Rising India: Implications for World Order and International Institutions
Workshop in New Delhi, India
October 20-21, 2010

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This workshop was cosponsored by Aspen Institute India (AII) and the Council on Foreign Relations’ (CFR) International Institutions and Global Governance (IIGG) program. It was made possible by the generous support of the Robina Foundation.

Prospects for effective multilateral cooperation in the twenty-first century will inevitably reflect the distinct national interests of the great powers—and their willingness to share the burdens of providing global public goods. But the identity and number of the world’s leading states is changing, creating new challenges and opportunities for global governance. The world order that ultimately results from this transition period will reflect difficult negotiations on global rules and institutions between established powers—including the United States, European Union, and Japan—and emerging ones—including China, India, and Brazil.

Perhaps no rising power has generated as much enthusiasm in the United States as India, which many experts regard as a natural strategic partner. Under the George W. Bush administration, India and the United States struck a groundbreaking civil nuclear deal that helped cement strong relations between the two countries. U.S. president Barack Obama has built on these close relations, hosting a state visit by Indian prime minister Manmohan Singh in June 2010, launching the first U.S.-India bilateral strategic dialogue, and planning his own visit to India in November 2010 to coincide with the Hindu holiday of Diwali. Positive relations between India and the United States are reinforced by both countries’ commitment to democratic governance and by an extensive network of informal linkages, including a sizeable Indian-American population.

But the rise of India has been far from seamless. India continues to suffer from widespread poverty, growing population pressures, internal insecurity, fractious politics, and regional preoccupations, all of which may constrain its global ambitions. It sits nestled between two nuclear weapon states with which it has territorial disputes, and it possesses a sizeable nuclear arsenal of its own that remains outside the Nuclear Nonproliferation Treaty (NPT). Meanwhile, India is pushing hard for greater voice in the bedrock institutions of global governance, but finding its quest for a permanent seat in the UN Security Council (UNSC) frustrated despite some success in the international financial institutions.
Amid this backdrop, the Council on Foreign Relations convened a workshop in New Delhi on October 20–21, 2010, with Aspen Institute India. The two-day event, on the eve of President Obama’s trip, gathered more than thirty experts from both countries to discuss India’s rise and the evolving world order. The meeting was designed to identify points of Indo-American divergence and agreement in addressing a daunting global agenda.

The workshop underscored India’s dramatic rise and the ample scope for U.S.-India collaboration on critical global and regional issues. But time and again, the discussion was framed by the rise not simply of India, but also of China. Whether the subject was climate change, global finance, cybersecurity, or the regional balance of power in Asia, participants cited China’s growing role (alongside the United States) in determining the prospects for effective international cooperation. Within the constraints of this emerging world order, India has begun formulating and advocating its own strategic vision—often with mixed results.

**U.S. and Indian Visions of World Order**

Perhaps the most fundamental question is whether India and the United States seek the same world order. Now that India has arrived at the global “high table,” what sort of world does it seek? How does it conceive of its own leadership role, and what burdens is it willing to shoulder? Finally, how do its policy preferences relate to those of the United States?

Indian participants noted that strategic thinking about India’s global role is highly fluid and underdeveloped, similar to debates over the U.S. global role a century ago. As their power rises, Indians are reconsidering their foreign policy touchstones, including staunch commitments to nonalignment and strategic autonomy. At the same time, Indians continue to debate what India should do with its newfound power, what its regional and global aspirations should be, and what obligations it should be prepared to assume.

Indian and U.S. workshop participants both perceived a return of Great Power Politics in international affairs, combined with a diffusion of power to the developing world, especially Asia. The precipitous rise of India, China, and other centers of influence pose a potential challenge to established institutions, as emerging states push and pull against perceived constraints and insist on being rule-makers, rather than simply rule-takers. In this context, participants debated whether India will be (1) a status quo power that accepts liberal norms and behaves as a “responsible stakeholder” in the global system; or (2) a revisionist power that seeks to redefine the norms of international engagement.

Some participants disputed this framing, noting that India wants to provide global public goods but is constrained by its widespread poverty, internal security concerns, coalition politics, and regional preoccupations. They also noted that the United States—far from being a steadfast defender of the status quo—has itself been quite revisionist over the past decade, particularly during the administration of George W. Bush. Most participants anticipated that India will ultimately be moderately revisionist, seeking to adjust international norms and frameworks to fit its global vision, without seeking to overthrow the current international system. They also suggested that India will be increasingly willing to shoulder global burdens, but will never accept a foreign litmus test about whether it is a “responsible stakeholder.”

