



US-India Relations:

Progress on Defense while Economic Issues Lag

US-India relations were reset after a sharp, sudden plunge in late 2013 over a dispute involving an Indian diplomat. Both Washington and New Delhi took the opportunity of Prime Minister Modi's election in May 2014 to get relations back on track. The US lifted a ban on India's prime minister traveling to the US and India accepted a prime ministerial visit within the first four months of taking office. The reset culminated in the visit of President Obama to India in January 2015 as India's chief guest for its spectacular Republic Day parade.

Since then, there have been three further visits to the US by Prime Minister Modi – in September 2015 for meetings at the United Nations as well as outreach to the Indian-American community and US business community, in April 2016 to attend the Nuclear Security Summit, and in June 2016 for a final summit with President Obama and a speech to a joint session of Congress. The US and India have also conducted two iterations of the newly-launched Strategic and Commercial Dialogue (S&CD) modeled on the US-China Strategic and Economic Dialogue, exchanged multiple Cabinet-level and senior officials visits, and announced new initiatives (e.g., upgraded UN and Multilateral Dialogue, Maritime Security Dialogue, consultations on Africa) to broaden and deepen dialogue and produce outcomes. During the period under review (March 2015 to September 2016), there have been no dramatic events similar to PM Modi being “unbanned” from visiting the US. The absence of drama has allowed for notable progress in the area of defense relations, but just as notably little progress on key trade and investment issues even as bilateral trade and investment grows.

After three decades and three US presidents with strong personal and policy commitments to the bilateral relationship, it remains to be seen whether a new US president will reciprocate Prime Minister Modi's expressed and demonstrated interest in strong US-India relations. Unlike divergences between the current two US presidential candidates on a host of foreign policy issues and in particular relations with the Asia-Pacific, statements and indications by the Clinton and Trump campaigns suggest a strong commitment to continued improvements in US-India relations. Both party platforms specifically address the importance of India, though it is noteworthy that the Republican platform raises issues about India's commercial openness and the country's treatment of religious minorities.

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Economic relations: More trade, more investment, but less agreement

The main achievement of bilateral economic relations during this period has been to lift trade and investment issues to the Cabinet level for regular discussion in the form of the Strategic and Commercial Dialogue. While India and the US have been conducting a strategic dialogue since 2010, the addition of commercial elements to this dialogue is intended to facilitate outstanding trade and investment problems. Symbolically, the new dialogue structure parallels the US-China Strategic and Economic Dialogue (S&ED), but for an economic relationship roughly one-sixth the size as one analyst pointed out. Despite the new structure and many high-level visits, progress on resolving trade and investment challenges was minimal, although the overall level of trade and investment continued to grow. US Ambassador Richard Verma [told](#) an Atlantic Council audience this June that “bilateral trade continues to grow, reaching a record \$107 billion dollars in 2015. This is more than three times bigger than it was only 10 years ago ... [and] U.S. bilateral investment to India has grown from a mere \$8.5 billion dollars in 2005 to over \$35 billion dollars last year.” Travel for business, education, and tourism is an especially bright spot with the June 2016 joint statement by President Obama and Prime Minister Modi noting “more than 1 million travelers from India to the United States in 2015.” With an MOU for Development of an International Expedited Traveler Initiative (i.e., Global Entry Program) already in place, travel between the two countries could be further facilitated and promote additional business.

In June, Finance Minister Arun Jaitley travelled to Washington and New York following the release in late April of an annual US Trade Representative’s office report listing India, along with 12 other countries, on its priority watch list for weak rules on copyright protections, trade secrets, and intellectual property violations. For his part, Jaitley raised India’s complaints about a Totalization Agreement. Completion of such an accord would allow Indians working in the United States to avoid double taxation on social security. A Bilateral Investment Treaty (BIT) was also discussed.

However, as the September 2015 S&CD in Washington exhibited, there is a lack of progress on a range of economic issues. For example, there was no resolution of differences regarding a Totalization Agreement, only a statement “acknowledging” discussions, “welcoming” the exchange of information on their respective social security systems, and “looking forward” to further engagement. The BIT went unmentioned in the joint statement, although a month later in October at the 9th round of the Trade Policy Forum (TPF), co-chaired by India’s Commerce Minister Nirmala Sitharaman and US Trade Representative Michael Froman, drafts of a BIT were reportedly exchanged with Sitharaman being quoted as saying “In fact, they wanted us to have a detailed talk on it. The investment treaty is awaiting Cabinet clearance. Draft copies (of BIT) was [sic] exchanged.”

