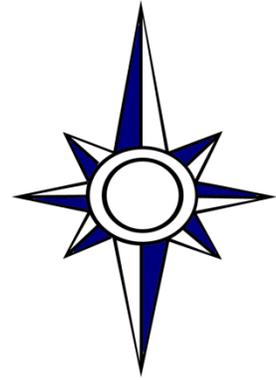


# Comparative Connections

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Satu Limaye  
East-West Center

## US-India Relations:

### Back in the Same Orbit and Back on Earth

US-India relations during much of 2013 were mired in drift and at the end of that year took a deep dive over the arrest and alleged mistreatment of India's deputy consul general in New York. Though the incident precipitated a crisis in bilateral relations, frustrations on both sides had been building well before. So adrift and delicate had relations become by 2014 that U.S. Secretary of Energy Ernest Moniz and Assistant Secretary of State for South and Central Asia Nisha Desai Biswal each cancelled separate, scheduled visits to India in January. After that, relations were on hold as India prepared for national elections in May and Washington waited for a new Indian government with which to work on putting relations back on track.

The relationship did recover very soon after the resounding election victory of Narendra Modi following India's national elections in May 2014. The pace at which high-level US-India ties were reestablished under a Modi administration was something of a surprise given the unusual situation of his being barred from traveling to the US due to allegations about his role in the communal riots between Hindus and Muslims in the Indian state of Gujarat that he once led as chief minister. The improbable dilemma of the US government banning an official visit by a democratically elected leader, who had not been convicted of illegal acts by his own country or any international body, was finessed by simply removing the ban and issuing a message of warm welcome by President Obama himself.

Prime Minister Modi thus visited Washington in late September 2014, just four months after taking office and on the back of an appearance at the annual UN General Assembly meeting in New York. President Obama followed up with an important visit to India in January 2015 as the "Chief Guest" for India's Republic Day, the first US president to be accorded this honor. Obama also became the first US president to visit India twice while in office. Another first was the appointment in December 2014 of a US ambassador to India of Indian origin, Richard Rahul Verma.

Given the drift and depths to which the bilateral relationship has succumbed throughout much of 2013 and the early part of 2014, the two heads of government visits constituted something of a return to the same orbit, symbolized by the fact that the Indian Space Research Organization's (ISRO) and National Aeronautics and Space Administration's (NASA) respective Mars orbiters (*Mangalyaan* and *Maven*) had entered the planet's orbit within a couple of days of each other. Indeed, PM Modi alluded to the connection at a joint media conference with President Obama in September saying "I'm happy that we are meeting here just a few days after the Indian and the U.S. missions reached Mars around the same time. So after the India-U.S. summit on Mars, we are meeting here on Earth. This happy coincidence captures the potential of our relationship."

But as always with US-India relations, positive symbols are suffused with caution. While also noting the “pleasant coincidence” of the two orbiters proximate trip to Mars, Assistant Secretary of State for Arms Control, Verification and Compliance Frank Rose suggested to an Indian audience in March 2015 that the time might be right for a “Space Situational Awareness” information sharing agreement, implying to listeners the need to avoid accidental collisions. In the event, there were no major run-ins during the period of US-India relations covered by this article. Though, as will become clear, there were few major breakthroughs either.

## **Economic relations**

Trade, investment, and related issues continue to be major elements in bilateral discussions even as commercial ties steadily increase. President Obama, in a speech to the US-India Business Council Summit during his January 2015 visit to India, noted that two-way trade has reached \$100 billion, with U.S. exports to India up 35 percent and providing about 170,000 well-paying jobs to US workers. He also observed that “Indian investment in our country is growing, as well. And those Indian investments are supporting jobs across America. We’ve got high-tech jobs in upstate New York, manufacturing jobs in North Carolina, engineering jobs in places like Michigan and Ohio.”

The fundamental problem remains that US-India trade and investment ties are far below what they should be given the scale and range of the two economies. President Obama addressed this directly as well, saying “Of all America’s imports from the world, about 2 percent come from India. Of all of America’s exports to the world, just over 1 percent go to India – 1 percent to over a billion people. We do about \$100 billion a year in trade with India, which is a great improvement since I took office. But we do about \$560 billion a year with China.”

