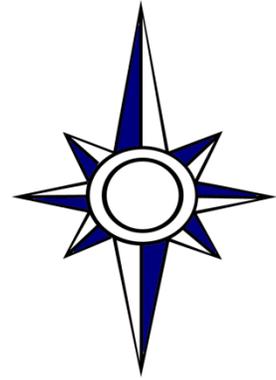


Comparative Connections

A Triannual E-Journal on East Asian Bilateral Relations



Satu Limaye
East-West Center

India-US Relations: Seeking to Sustain the New Normal

The tenor of US-India relations in 2013 were similar to that articulated by then Secretary of State Hillary Clinton in 2012 when she spoke of the need for “daily, weekly, monthly collaboration” rather than dramatic breakthroughs. In a February 2013 visit to Washington, Foreign Secretary Ranjan Mathai, speaking at the Carnegie Endowment for International Peace, echoed these comments saying “the evolution of our relationship cannot be conducted in fitful leaps, from one transformative moment to another. Instead, we must recognize that the process of drawing us closer together will need consistent attention, regular consultation, regular cooperation, and continued high level engagement.” He argued that the bilateral relationship has reached a “new normal” in which consultation has become a habit. In a briefing prior to Prime Minister Singh’s September 2013 visit to Washington for a meeting with President Obama, Indian Foreign Secretary Sujata Singh boasted that the upcoming “working visit ... is intended to signal that the relationship has reached a stage of maturity.” For its part, the Obama administration continued to hail the relationship as a defining partnership. There were about 60 official visits during the year and about 35 different dialogues, working and consultation mechanisms to move the relationship forward. The areas of discussion and action covered commercial ties including trade and investment, defense relations, a special focus on Afghanistan, and broad consultation on Asia-Pacific and global issues. While the Dec. 12 arrest and alleged mistreatment of India’s Deputy Consul General in New York Devyani Khobragade led to a wave of anti-US protests around India and harsh statements from Indian officials and politicians, this late-breaking and still ongoing case did not reflect overall relations. However, it does raise questions as to how a wide-ranging US-India relationship can be buffeted by such an unexpected development and how quickly and fully relations can adjust afterward.

Economic relations

Though bilateral US-India trade and investment figures continue to grow (with two-way goods and services trade topping \$100 billion and two-way foreign direct investment (FDI) nearing \$30 billion—with particularly strong FDI growth from India into the United States), mutual frustrations about commercial relations were acute throughout the year. These frustrations exist amidst a significant slowdown in Indian economic growth and steadily but slowly accelerating US economic growth rate. An example of the US frustrations were contained in a letter signed by a bipartisan group of 40 US senators prior to Secretary of State John Kerry’s visit to India in June, but reflected discontent that was addressed throughout the year. The letter cited “India’s discriminatory trade and economic practices” and specifically “actions to force the local production of certain information technology and clean energy equipment and to deny, break or revoke patents for nearly a dozen lifesaving medications risk undermining our broader

partnership.” Subsequently, a House-Senate group asked the US International Trade Commission to launch a study of Indian trade practices and to report back to Congress by Nov. 30, 2014. Meanwhile, a multi-party delegation of Indian parliamentarians visited the US to discuss comprehensive immigration reform plans in the US and the possible impact on the issuance of visas for Indian high-technology sector workers. In fact, over the course of the year, few of the critical issues were resolved and there is little hope that resolution can occur as both countries gear toward elections in 2014. Essentially, each side reiterated the steps taken, defended the conditions that prevail, and promised to set up new mechanisms (e.g., Joint Committee on Investments in Manufacturing) to try and address problems. But fundamental issues such as market barriers, bilateral investment treaty talks, implications of immigration reform on visas, and the absence of a totalization agreement were not overcome. Still, despite a quite shrill exchange on commercial relations, the overall trajectory of the economic relationship is upward as seen in the trade and investment figures; it is the gap between what is and what could be that continues to burden the relationship – and not just in the economic realm.

At the beginning of the year, Indian Foreign Secretary Mathai put up a spirited defense of his country’s economic reforms saying that a range of reform measures have been taken to make India a more attractive investment destination including “significant openings in single and multi-brand retail, aviation and the financial sector.” He urged US businesses to test the waters and take a plunge in a market he asserted was consistently profitable – even alluding to an academic study that no multinational had lost money in India! But even Mathai acknowledged “we hear from our U.S. partners that there are still elements on which clarity is awaited, at least in terms of new policies in force.” In other words, for all the pronouncements, India has yet to actually implement and enforce decisions. He also tried to justify India’s procurement policy restrictions on the basis that they are necessary to promote the country’s industrial growth, which is in turn essential to creating jobs for India’s large youthful and underemployed population. But in a reflection of underlying Indian sensitivities about economic nationalism and focus on internal development, he remarked that “the process of reform and policy change is most sustainable when it is recognized that the policy measures India is taking lie in its own interests. We will do what we need to do for our own sake; however, it should be recognized that what we do will naturally create benefit for our partners.”