Even US recognition in the January 2015 *Joint Vision for the Asia-Pacific and Indian Ocean Region*, issued during President Obama’s visit, of India’s “interest” in joining APEC (itself a fairly cost-free and anodyne form of convergence) went unmentioned in the statement following the first-ever S&CD in September 2015. And a week later, when Obama and Prime Minister Modi held a joint press conference in New York, only Modi mentioned an interest in working with the US on India’s membership in APEC. There was no such expression from the US side.

Only in the June 2016 joint statement during Prime Minister Modi's visit to Washington was there a declaration that "The United States welcomes India's interest in joining the Asia Pacific Economic Cooperation forum, as India is a dynamic part of the Asian economy."

The need to take steps to increase trade formed a drumbeat during the period under review. In the June 2016 joint statement, the two sides noted that "[i]n order to substantially increase bilateral trade ... [they would] explore new opportunities to break down barriers to the movement of goods and services, and support deeper integration into global supply chains...." By the late summer, on the eve of the second Strategic and Commercial Dialogue on Aug. 31, the mood among many experts was bleak, with one careful analyst writing an article entitled "Nearing a Dead End on the path to U.S.-India Trade Cooperation." He noted that despite some Indian interest in APEC, the US side was "cool" to the idea given the lack of commitment by India to a "pro-trade mindset." He claimed that on the BIT, "due to changes in our respective model treaties, we are actually further from a deal than when we first announced our intention to start negotiations eight years ago." Meanwhile, US National Association of Manufacturers Director of International Business Policy Ryan Ong wrote that, "Talk alone will not grow bilateral trade opportunities – and holding a dialogue cannot be the benchmark for the success of the relationship." And as critics worried, in fact, the second S&CD held in Delhi on Aug. 31, 2016 produced very little progress. There was no mention of the BIT; no mention of APEC. And the two sides merely "resolved to continue their engagement" on a bilateral totalization agreement.

Defense and security relations: moving forward on multiple fronts

Developments on the defense and security side of the US-India relationship have a much more positive tone and there are some important, hard-fought concrete advances.

In early June 2015, Secretary of Defense Ashton [Carter visited India](#) on his way back from attending the Shangri-La Dialogue in Singapore – his first trip to India since becoming defense secretary in February. He began with a stop at India's Eastern Naval Command headquartered at Vishakhapatnam, the first visit to an operating Indian military command by a US defense secretary, which also included a visit to the "indigenous stealth frigate, *INS Sahyadri*." Carter set the tone before arriving in India, telling an audience in Singapore "And there's also a technological handshake: [the US and India are] moving toward deeper and more diverse defense co-development and co-production, including on aircraft carrier design and construction." The main deliverable of the visit was the signing of the 2015 Framework for the U.S.-India Defense Relationship that extends for 10 years an earlier agreement signed in 2005. The agreement is intended to guide defense relations for the next decade through mechanisms such as strategic dialogues, military exchanges, and "strengthening of defense capabilities." The two sides also agreed to "project arrangements" to take forward two of the "pathfinder" projects (for a portable electric hybrid field generator and a chem-bio protective suit) announced during President Obama's January 2015 visit for India's Republic Day. They also agreed to "expedite discussions to take forward cooperation on jet engines and aircraft carrier design and construction."

In December 2015, India's Defense Minister Manohar Parrikar traveled to the US, including the first-ever visit by an Indian defense minister to US Pacific Command headquarters. He also joined Secretary Carter in observing flight operations aboard the aircraft carrier *USS Dwight D.*

Eisenhower. A joint statement of the visit highlighted “positive discussions” regarding the Joint Working Group on Aircraft Carrier Technology Cooperation (JWGACTC), which is working on, among other issues, “aircraft launch and recovery equipment (ALRE).” It was also announced that a separate group, the Jet Engine Technology Joint Working Group (JETJWG), had completed its terms of reference. Carter stated that the US had “updated its policy on gas turbine engine technology transfer to India ... [and expressed confidence] that the United States will be able to expand cooperation in production and design of jet engine components.” The two sides also announced the “re-establishment of a working group on humanitarian assistance and disaster relief (HA/DR) cooperation.”

