graduate schools in India each year—schools that are so competitive, only 0.5 percent of applicants are accepted. But the majority of graduate schools suffer from low teacher pay that is set by local governments, outdated curriculums, and poor teachers. An audience member asked Dr. Dahlman to discuss this situation in light of Dr. Andersen’s previous statement that “India is graduating 250,000 English-speaking science and technology majors each year.” He responded that they are graduating, but because of the problems with their colleges, only 10 to 20 percent of these graduates are of good quality. “Most can’t do what they’re supposed to do,” he said.

One participant commented that he had tried to set up cooperative S&T projects with India but was constantly frustrated by India’s legendary bureaucracy. This prompted responses from many audience members on the importance of informal relationships. Dr. Andersen said that often Westerners are used to clear structure and clean application processes, but in the East business is done on a much more informal and behind-the-scenes level. A final question dealt with the arbitration process for foreign companies in India. Dr. Dahlman said that “Indian courts are extremely slow. It takes them ten years to do anything.”

The discussion finished with several comments to the effect that the “New India” is also an important “new ally” and that India is still growing. Americans need to be careful, however, not to project immediate political needs over the real limitations to S&T cooperation with India. Better prudent than expedient.

*For more information contact Asia Policy Point
2000 P Street, NW, Washington, DC 20036, (202) 822-6040, access@jiaponline.org*