Notwithstanding the spirited defense of Indian policies, US officials and the US business community clearly did not feel any sense of relief. In a briefing prior to Secretary of State John Kerry’s visit to India in June for the 4th US-India Strategic Dialogue a senior US official reiterated “concerns on the part of the American business community about some obstacles to trade,... things like intellectual property protection, local content restrictions, continued restrictions on foreign direct investment, taxation problems.” At the conclusion of the talks, in a joint press appearance with Indian External Affairs Minister Salman Khurshid, Kerry put a positive spin on the discussions in this area, saying “We talked about commercial enterprises and we talked about some of the impediments to joint investment and to foreign investment. And we were reassured, certainly from our part, that India is taking important steps to try to address each of those concerns, and that we are committed to taking steps to address the concerns of our friends in India.... We can break down trade and investment barriers, and I was particularly appreciative of the productive discussion that we had on those issues.” Major Indian complaints and concerns about US policies center around possible restrictions as a result of pending

immigration reform on visas for high-skilled Indian workers and the absence of a “totalization agreement” that affects the taxes paid by Indian expatriate workers in the US. India has similar agreements with other G8 countries, including most recently with Canada.

Prior to the President Obama-Prime Minister Singh meeting in September, Indian Foreign Secretary Sujata Singh noted that “Both sides are working at a senior official level to address issues of concern on each side, in areas ranging from manufacturing, trade, investment, innovation as well as with regard to issues relating to non-immigrant visas for our highly skilled IT and ITES workers.” In the event, the joint statement issued at the conclusion of talks noted that there were “no insurmountable impediments to bilateral trade increasing an additional fivefold,” the two sides “reaffirmed their commitment to concluding a high-standard Bilateral Investment Treaty [discussions that have been ongoing since 2007 with very little forward progress],” they “welcomed progress towards increased engagement by experts from both governments for expeditious progress to address all trade and investment policy issues of bilateral concern so as to remove obstacles and improve the business environment in both countries,” and “agreed to consider establishing a Joint Committee on Investment in Manufacturing.” Given the multiple existing mechanisms for handling a range of commercial, trade, investment and financial interactions, it is difficult to conclude that such a new joint committee will be able to resolve longstanding mutual grievances.

It is worth noting that the two countries have little interaction in the context of wider trading arrangements and have barely managed to avoid derailing each other’s global trade efforts. The US is pursuing both the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) while India is pursuing Comprehensive Economic Cooperation Agreements with ASEAN, Singapore, Japan, and Korea as well as a dialogue with Europe. As is well known, the two countries have had significant differences over the years on global trade including the Doha Round of global trade talks. While there were many other issues that almost derailed the talks including Cuban insistence on loosening of US sanctions, the Dec. 6 agreement in Bali came about at least in part because the WTO was able to finesse Indian resistance to any restrictions on subsidies to farmers on the grounds of “food security.”

Defense cooperation in US-India relations

There were no major defense agreements, decisions, or activities between the US and India in 2013. Throughout the year there were discussions on both sides about how to build on the progress of the past decade. Indeed, the much-remarked \$9 billion in US arms sales to India has become something of an inside policy joke acknowledging both the significant progress made and yet the sense of being “stuck” at this number. As Indian Foreign Secretary Mathai stated in February, while bilateral defense trade in the past was “flat as a chapatti [a thin Indian flatbread], there is today nearly \$9 billion in bilateral defense trade. I dined out on this figure when I spoke in Washington last year also. But it will grow over time; it will assuredly not be stuck like the chapatti jokes.”