Both India and the US continued to call on the other to make adjustments that would expand commercial ties. During PM Modi’s September visit, in a joint press conference with President Obama, he said he “...saw President Obama’s support for continued openness and ease of access by Indian service companies in the U.S. market.” And Obama told an Indian audience in January that “Now, here in India, as the Prime Minister just discussed, there are still too many barriers – hoops to jump through, bureaucratic restrictions – that make it hard to start a business, or to export, to import, to close a deal, deliver on a deal.”

Some new efforts to move commercial ties upward were announced during the period under review. A new high-level US-India Strategic and Commercial Dialogue designed to make, in President Obama’s words, “our agencies, our bureaucracies ... follow through aggressively and ... hold them accountable” was established. A \$1 billion financing initiative from the Export-Import Bank to support “Made-in-America” exports to India was launched. The Overseas Private Investment Corporation (OPIC) agreed to support SMEs across India and the US Trade and Development Agency planned to “leverage nearly \$2 billion in investments in renewable energy in India.” For its part, the Indian side committed to a new government committee dedicated to fast-tracking US investments. In January, India and the US also announced a “breakthrough between India and the United States on issues relating to the implementation of the Bali Ministerial Decisions regarding public stockholding for food security purposes, the WTO Trade Facilitation Agreement, and post Bali work.” During his September 2014 visit, PM Modi had

stated that “[w]e had a candid discussion on the Bali ministerial of the WTO. India supports trade facilitation. However, I also expect that we are able to find a solution that takes care of our concern on food security. I believe that it should be possible to do that soon.” The fact that both sides were able to reach a compromise in the months leading up to President Obama’s visit was thus important.

Other issues remain pending however. Long-running discussions of a bilateral investment treaty persist. As the Director for Americas in India’s External Affairs Ministry K. Nandini Singla admitted in a media briefing prior to PM Modi’s September visit to Washington, “[t]he issue really is something which is under review at our end within the Government of India. We have a model template for such bilateral investment agreement and the Government is currently in the process of reviewing this model template. There are issues pertaining to sovereign liability and the effort is to ring fence this liability. So, there is an entire technical, legal process under way in our own government. So, pending the finalisation of such a model law, I think we have put on hold negotiations on BITs with all countries, not just the United States.” Nevertheless, the January 2015 joint statement agreed to during President Obama’s visit to India “instructed [both countries’] officials to assess the prospects for moving forward with high-standard bilateral investment treaty discussions *given their respective approaches* [emphasis added].”

Similarly, the roughly decade-long inability to reach a “totalization agreement” continues. India’s position, as explained by Director for Americas Singla, is that some 300,000 Indian nationals working in the US “...contribute to the Social Security System of the United States, but they cannot derive benefits from the system because they can only work for about seven years under the immigration regime of the United States while you get social security benefits only if you live there beyond ten years.” The US view is that it cannot sign a reciprocal totalization agreement because India does not have a social security system along the lines of the US. Bilateral efforts therefore seek another alternative patterned on India’s arrangements with countries such as Canada. But as the January 2015 joint statement noted, all that could be agreed was to “...hold a discussion on the elements required in both countries to pursue an India-US Totalisation Agreement.”

Another issue within US-India economic discussions has been disagreement about intellectual property rights (IPR). These disagreements led to the launch in 2014 of an “out-of-cycle” US review of India’s IPR protection regime. In a long reply to an Indian media question prior to PM Modi’s visit to Washington in September (suggesting the possibility that India wanted to make clear and public its views), an Indian Foreign Ministry official insisted that “Our laws both administratively [sic], judicially and legally are fully compliant with international obligations, and we take into account India’s stage of development. We are not where America is today. So, our IPR regime has to really reflect our realities of today and where we want to go tomorrow. In brief, we continue to reassure [the US] that India wants innovation, India sees IPRs as supportive of innovation, we are even going to come up with an IPR strategy.” So far, no breakthroughs have been announced and the January 2015 Joint Statement noted that a High-Level Working Group on Intellectual Property will continue discussions.

Finally, another commerce-related issue relates to visas. India in 2014 introduced visa-on-arrival for US citizens. Meanwhile, technical discussions are ongoing to bring India into the US Global

Entry Program. These efforts of course will help expand commercial activities but also tourism and people-to-people exchanges more generally.