Participants saw little chance of violent conflict between India and the United States, given their mutuality of interests and dedication to democratic governance. Indeed, the two countries are in many ways natural
partners. But they did discuss several shifts in world order that could test the U.S.-India relationship in the near future:

1. **Decline in relative American power.** The widespread perception of relative U.S. decline, paired with the dramatic rise and recent assertiveness of China, has generated angst in much of Asia, including India. Indian participants underscored the importance of continued U.S. leadership for global and regional stability. Unfortunately, domestic political trends may encourage growing U.S. retrenchment. A number of participants anticipated that the future U.S. grand strategy would be “less grand,” given the country’s fiscal crisis, political polarization, and growing isolationist sentiments following exhausting wars in Iraq and Afghanistan (sentiments expected to be reinforced following the November 2010 midterm elections).

2. **Emerging regional order in Asia.** The workshop revealed a potentially worrisome disjunction in Asia’s evolving economic and security order. On the one hand, economic integration is proceeding apace. Asia is becoming the fulcrum of the global economy and China its economic core. On the other hand, the preconditions for collective (much less cooperative) security in Asia are absent. Many of the countries that are integrating economically with China are increasingly wary of its rising military power and intentions—and are seeking closer security relations with the United States (as well as one another) as a hedge against their giant neighbor. Participants wondered whether such a divergence was sustainable, and whether countries of the region could count on U.S. staying power. They also underlined the importance of deeper U.S. economic integration in the region to complement its diplomatic and military presence.

3. **Evolving international forums.** Multilateral cooperation in the twenty-first century will increasingly depend on a variety of international frameworks. Alongside universal membership organizations like the United Nations, major countries will likely make greater use of informal arrangements like the Group of Twenty (G20). The rise of such venues will require both the United States and India to embrace a more flexible and pragmatic multilateralism than possible in more formal institutions, while ensuring that breakthroughs produced in such venues complement the treaty-based organizations they need over the long haul.

4. **The future of Europe.** As the world shifts to accommodate a rising Asia, the global influence of Europe will continue to be diluted. This is particularly clear in calls for France and the United Kingdom to consolidate their seats in the UN Security Council into one that represents the entire European Union. The United States’ ability to make room for India, possibly at the expense of Europe, will be an important test of U.S.-India relations.

Participants debated whether the commitments of India and the United States to democratic governance have any demonstrable impact on their visions of world order. They concluded that democratic values narrow the conceivable range of bilateral conflict (making war, for instance, unthinkable). But most were skeptical that democracy could ensure solidarity on complex foreign policy issues. The United States has often appeared hypocritical, for instance, by supporting autocratic regimes, military dictatorships, and theocracies. And where India’s democratic values collided with security or economic interests (for instance, over Myanmar), the latter have typically triumphed.

Differences in political culture are also relevant. Democracy promotion has long played an influential role in U.S. diplomatic discourse and practice. By contrast, India has been reluctant to export anything more than its example. This may change, however, as a rising generation of Indians begins to self-identify more assertively with their democratic values.
More important than any shared notions of democracy for their foreign policy choices may be their respective views on capitalism. Specifically, participants debated whether India and the United States are committed to promoting a shared model of liberal capitalism that contrasts the Chinese model of state-led, mercantilist capitalism.

**India’s Evolving Regional Context**

The workshop also examined the relationship between India’s emerging global role and evolving regional dynamics in Asia. Participants generally agreed that India could no longer be viewed solely as a South Asian actor, and that the United States was wise to conceive of India as a potential strategic partner beyond its immediate region. Still, the discussion suggested that India’s difficult neighborhood could complicate its global ambitions. The workshop illuminated policy divergences and frictions between India and the United States over Pakistan, Afghanistan, Iran, and Myanmar.

As it has historically, Pakistan remains India’s most important regional challenge. There has been no resolution to the disputed territories of Jammu and Kashmir, which have already helped trigger three full-fledged wars. India remains the target of Pakistan-based terrorism—as illustrated by the 26/11 attacks in Mumbai—which triggers destabilizing waves of nationalism in India. And Pakistan has recently been one of the world’s leading sources of nuclear proliferation, making its planned civilian nuclear deal with China a worrisome development.

Indian and U.S. participants alike viewed the challenge of Pakistan as a function of state weakness rather than strength, attributable to decades of dysfunctional governance, a corrosive pattern of civil-military relations, and an expanding population of young, frustrated, and poorly educated citizens. Given Pakistan’s well-stocked nuclear arsenal, its potential collapse invites nightmarish scenarios.