While the 2005 New Framework Agreement is still in place to provide the full vision of possible defense cooperation, Washington and New Delhi did agree to a new Joint Declaration on Defense Cooperation in the wake of the President Obama-Prime Minister Singh meeting in

September. The joint declaration articulated four principles for fulfilling the vision set forth in the New Framework Agreement. These principles include “plac[ing] each other at the same level as their closest partners” for the purposes of “defense technology transfer, trade, research, co-development and co-production for defense articles and services, including the most advanced and sophisticated technology.” A second principle is that the “U.S. continues to fully support India’s full membership in the four international export control regimes, which would further facilitate technology sharing.” A third principle is a pledge to “continue [bilateral] efforts to strengthen mutual understanding of their respective procurement systems and approval processes, and to address process-related difficulties in defense trade, technology transfer and collaboration.” Finally, the two sides agreed to “look forward to the identification of specific opportunities for cooperative and collaborative projects in advanced defense technologies and systems, within the next year.” At least in the public domain it is not possible to fully appreciate how these principles and commitments advance concrete elements of the bilateral defense relationship because all four echo earlier formulations and commitments by both countries. It will be worth watching if 2014 indeed brings forth any specific opportunity for cooperative and collaborative projects.

Meanwhile, operational cooperation in the form of exercises continues between the two militaries. In 2013, two highlights were the 11th annual *Malabar* naval exercises in the Bay of Bengal and the May *Yudh Habyas* army exercise held at Fort Bragg, North Carolina between the Indian Army’s 99th Mountain Brigade and the US 1st Brigade Combat Team, 82nd Airborne Division, among other units. There has been much talk about the number of exercises that the two militaries hold together, and especially the navy-to-navy interactions. There are indications that at least the joint naval exercises have been steadily building to deeper coordinated operations. In a July 19 press conference, for example, Chief of Naval Operations Adm. Jonathan Greenart responded to a question about the *Malabar* exercise by saying “First, our exercise program with India is – the culmination is an exercise called *Malabar*. And that exercise has gone from two ships going by doing flashing light and lifting flags, probably about a decade ago, to coordinated operations, carrier air wing and carrier air wing and under sea. And that’s when – that’s when you hit the big time, when you can work with a partner under the water and ensure yourself – you’re not going to run into each other, and we are at that level with the Indian navy.”

In 2014, India will also be participating for the first time in US Pacific Command’s *Rim of the Pacific (RIMPAC)* naval exercise. Whether any new lines of cooperation emanate from that engagement remain to be seen.

Civil nuclear cooperation

2013 saw no major advances on civil nuclear cooperation between the US and India. Disagreement on the liability and compensation caps in the case of accidents remains unresolved. It was reported last year that Westinghouse and the Nuclear Power Corporation of India are engaged in commercial negotiations to build a power plant in Gujarat state. That project continues to move ahead with the signing of a Preliminary Contract. The Joint Statement issued by President Obama and Prime Minister Singh also urged another company, General Electric-Hitachi, to move forward with work to establish other projects and reaffirmed “commitment to the full and timely implementation of the India-US Civil Nuclear Cooperation Agreement.” By

all indications, however, there is little prospect, especially in an upcoming Indian election year, that the Indian liability law will be changed to accommodate US commercial interests in limits on liability in the event of a nuclear accident. Under these circumstances, it is likely interested commercial parties will continue to seek agreements and frameworks for cooperation that can be implemented as business interests merit and policy environments permit.

Afghanistan in US-India Relations

As the planned withdrawal of US combat forces and International Security Assistance Forces from Afghanistan approaches (expected at the end of 2014), the US and India have created a new trilateral (US-India-Afghanistan) mechanism to discuss post-2014 arrangements as well as intensified bilateral discussions. The first meeting of the trilateral mechanism was in September 2012 but two additional meetings – in February and September – were held during 2013.

The situation on the ground in that country, especially in domestic Afghan politics, as well as bilateral US-Afghan discussions on post-2014 relations are fluid, making US-India or any multi-country coordination complicated. Still, there were indications that at least the Indians are not entirely satisfied with the discussions. Foreign Secretary Mathai told a Washington audience in February that Afghanistan is “an area in which there is greater need for us to be absolutely frank with each other.” While both the US and India view their policies as essentially sharing objectives in a democratic, reconstructed, regionally-connected, trade and investment-oriented country that does not serve as a base for terrorism, there are clearly different views on how to achieve such (admittedly) grandiose goals. The core difference between Washington and New Delhi is whether an Afghan political reconciliation process should include the Taliban. The US position is that the political reconciliation process is Afghan-led and therefore the participants must be left to that country, whereas the Indian position focuses on “red-lines” that essentially exclude any “militant” parties based on the assessment that there is no distinction among them. As Foreign Secretary Mathai pointedly explained in a February speech in Washington:

Internationally-accepted red lines must be respected in whatever reconciliation models are being considered. So also, actions in support of the political transition should not undermine Afghan institutions of governance. We all need a credible government after 2014 as well. But most of all, we are yet to see any evidence that supports the notion of a dividing line separating Al Qaeda from other terrorist and extremist groups, or indeed, that these groups and those who support them have either had an epiphany or made a strategic reassessment of their objectives. To us, it makes little sense to draw lines of distinction that most of these groups or their sponsors are themselves not prepared to do, either in word or deed.