## **Defense cooperation**

The US and India continue to build their emerging defense relationship. The two countries finalized a 2015 Framework for the US-India Defense relationship, a successor agreement to the first one signed in 2005. The new framework, which will be valid for 10 years, also builds on the September 2013 Obama-Singh Joint Declaration on Defense Cooperation that articulated four principles on which to implement the new framework agreement. Also slated for further use is the 2012 Defense Trade and Technology Initiative (DTTI). As India's Foreign Secretary Sujatha Singh explained during President Obama's visit, "Under the Defence Technology and Trade Initiative (DTTI), four projects have been agreed on as pathfinder projects: (1) next generation *Raven Minis* UAVs, (2) roll on roll off kits for *C-130s*, (3) mobile electric hybrid power source, (4) Uniform Integrated Protection Ensemble Increment II. We have also agreed on a working group to explore aircraft carrier technology, sharing and design, and also development of jet engine technology." Furthermore, Washington and New Delhi signed a Jan. 22, 2015 India-US Research, Development, Testing and Evaluation (RDT&E) agreement to facilitate cooperation in defense research and development.

On the Indian side, a decision was made to raise foreign direct investment limits in the Indian defense sector to 49 percent. Indeed, the 2015 Joint Statement specifically noted that "President [Obama] also welcomed the Prime Minister's initiatives to liberalize the Foreign Direct Investment Policy regime in the defence sector and the Leaders agreed to cooperate on India's efforts to establish a defence industrial base in India, including through initiatives like 'Make in India'." Some analysts see mutual benefit in such initiatives. For example, the journalist Nayan Chanda has written that "Facing higher labour costs at home, US manufacturers like Lockheed Martin (makers of IAF's *C-130J Super Hercules* transport plane) are happy to offshore more production to India. Already, the *C-130J*'s wings are made in Hyderabad by Tata Advanced Systems. Aside from creating jobs for skilled Indian workers, the induction of more such versatile transport planes offers, among others, valuable logistical support to Indian troops stationed at high altitude."

Though these steps mark definite opportunities for the US and India to further build on their emerging defense cooperation, there are likely to be limits. Complaints come from both sides. Then Indian Ambassador to US and Foreign Secretary S. Jaishankar told the Indian newspaper *LiveMint* on Jan. 30, 2014 "If you look at our defence purchases, a lot of it is centered around US sourcing. Frankly, the US system was so difficult to navigate. When you're selling me something, you're the salesman and I'm the customer, and I'm supposed to be the difficult one." However, he noted diplomatically that despite these difficulties and "Even with those restrictions, India is buying a fleet of US military transport and surveillance planes, making it one of the largest operators of such aircraft after the Pentagon."

On the US side, it is repeatedly noted that India has for years refused to sign what the US considers "foundational agreements" for sharing sensitive information. Even a former Indian diplomat and now head of the think tank Gateway India, Neelam Deo, argued that "For India, as

the world's largest defence importer with a remarkable shortfall in indigenous defence manufacturing, it is not useful to take an unyielding stance in these negotiations. India has little choice but to sign the relevant agreements that allow negotiations to move towards completion.”

An intriguing area for new security cooperation was broached by Assistant Secretary of State for Arms Control, Verification and Compliance Frank Rose during a March 2015 visit to India. He noted that “US-India civil cooperation in space [over the past 15 years] has not led to extensive cooperation on space security, at least to date. But I believe that just as this is a time of transformation and progress for our strategic partnership, so too is it a time of growth for our space security relationship.” Specifically, in noting that both countries’ respective Mars orbiters had entered the planet’s orbit within a couple days of each other, Rose proposed a “Space Situational Awareness” information sharing agreement. An especially intriguing suggestion was the potential for bilateral collaboration on the utilization of space assets for maritime domain awareness. Finally, Rose called for the US and India to cooperate in the multilateral context saying “Initiatives like the establishment of TCBMs [Transparency and Confidence Building Measures], the Code of Conduct [International Code of Conduct for Outer Space Activities], and the work of UNCOPUOS [United Nations Committee on the Peaceful Uses of Outer Space] cannot be successful without the support and active participation of India.”