Indian participants perceived China’s partnership with Pakistan as part of a broader Chinese strategy to expand its influence in South Asia. China has already been probing its westward boundaries, reasserting its territorial claims against India in Aksai Chin and Arunachal Pradesh. And China’s navy is developing blue-water capabilities, which could challenge Indian interests in the Indian Ocean. Indian participants were particularly alarmed by the recent docking of Chinese naval ships in Myanmar, and by China’s role in developing the Pakistani deep-water port in Gwadar. They suggested that in the absence of determined resistance, China would continue to probe its periphery, in both East and South Asia.

At the same time, India is expanding its own ambitions, consistent with the government’s “Look East” policy. The United States, which had historically thought of India exclusively in a South Asian context (narrowly framed by the conflict with Pakistan), now views India’s expanding political and economic influence eastward as a positive trend, allowing India to contribute to the common prosperity and balance of power in Asia, including through deepening alignments with fellow democracies Japan and Korea.

Although the discussion began by calling U.S. and Indian interests in its region harmonious, it later revealed significant points of divergence. This was particularly the case over Pakistan, with some Indian participants criticizing the United States for essentially subsidizing a country that exports jihadist terrorism. Likewise, Indians wondered whether the United States was considering India’s interests in its plan to pull out of Afghanistan, on issues ranging from the composition of the Afghan government to the resulting vacuum of power in the region. For their part, U.S. participants questioned India’s willingness to compel Iran to cease its
quest for nuclear weapons, or to pressure the Burmese junta to liberalize its rule and cease repression against minority populations.

When it came to expanding institutional architecture in South Asia, workshop participants were not sanguine. Historically, efforts to construct a robust regional architecture in South Asia—whether through the South Asian Association for Regional Cooperation (SAARC) or some other mechanism—have always been stymied by the Indo-Pakistan conflict. Participants agreed that any ambitious schemes were unlikely to bear fruit. More promising would be lower-level steps to expand economic integration between India and its South Asian neighbors through specific technical efforts (such as trade and transit).

**Global Trade and Finance**

Over the past twenty years, India has become increasingly integrated into the global economy. In the early 1990s, the country first embarked on a process of economic reform and liberalization. Since then, the share of trade in India’s gross domestic product has risen from around 25 percent to 50 percent, and India’s share of the global export market has doubled as well. India has also become more integrated into global financial and capital markets, and the capitalization of the Indian stock market has increased tenfold as a result.

The recent global financial crisis hit India hard. The country faced a dramatic decline in trade and suffered huge capital outflows. Since the crisis, Indian growth has since rebounded strongly, but the crisis still reversed some of the liberalization trends that had been taking place during the past twenty years, particularly with regard to India’s capital controls.

Participants warned that India may get hit by yet another financial crisis because significant imbalances persist in the global economy. Thanks in part to a grossly undervalued renminbi, China continues to run an enormous current-account surplus, and the United States will likely respond to continued stagnation by further steps at quantitative easing—injecting vast quantities of U.S. dollars into the global economy. Excess capital from both China and the United States will flood into the rest of the world, and may ultimately create unsustainable bubble economies in emerging markets like India.

The continued problem of global imbalances underscores a problem in the world economy: There are no global rules to regulate the world’s currencies. In the absence of concerted policy coordination to correct imbalances between countries with chronic current-account surpluses and deficits—including necessary currency adjustments—imbalances will persist, generating protectionist pressures and systemic risks. The G20's failure to address these imbalances calls into question its status as the “premier forum” for global economic coordination.

Some participants faulted India for not pushing China harder within the G20 to revalue its currency. Others cited two reasons for Indian reticence. First, India values its broad bilateral relationship with China too much to risk antagonizing it in a multilateral setting. Second, India has adopted a relatively fatalistic view, saying it has neither the responsibility nor the ability to make China revalue its currency without stronger backing from the United States.

When discussion shifted to reform of the international financial institutions, participants agreed that changes still need to be made to the governance structures of the World Bank and IMF to make them reflect India’s new weight in the world economy. Just days after the workshop, in fact, G20 finance ministers agreed to a significant readjustment of IMF quotas to the advantage of emerging markets, including India.
But participants also noted that negotiations over the governance of the international financial institutions was less important than forging new agreement over what these bodies should actually do in today’s global economy. Accordingly, Indian policymakers might want to spend less time fighting over relatively minor shifts in “shares and chairs” and instead focus on using India’s newfound weight to articulate its own vision of a stable and global economic order—and the role of these institutions in advancing it.

On the whole, workshop participants were skeptical about prospects for another major round of global trade liberalization—whether in the form of a resurrected Doha Round or a successor. Moreover, the imperative of completing such a round paled in comparison to other challenges, including rebalancing the global economy.