In April 2016, Secretary Carter again traveled to India. He started his visit in Goa including a stop at Indian Naval Base in Karwar and aboard the *INS Vikramaditya* aircraft carrier as well as the *USS Blue Ridge*, which was making port call in Goa. Defense Minister Parrikar told the joint press conference, “It was entirely appropriate that [Secretary Carter and I] visited India’s western shores. Even as we work with the United States to realize the full potential of India’s Act East policy, we also seek a closer partnership with the United States to promote our shared interests in India’s West, especially in the context of the emerging situation in West Asia.” The two sides paid special attention to maritime security, reaffirming their desire to expeditiously conclude a “white shipping” technical arrangement to improve data sharing on commercial shipping traffic, commencing navy-to-navy discussions on submarine safety and anti-submarine warfare, and launching a Maritime Security Dialogue, co-chaired by officials at the joint secretary/assistant secretary-level of the Indian ministries of defense and external affairs and the US departments of defense and state. They also agreed to “initiate two new DTTI [defense trade and technology initiative that supports co-development and co-production] pathfinder projects on digital helmet mounted displays and the joint biological tactical detection system.” Also “[t]hey commended the on-going discussions at the Jet Engine Technology Joint Working Group (JETJWG) and the Joint Working Group on Aircraft Carrier Technology Cooperation (JWGACTC)” and agreed to “deepening consultations on aircraft carrier design and operations and jet engine technology.” Finally, “[t]hey noted the understanding reached to conclude an information exchange annex (IEA) to enhance data and information sharing specific to aircraft carriers.” However, despite almost a decade of discussions, they were only able to report “in principle agreement to conclude a logistics exchange memorandum of agreement, and to continue working toward other facilitating agreements to enhance military cooperation and technology transfer.”

In August 2016, Defense Minister Parrikar again visited Washington. This was the first meeting of the two Cabinet-level defense officials since India had been designated a “Major Defense Partner” during Prime Minister Modi’s June visit to Washington. At the meeting they “welcomed the decision at the DTTI meeting in Delhi in July to broaden its agenda by setting up five new joint working groups on naval systems; air systems; intelligence, surveillance and reconnaissance; chemical and biological protection; and other systems. They also noted the signing of an information exchange annex under the framework of the Aircraft Carrier Joint Working Group.” But the highlight was the signing, after roughly a decade of negotiations, of a logistics exchange memorandum of agreement (LEMOA) that is expected to facilitate cooperation between the two militaries. However, there was no mention in the joint statement about progress on two other “foundational” agreements: the Communication and Information

Security Memorandum of Agreement (CISMOA) and the Basic Exchange and Cooperation Agreement (BECA).

In addition to the defense minister visits, there were other military exchanges and equipment sales. In mid-May 2015, Air Chief Marshal Arup Raha visited the US, including PACOM headquarters, for five days primarily to discuss Air Force cooperation such as the *Red Flag* exercise that took place later in April-May 2016 in Alaska. He also made a call on PACOM headquarters. The 11th iteration of the India-US combined military training exercise *Yudh Abhyas* took place in September 2105 at Joint Base Lewis-McChord, USA. Also in September, the two countries agreed to a major deal for India to purchase 22 *Apache* helicopters and 15 *Chinooks* worth \$2.5 billion. Defense Minister Parrikar told Parliament that delivery of the *Apaches* is scheduled to commence from July 2019 and will be completed by March 2020. The delivery of *Chinook* helicopters will start from March 2019 and will be completed by March 2020. In May 2016, India and the US launched their first maritime security dialogue with discussions centering on strategic maritime security issues and maritime challenges in the Asia-Pacific region, a US Embassy statement said. Security cooperation in space has also been put on the US agenda. Assistant Secretary, Bureau of Arms Control, Verification and Compliance Frank Rose, in India in February 2016 for the second bilateral Space Security Dialogue, identified an SSA arrangement, which he described as “a foundational capability for spaceflight safety and preventing collisions in space” as the US priority with India.

Civil nuclear cooperation: progress at last?

The long-running effort to move forward with implementing civilian nuclear cooperation has been slow, but appears to have made some progress. As [one analyst noted](#), during Prime Minister Modi’s September 2015 US visit “[c]ommercial civil nuclear cooperation [did] not appear in the joint statement, the commercial and trade cooperation fact sheet, or the energy, climate, environment, and science cooperation document, either.” However, on Dec. 30, 2015, Modi’s office put out a recap of all the progress on civilian nuclear cooperation achieved during his administration, including with the US.