### **Civil nuclear and climate change cooperation**

Some progress appears to have been made on civil nuclear cooperation. A Contact Group was established in September 2014 during PM Modi’s visit to Washington and subsequently met three times in December and January. During President Obama’s trip to Delhi in January, Foreign Secretary Sujatha Singh explained that,

We have reached an understanding on two outstanding issues namely civil nuclear liability and the administrative arrangements for implementing our 123 agreement. Let me underline, we have reached an understanding. The deal is done. Both these understandings are squarely within our law, our international legal obligations, and our practice. Insofar as liability is concerned, during the Contact Group meetings the Indian side presented our position concerning the compatibility of the Civil Liability for Nuclear Damage Act, and the Convention on Supplementary Compensation for Nuclear Damage, which we have signed, and responded to questions from the US Members concerning this position. The idea of the India Nuclear Insurance Pool as part of the overall risk management scheme for liability was also presented to the US side. Based on the presentations by the Indian side and the discussions thereon, there is a general bilateral understanding that our law is compatible with the CSC. Many of you would be aware that we had not yet finalised the administrative arrangements for the 123 agreement which we signed in September 2008. We have finalised it now. The administrative arrangements text that we have agreed with the US conforms to our bilateral legal arrangements as well as our practice on IAEA safeguards.”

The actual Joint Statement was somewhat less enthusiastic than the foreign secretary appeared to be, simply noting that the “Leaders welcomed the understandings reached...” But it is far from clear that these government “understandings” are sufficient for private sector companies to begin building civilian nuclear reactors in India. As of this writing no company has announced plans to do so. And, ultimately, the litmus test of the utility of these “understandings” is whether civilian

nuclear energy production increases as a result of US investment that was to be a result of the initial civilian nuclear energy deal.

A related issue is US-India relations on climate change, especially in view of the December 2015 climate change conference to be held in Paris. In September 2014 India's newly appointed Minister for the Environment Prakash Javadekar rejected an Indian commitment to cutting its greenhouse gas emissions saying "What cuts? That's for more developed countries. The principle of historic responsibility cannot be wished away." PM Modi was somewhat more conciliatory during his Washington visit, saying "We have agreed to consult and cooperate closely on climate change issues, an area of strong priority for both of us." But the Joint Vision statement issued in September 2014 included no specific commitments. In January 2015, however, in the course of President Obama's visit, the two countries "reaffirmed their prior understanding from September 2014 concerning the phase down of HFCs and agreed to cooperate on making concrete progress in the Montreal Protocol this year." However, as many observers noted, India made no commitments to limit much less reduce emissions on a timetable as, for example, Presidents Obama and Xi had agreed.

### **Afghanistan and terrorism**

The US and India continue to consult about Afghanistan but have a core difference on inclusion of the Taliban in any reconciliation process. The trilateral US-India-Afghanistan process initiated to share perspectives and promote coordination appears anemic, having met only twice since 2012. India insists that the "trilateral partnership is part of developmental cooperation" and not oriented to security, much less military cooperation. In the January 2015 Joint Statement, other than recognizing each other's broad shared interests regarding Afghanistan, the leaders "agreed to convene further high-level consultations on Afghanistan in the near future."

On terrorism, there appears to have been a slight narrowing of gaps in approaches. In points 40 and 41 of the 59-point January 2015 Joint Statement, Delhi and Washington managed to include references to both "transnational terrorism" which specifically mentioned Al-Qaeda and ISIS while also including specific names of groups that had particularly targeted India. It says the "Leaders reaffirmed the need for joint and concerted efforts to disrupt entities such as Lashkar-e-Tayyiba, Jaish-e-Mohammad, D Company and the Haqqani Network, and agreed to continue ongoing efforts through the Homeland Security Dialogue as well as the next round of the US-India Joint Working Group on Counter Terrorism in late 2015 to develop actionable elements of bilateral engagement. The two sides noted the recent US sanctions against three D Company affiliates." As some commentators observed, a recurrent Indian complaint is that the US has focused excessively on transnational terrorism and insufficiently on groups that target India. Of course, from the Indian perspective, US reticence to highlighting India-focused terrorist groups reflected excessive US sensitivities to Pakistani interests and views. The broader structural disagreement between the two countries is that the US is more apt to draw distinctions between terrorist groups whereas India tends to view them as part of a spectrum. Hence, the reference to both transnational terrorism a la AQ and ISIS as well as detailed references to India-targeted terrorist groups seems to address but not close the fundamental gap.

## **The US-India relationship and the Asia Pacific**

The Asia Pacific has become a more important part of discussions between Washington and Delhi. During PM Modi's September visit, he proclaimed, following talks with President Obama, that "[t]here was great convergence on international developments that matter the most to our two countries, including peace and stability in Asia Pacific region. The United States is intrinsic to our "Look East" and "Link West" policies." This was one of the most forward-leaning Indian statements to date on India's interest in working with the US on Asia-Pacific issues.