The Future of the Climate Change Regime

The past year has been particularly disappointing for those who hoped for a breakthrough agreement on climate change. The UN climate conference in Copenhagen revealed the shortcomings of large UN gatherings as settings for complex negotiations and failed to yield a legally binding successor to the Kyoto Protocol (producing instead the nonbinding Copenhagen Accord). The United States, at home, failed to pass domestic climate change legislation, and it appears unlikely to revisit the topic after November’s midterm elections. And based on preliminary negotiations, participants agreed that prospects for major international agreement at the upcoming UN climate conference in Cancun are increasingly bleak.

Some participants used these failures to question the fundamental value of the UN climate change framework. They proposed that global leaders instead focus their efforts on climate discussions within smaller “minilateral” or “plurilateral” groupings—like the Major Economies Forum (MEF) or G20—and move forward in piecemeal fashion through parallel national efforts. After all, failure to agree to a binding treaty should not obscure the progress made by individual countries, including pledges by China, India, Brazil, Indonesia, South Africa, and others to reduce carbon intensity. Some participants even said climate change has effectively become a G2 issue—any global progress will depend on parallel actions by China and the United States (the world’s two leading sources of greenhouse-gas emissions).

Others, however, pointed to the shortcomings of climate efforts outside the treaty-based UNFCCC process, which retains unmatched advantages of universality and political legitimacy.

On the issue of climate, India has more closely aligned with China than with the United States. Like China, India is wary of intrusive monitoring, reporting, and verification requirements that might infringe on its sovereignty and impede its ability to reach domestic development targets. And like China, India has remained adamant that the global climate change regime maintain a two-track approach that differentiates between the “common but differentiated responsibilities” of developed, OECD countries and those of developing countries like India. Some participants questioned whether India should so closely align itself with China on this issue (especially since Chinese emissions far exceed India’s own), but most participants agreed that China and India have similar overall objectives for climate change governance.

Looking forward, participants highlighted several items that need to be resolved in addressing the challenge of global climate. First, there needs to be greater coherence between the global climate regime and the global trade regime. It was ironic, some noted, for the United States to push China to increase its use of renewable power while simultaneously chastising it, within the trade realm, for subsidizing such efforts. Second, private industry needs clarity on the future of carbon trading. Participants noted that one of the most successful climate ventures thus far in India has been the Clean Development Mechanism, which has made Indian...
industry far more carbon-conscious. But Indian industries need clear indicators about the future of carbon trading in the global climate regime so they can make long-term investments accordingly.

Third, countries need to pursue climate change governance through a variety of fora, including multilateral tracks and smaller, minilateral groupings. Here, participants pointed to the nuclear disarmament regime as a model, which was most successful when it included both multilateral and bilateral engagement. Fourth, the regime needs to push harder on mitigation financing, which is more urgent and might be easier to secure than adaptation financing.

**The Prospects for UN Reform**

The United Nations was developed after World War II to oversee global peace and security. Today, it continues to serve several critical functions. First, the United Nations upholds basic normative standards on the use of force. Second, it offers critical mechanisms to mediate international disputes. Third, it provides inclusive regulatory frameworks and regimes that ensure transparency, predictability, and stability, and offers mechanisms for redress when these regimes break down. Fourth, it serves as a legitimate vehicle for collective action to keep and restore the peace, including through preventive deployments, peace operations, and postconflict peace-building. In addition to these traditional roles, the United Nations has in recent years sought to adjust to a new suite of security threats, ranging from the threat of global pandemics to transnational terrorism to the proliferation of weapons of mass destruction.

Despite these indispensable roles, participants agreed that the United Nations also suffers from five major shortcomings. First, it is largely a reactive organization, despite its attempts to develop a culture of prevention. Second, classic collective action challenges persist at the United Nations, including lowest-common-denominator negotiations, free-riding, and lack of sufficient funding. Third, the UN Security Council is increasingly anachronistic, failing to reflect shifts in global power or include even a single country from Africa or Latin America. Fourth, the United Nations remains racked by ideological divisions, particularly between North and South, which frequently obstruct international cooperation. Finally, the United Nations as an institution remains in dire need of management reform.

Participants suggested that these shortcomings risked undercutting the centrality of the United Nations in global affairs. When trying to tackle transnational threats over the past decade, global leaders have often turned to alternative groups like the G20 or regional organizations, rather than the United Nations. Many participants anticipated that this trend would persist, as the United Nations faces competition from ad hoc and regional arrangements. Therefore, to remain relevant, they said, the United Nations will need to reform.