During Secretary Kerry’s visit to New Delhi for the fourth round of the US-India Strategic Dialogue, he reiterated the US position that it was up to Afghanistan to decide which parties should be included in a national political reconciliation process. As he explained:

“So this is an Afghan-led process, and it is an Afghan-led process that will only negotiate under certain conditions. Thus far, those conditions have not yet been met, so there is no negotiation at this point. If the conditions are met, then there is a negotiation

that will take place not with the United States, but with the High Peace Council of Afghanistan. And one of the requirements, or many of the requirements are that the constitution of Afghanistan be respected, that they not affiliate or associate themselves – in fact, disassociate themselves from al-Qaida and from violence, and that the rights of women and minority rights will be respected going forward.”

There is no public evidence that the US and Indian positions got any closer over the year. The [Joint Statement issued during Prime Minister Singh's September visit to Washington](#) simply reiterated both countries' support for a “smooth security and political transition” and acknowledged that “extremists continue to pose challenges to Afghanistan's security and stability...” Developments regarding Afghanistan in 2014 will be of great significance to the US-India relationship.

US-India differences regarding Afghanistan are to some extent a stand in for other issues in the relationship that are more fundamental to building bilateral ties. The “core” difference of whether to allow Taliban to participate in Afghanistan's future reconciliation talks and possibly government, reflect Indian concerns that the US continues to distinguish among militant groups when Indian considers all such Islamic groups to be part of a continuum and to a greater or lesser extent susceptible to Pakistani manipulation. US withdrawal from Afghanistan after the Soviet withdrawal led to a decade-long Pakistan-backed insurgency in Kashmir and Indians fear such a situation again. For the US on the other hand, an exit from Afghanistan that precludes the country from again serving as a launch pad of attacks against the US is critical. In all of this, US and Indian differences about what can be expected from Pakistan in the new Afghanistan threaten to further complicate US-India relations.

The US-India relationship and Asia

Speaking to the Carnegie Endowment for International Peace in early 2013, Indian Foreign Secretary Mathai stated that “India does not harbour misgivings over [US] re-engaging – or rebalancing, or indeed, pivoting – towards Asia” because “it synchronizes with India's own enhanced engagement with our extended neighbourhood.” From the US perspective, Acting Assistant Secretary of State for East Asia and the Pacific Joseph Yun provided a detailed official perspective on India's role in East Asia to the Subcommittee on the Asia and Pacific of the House Committee on Foreign Affairs in February. The basic message of the US government in this and other statements is that it is critical to connect India to East Asia, and especially Southeast Asia. Recently, US officials have spoken about an Indo-Pacific Economic Corridor and they have particularly sought to work with India on infrastructure cooperation with Myanmar. It is worth noting that in late 2013 India announced a decision to provide \$350 million in financing for irrigation and railways infrastructure in that country.

Throughout 2013, US officials spoke more frequently about the Indo-Pacific economic corridor and how the linkage between India and Southeast Asia is an element of US regional strategy. For example, in a speech to the University of California at Berkeley, Assistant Secretary of State for South and Central Asia Robert Blake noted that “In the past year alone, trade between India and the countries of Southeast Asia increased by 37 percent. This emerging Indo-Pacific Economic Corridor is a boon for the region; at the same time, it also provides our economy with potential

new markets. Linkages across the rapidly expanding economies of South Asia with those of Southeast Asia will both accelerate economic development and strengthen regional stability, while helping unlock and expand markets for American goods and services.”

Foreign Secretary Singh also hinted at a new regional dialogue on the Indian Ocean saying “We look to consolidate and build upon such dialogues [existing ones on Central Asia, West Asia and the Asia Pacific], including on the Indian Ocean region.”