Also noteworthy was the release, during President Obama's January 2015 visit, of a stand-alone document entitled [\*India-U.S. Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region\*](#). The contents themselves were quite constrained, however. Washington and New Delhi agreed to "promote accelerated infrastructure connectivity and economic development in a manner that links South, Southeast and Central Asia," "affirm[ed] the importance of safeguarding maritime security and ensuring freedom of navigation and over flight throughout the region, especially in the South China Sea..." "commit[ed] to strengthening the East Asia Summit on its tenth anniversary" though they did not say how (of significance because Washington has clear ideas of how to do so which are controversial among ASEAN members), and the US "welcome[d] India's interest in joining the Asia Pacific Economic Cooperation forum," though it did not promise to support much less advocate for India's membership.

## **Conclusion and looking ahead**

Compared to much of 2013 and the early part of 2014, US-India relations after May 2014 and the election of Prime Minister Modi have definitely seen an improvement in tone, symbolism, and cooperation. Small steps have been made in a number of areas. There is a realistic appreciation on both sides of how tough building the relationship will be. Speaking at a State Department lunch for the visiting PM Modi in September 2014, Secretary of State John Kerry stated that "The question today is whether we are going to at last take this partnership to the new heights that we can both envision." And in acknowledging the progress made he said "But the question is what this relationship looks like tomorrow." Vice President Joe Biden echoed the thoughts if in a somewhat more literary manner quoting Rabindranath Tagore to the effect "You can't cross the sea merely by standing and staring at the water. We have to act together."

The realist prime minister of India was also attuned to the progress, possibility, and limits of the relationship. He stated, "There are certain problems. You use a system which is 120-volts, and we use 220-volt system in India. So 120 and 220 – when you have to bring them together and the difference in the energy which is there, so we'll have to undertake necessary steps in order to bring it together, and I'm sure we'll succeed in it. Then 120-volt and 220-volt system – both the systems will start working together, and that is how I am standing here amidst you." A realistic starting point on both sides for building US-India relations is far more helpful to the relationship than the overblown rhetoric that frequently occurs.

After breaking protocol positively with two visits during his second term, and the first US president to be invited to be the chief guest on India's Republic Day, it is highly unlikely that another Obama visit to India is possible. It is also unlikely that PM Modi will visit Washington

again during Obama's remaining time in office. With no leader-level visits likely planned, the bureaucracies and private sectors of the two countries will have to be relied upon to keep in the same orbit and working together on the earth.

## **Chronology of India-US Relations January 2014 - May 2015**

**Jan. 14, 2014:** Deputy Secretary of State William Burns hosts Indian Ambassador S. Jaishankar for a lunch meeting in the midst of the crisis in relations over the arrest of Indian diplomat. An official statement says, "They agreed that the past several weeks have been challenging, and affirmed that we are both committed to moving forward to resume cooperation on the broad range of bilateral issues before us."

**July 31, 2014:** Secretary of State John Kerry and Secretary of Commerce Penny Pritzker travel to India for the fifth US-India Strategic Dialogue.

**Aug. 8-10, 2014:** US Defense Secretary Chuck Hagel visits India to discuss military exercises, defense trade, coproduction and co-development, and research on defense technologies.

**Sept. 29-30, 2014:** Prime Minister Narendra Modi makes his first trip to Washington since being elected in May.

**Dec. 3, 2014:** Assistant Secretary of State for Political-Military Affairs Puneet Talwar gives a speech at the Institute for Defence Studies and Analyses in New Delhi.

**Jan. 11-13, 2015:** Secretary of State John Kerry visits India to attend the Vibrant India Investment Conference in PM Modi's home state of Gujarat and also meets the Prime Minister Tshering Tobgay of Bhutan.

**Jan. 25-27, 2015:** President Obama visits India.

**Feb. 12, 2015:** US Treasury Secretary Jacob Lew and Vice Chairman of the Federal Reserve Stanley Fischer visit India for the bilateral Economic and Financial Partnership Dialogue.

**March 3, 2015:** Adm. Harry Harris, commander, US Pacific Fleet, visits India.

**March 5-6, 2015:** Frank Rose, US assistant secretary of state for arms control, verification and compliance, visits India to co-chair the first meeting of the newly-establish US-India Space Security Dialogue.