During Prime Minister Modi’s June 2016 visit to the US, the progress was spelled out fully in the joint statement: “The steps that the two Governments have taken in the last two years through the U.S.-India Contact Group, including by addressing the nuclear liability issue, inter alia, through India’s ratification of the Convention on Supplementary Compensation for Nuclear Damage, have laid a strong foundation for a long-term partnership between U.S. and Indian companies for building nuclear power plants in India. Culminating a decade of partnership on civil nuclear issues, the leaders welcomed the start of preparatory work on site in India for six AP 1000 reactors to be built by Westinghouse and noted the intention of India and the US Export-Import Bank to work together toward a competitive financing package for the project. Once completed, the project would be among the largest of its kind, fulfilling the promise of the US-India civil nuclear agreement and demonstrating a shared commitment to meet India’s growing energy needs while reducing reliance on fossil fuels. Both sides welcomed the announcement by the Nuclear Power Corporation of India Ltd, and Westinghouse that engineering and site design work will begin immediately and the two sides will work toward finalizing the contractual arrangements by June 2017.”

Terrorism

Terrorism has been an ongoing but difficult issue in US-India relations – primarily due to US and Indian divergences on how to address terrorism from Pakistan. In the period under review, terrorism again rose higher on the agenda with the two sides issuing a stand-alone joint declaration on terrorism during the inaugural Strategic and Commercial Dialogue in September 2015. The declaration specifically cites groups beyond Al-Qaeda and its affiliates to include “Lashkar-e-Tayibba, Jaish-e-Mohammad, D Company, and the Haqqani Network, and other regional groups that seek to undermine stability in South Asia.” Separate mention is also made in the declaration of the threat posed by ISIL. It also “call[s] for Pakistan to bring to justice the perpetrators of the 2008 Mumbai attack” and “strongly condemn[s]” two specific terrorist attacks in Gurdaspur and Udhampur, India. The declaration also notes the “continuing efforts to finalize a bilateral agreement to expand intelligence sharing and terrorist watch-list information.”

However, despite this joint declaration, the gaps between India and the US on terrorism persist not only regarding the matter of Pakistan, but on broader issues. For example, as Alyssa Ayres of the Council on Foreign Relations has [noted](#), when Secretary Kerry was asked at the press conference following the issuing of the joint declaration he made no reference to India “a reminder that despite deepening Indo-U.S. partnership in some parts of the world, that cooperation isn’t happening yet in some of the hottest hot spots for U.S. foreign policy.” On the other hand, when Under Secretary for Civilian Security, Democracy, and Human Rights Sarah Sewall gave a speech in New Delhi on Jan. 13, 2016 on the subject of “Democratic Values and Violent Extremism,” she appeared to reach out to India for cooperation saying “So let us show the world that, as we bring justice to extremist groups like ISIL, we can prevent the next generation of threat from emerging by empowering our communities, embracing our diversity, and staying true to our common values.” It was striking to give this speech in India and not mention other groups about which India has far greater concerns than ISIL and which were specifically included in the joint declaration on terrorism issued three months previously.

Conclusion

The US-India relationship in the first two years of Prime Minister Modi’s administration and the last two years of President Obama’s might be described as a glass half full. Of the two major components of the relationship, economic and defense, the latter certainly is making steady forward progress measured by arms sales, military exercises, and agreements on key issues. However, while formal agreements have eluded key issues in bilateral economic ties such as a Totalization Agreement or BIT, the economic relationship is not unhealthy so much as unfulfilled – with trade and investment continuing to grow but not nearly at the levels they could or should be. Still, one cannot ignore that there are vast differences between the US and India regarding Pakistan and terrorism, Afghanistan, and even on climate change despite their agreements in Paris. “Convergence” has become a more often used term in official discussions of the relationship, though it is far too early to say that convergence has actually occurred though even introducing it as an aspect or objective of US-India relations should suggest how far relations have come. Moreover, whether the “hesitations of history” have fully been overcome remains to be seen.