India, of course, is a leading candidate if permanent seats are added to the UN Security Council, and many workshop participants spoke in favor of the United States declaring its support for India’s candidacy. A major uncertainty, however, was how India would behave if it did obtain a permanent seat. Some participants expressed concern that India would import its nonaligned rhetoric into the UNSC, and that it would resist using the UNSC’s coercive tools to defend international norms. Others disagreed, suggesting that a UN Security Council seat would encourage India to become a guarantor of the global system. Beginning next year, India will take up an elected seat on the UN Security Council, which might offer a preview of its behavior were it to become a permanent member.

Despite widespread recognition that the UNSC no longer reflects the distribution of global power, the obstacles to any change in its composition are daunting, perhaps insurmountable. Any change in its
composition would require approval by two-thirds of the UN General Assembly and two-thirds of the domestic legislatures in member states, including all five permanent members. And despite their rhetorical openness to reform, none of the veto-wielding P5 has been prepared to push hard for it, for fear of diluting their own influence and complicating decision-making within the UNSC. Participants concluded that membership reform remains unlikely in the absence of firm U.S. leadership or a major global crisis that undermines the UNSC’s credibility.

Whether or not UNSC reform occurs, participants offered several areas in which the United States and India could cooperate to improve the UN’s performance in international peace and security. First, they can bolster the UN’s preventive capacity, including in the realms of election monitoring, arbitration, and mediation support. Second, India and the United States can work together to mediate tensions between the UN Security Council (in which the United States is a permanent member) and the UN General Assembly (where India is a member of the nonaligned movement and the Group of 77). Third, the United States and India can help the United Nations take timely action on crises already on the horizon, including addressing the nuclear programs of Iran and North Korea; terrorist activities in Somalia, Yemen, and Pakistan; instability in the Democratic Republic of Congo, Sudan, and Myanmar; and the future of Afghanistan.

**Shared Spaces in the Global Commons**

Among the richest potential area for U.S.-India collaboration is in creating effective regimes to govern the global commons, including the oceans, air, space, and the Internet. Collectively, the global commons represent the “connective tissue” of the international system—spaces that do not fall under the control of any one nation.

While modest differences in approach are inevitable, the world's two largest democracies have a shared commitment to preserving and defending free and open access to the world’s commons under international rules. This liberal outlook is not always shared by other countries, as demonstrated by Chinese policy in the maritime sector and cyberspace. As an open society dedicated to the rule of law—as well as a country with burgeoning technological, maritime, and space capabilities—India is well positioned to help the United States and like-minded nations establish norms for the global commons.

Indeed, as it rises to become a global player, India has adjusted its traditional conceptions of sovereignty. In the past, it applied land-based sovereignty to the global commons—seeking, for instance, to prevent other navies from entering waters around India’s periphery. As it becomes a great power, however, India increasingly focuses on how to maintain freedom of navigation worldwide. The country’s growing navy is already playing a stabilizing role within the Indian Ocean. And some participants suggested that India may wish to support the U.S.-led Proliferation Security Initiative (PSI), designed to stop the illicit spread of weapons of mass destruction and their means of delivery through sea, land, and air.

Participants also observed that, of the global commons, cyberspace is distinct for two reasons. First, cyberspace is manmade, which means it is constantly changing in a way unlike air, oceans, and outer space. This also means that cyberspace is a social space, rather than a physical space, so activity (either by aggressors or regulators) may have unexpected consequences. Second, cyberspace produces a unique attribution problem. Countries can trace the source of a missile or a ship far more easily than they can trace a cyber attack, which leave an asymmetrical aspect to any assault in cyberspace.
In the realm of cyberspace, participants identified three potential areas of U.S.-India cooperation. First, both countries have an interest in a network that is global, secure, and open. And both the United States and India have similar philosophical tensions between keeping the network secure and open. Both India and the United States are trying to balance between anonymity and state security, and both believe there should be limits on what the government can do with regard to monitoring online activity.

Second, unlike Russia and China, the United States and India primarily see cyberspace as a commercial, rather than state-dominated, space. This position contrasts with that of Russia and China, which increasingly seek to apply state sovereignty in cyberspace. (The language of the Shanghai Cooperation Organization, for example, references the importance of “information security.”) These, however, are not the primary concerns of the United States and India, which want to preserve the Internet primarily as an economic tool.

Third, both India and the United States would like to pursue discussions on cybersecurity in open, multi-stakeholder environments. And both believe that these discussions should include related nongovernmental groups and commercial interests—a belief that has not been shared by Russia or China.

Based on these three areas of overlapping interests, participants suggested that the United States and India engage in a dialogue to help set international norms for activity in cyberspace. Initial topics could include what thresholds need to be met for a cyber attack to constitute an act of war and which international forums are best suited for discussions of cybersecurity.