Conclusion and 2014 preview

2013 was a year of at best “treading water” in US-India relations. The December spectacle surrounding the arrest of an Indian consular official and more importantly the responses to the arrest are a sign that despite progress in the bilateral relationship (e.g., “habits of consultation,” regularized senior official visits, expanded subjects of discussion and multiple mechanisms for dialogue) sensitivities are not far below the surface. The arrest of a mid-ranking diplomat for falsifying visa documents for a maid by itself does not explain the continued anger in India. Rather, the reports that the official was handcuffed, strip-searched, and held in a cell with common criminals seem to be the main cause of outrage. Indeed, India’s National Security Advisor called the treatment (not the arrest) “despicable” and “barbaric.” There is no doubt that the incident was badly handled on all sides but the event underscores deeper troubling sensitivities. India, which has faced a year of attention for rapes and mistreatment of Indian women is now able to point out mistreatment of one of its own by a foreign country – the US no less. The friction over commercial relations, particularly acute in a year in which India’s boom has flattened considerably, likely plays a role. More fundamentally, the sense that India is no longer “special” and the center of a major US wooing effort must be galling to a country that has found itself cast over the past several years as a rising power on the cusp of a new relationship with the US. The transition from “transformative moments” such as the US-Indian nuclear deal to the daily work of managing and moving the US-India relationship forward may be more difficult to accept than many think.

In 2014, barring any major surprises, the relationship will likely be focused on reestablishing a diplomatic dialogue after the events of December 2013. The outlook will be influenced by the planned US withdrawal from Afghanistan and the shakeout from India’s elections – particularly if the opposition is able to form a government under the leadership of Narendra Modi, who is currently barred from visiting the US. If slower Indian economic growth persists, there may be additional burdens on the US-India relationship. Another issue that merits careful watching is how India-Pakistan relations develop under the government of Prime Minister Nawaz Sharif and the new Indian prime minister. Secretary Kerry specifically referenced this issue during his June visit to New Delhi. Overall, however, barring some unexpected development, US-India relations are likely to settle into a pattern of the “new normal” as both countries move through elections (mid-terms in the US and general elections in India).

Chronology of India-US Relations

January – December 2013

Jan. 26-31, 2013: US Under Secretary for Economic Growth, Energy, and the Environment Robert Hormats visits India for consultations.

Feb. 5-7, 2013: Under Secretary of State for Public Diplomacy and Public Affairs Tara Sonenshine travels to India.

Feb. 20-22, 2013: Indian Foreign Secretary Ranjan Mathai visits the US and meets Secretary of State John Kerry.

May 3-17, 2013: *Yudh Abhyas*, the annual bilateral US-Indian Army training exercise is held at Fort Bragg, North Carolina.

May 19-22, 2013: India's Union Home Minister Shri Sushilkumar Shinde visits Washington for the second round of the Homeland Security Dialogue hosted by Secretary for Homeland Security Janet Napolitano. He also meets Attorney General Eric Holder and FBI Director Robert Muller.

May 24-25, 2013: Under Secretary of State Wendy Sherman visits India.

June 4, 2013: Seven members of India's Parliament meet US officials in Washington.

June 23-25, 2013: Secretary Kerry leads a delegation of senior US officials including Secretary of Energy Ernest Moniz and Pacific Command Commander Adm. Samuel Locklear to India for the fourth annual US-India Strategic Dialogue.

June 22-25, 2013: Under Secretary for Public Diplomacy and Public Affairs Sonenshine travels to India to host the second annual US-India Higher Education Dialogue, at which Secretary of State John Kerry delivers opening remarks.

June 25, 2013: Adm. Locklear, commander, US Pacific Command, in India with Secretary of State Kerry for the fourth US-India Strategic Dialogue, calls on Air Chief Marshal NAK Browne, chairman, Chiefs of Staff Committee and chief of the Air Staff at Air Headquarters.

June 27, 2013: Ambassador James Dobbins, special representative for Afghanistan and Pakistan, visits New Delhi for consultations with Indian officials.

July 12, 2013: India's Finance Minister P. Chidambaram, Minister of Commerce Anand Sharma, and Planning Commission Deputy Chairman Montek Ahluwalia visit Washington for the US-India CEO Forum.

July 22-23, 2013: Vice President Joseph Biden becomes the first US vice president to visit India in almost 30 years.

Sept. 25-30, 2013: Prime Minister Manmohan Singh visits the US and meets President Obama.

Nov. 5-11, 2013: Eleventh annual US-India *Malabar* naval exercise is held in the Bay of Bengal.

Dec. 2-5, 2013: Chief of the Indian Army General Bikram Singh visits the US and meets Army Chief of Staff General Ray Odierno.

Dec. 12, 2013: India's Deputy Consul General in New York Devyani Khobragade is arrested for making false declarations on a visa application for her Indian domestic worker and breaking US law by paying her employee below the minimum wage.