On matters relating to the Asia-Pacific region, the two countries share more commonalities. For example, they have increasingly overlapping partners such as Vietnam, Philippines, Japan, and Australia. The US-Japan-India trilateral *Malabar naval* exercises appear to have taken hold with India's external affairs minister finally describing them as *trilateral* exercises after considerable resistance within the Indian establishment, which has seen military exercises only in bilateral terms. And the US-Japan-India Trilateral Dialogue continues, with the most recent one held in Tokyo in June. So too does the US-India consultations on East Asia, which were most recently co-led on the US side by Assistant Secretary for South and Central Asia Nisha Biswal and Assistant Secretary for East Asia and the Pacific Danny Russel. And the Australian dimension of US-India ties is evident in the fact that Assistant Secretary Biswal also travelled to Canberra and Sydney in June to "meet with officials from the government of Australia and regional experts to share perspectives on the future of the Indo-Pacific region." India, Japan, and Australia already have a trilateral mechanism of their own. US-India cooperation in the "east" cannot compensate for divergences on other issues or surmount totally the "hesitations of history," but they form part of broader improvement in relations that kept pace over the past two years.

Chronology of India-East Asia Relations **March 2015 – August 2016**

June 20, 2015: Indian Finance Minister Arun Jaitley visits the United States for consultations.

June 29, 2015: Deputy Secretary of State Antony Blinken hosts Indian Foreign Secretary S. Jaishankar and Ambassador Arun K. Singh for a working lunch.

Sept. 22, 2015: US and India hold the inaugural Strategic and Commercial Dialogue.

Sept. 23-28, 2015: Prime Minister Narendra Modi visits the United States, including visits to Silicon Valley, California and New York City. His visit focuses on United Nations General Assembly meetings and outreach to the Indian-American community and US business leaders.

Nov. 10, 2015: President Barack Obama and Prime Minister Modi initiate use of the "hotline" they agreed to establish during Obama's 2015 visit to India.

Dec. 7-10, 2015: India's Defence Minister Manohar Parrikar visits the US.

Dec. 8, 2015: Deputy Secretary of State Blinken travels to India and delivers speech on global order at Brookings India.

Jan. 7-9, 2015: Adm. Scott Swift, commander, US Pacific Fleet, visits New Delhi.

Feb. 22-24, 2016: Assistant Secretary for Arms Control, Verification and Compliance Frank Rose visits India for the second US-India Space Security Dialogue and delivers keynote remarks at the Observer Research Foundation Conference.

March 6-9, 2016: Foreign Secretary S. Jaishankar visits Washington DC to review bilateral relations and prepare for India's participation in the Nuclear Security Summit later in the month.

March 30, 2016: Indian National Security Advisor Ajit Doval discusses the upcoming Nuclear Security Summit and terrorism with Secretary of State John Kerry and National Security Advisor Rice in Washington.

March 31-April 1, 2016: Prime Minister Modi attends the fourth Nuclear Security Summit in Washington DC.

April 5-8, 2016: Chief of Army Staff (COAS) Gen. Dalbir Singh visits the United States with stops at Central Command (CENTCOM), Special Operations Command (SOCOM), I Corps Headquarters and Maneuver Centre of Excellence (MCoE).

April 14, 2016: India's Finance Minister Shri Arun Jaitley co-chairs the Sixth Annual US-India Economic and Financial Partnership (EFP) with US Treasury Secretary Jacob Lew in the US.

April 10-13, 2016: US Secretary of Defense Ashton Carter visits India.

April 28-30, 2016: Foreign Secretary Jaishankar meets US National Security Adviser Susan Rice in Washington to discuss climate change and defense and Deputy Secretary of State Blinken to discuss civil-nuclear relationships.

May 14, 2016: Under Secretary Rose Gottemoeller leads US Delegation to the US-India Strategic Security Dialogue in New Delhi. This annual dialogue includes discussion of regional and bilateral security issues, arms control, and nonproliferation.

May 17, 2016: India and the US hold their first maritime security dialogue.

June 7-9, 2016: Prime Minister Modi visits Washington and addresses joint session of Congress.

June 19-21, 2016: Assistant Secretary of State for South and Central Asian Affairs Nisha Biswal and Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel travel to Japan for the US-Japan-India Trilateral Dialogue and the Ninth US – India Consultations on East Asia.

June 12, 2016: US Chief of Naval Operations Adm. John Richardson visits India.

June 30, 2016: Indian Navy ship *Satpura* arrives in Hawaii for the *Rim of the Pacific* (RIMPAC) military exercise.

Aug. 29-31, 2016: India's Defense Minister Manohar Parrikar visits the US.